THE SURREY WAY

SURREY COUNTY COUNCIL

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2024/25 Draft Budget & Medium-Term Financial Strategy to 2028/29

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 local authority finances, with inherent uncertainty in the planning process and significant pressures identified in relation to both ongoing forecast increases in demand for key services and the impact of the high levels of inflation being experienced nationally. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19 and mitigate its impact on business and individuals, successive increases to interest rates and slow national economic growth. Public finances look to be extremely challenging over the medium term, with Local Government unlikely to be spared the impact. There has been an increase recently in the number of local authorities suggesting they are struggling to meet the statutory requirement to set a balanced budget. 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

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1.6 The 2024/25 Draft Budget Report and Medium-Term Financial Strategy to 2028/29 updates on the progress to deliver a balanced budget for 2024/25. It sets out the steps taken to balance the ongoing ambitions of the council to deliver services for our residents, alongside the challenge of ensuring sustainable and resilient medium-term financial plans in an uncertain political and economic national environment.

1.7 As in previous years, the production of the 2024/25 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 external context 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 2024/25 and the medium-term are aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the increased cost-of-living, ongoing high inflation, continued increasing demand for vital services, the medium-term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

1.8 A strong focus on financial accountability has enabled the Council to improve its financial resilience and the financial management capabilities across the organisation. This has provided a strengthened position, enabling the Council to be ambitious and look to continue to drive improvements and investment in our services. 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. During this period of uncertainty and financial challenge, this stability will not enable us to avoid difficult decisions but will allow us the time and space to make them in a considered and measured way. Being realistic about our ambitions, underpinned by an earned confidence in our ability to deliver efficiencies, will enable us to continue to deliver the Council's priorities.

The financial outlook

1.9 Local Government funding remains highly uncertain, with a number of factors likely to result in changes to our funding position over the medium-term (as set out in section 5).

1.10 The national economic environment influences the level of funding available to Local Authorities. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19 and mitigate its impact on business and individuals. This coupled with successive increases to interest rates and slow national economic growth, has had a damaging effect on the UK economy.

1.11 The Local Government Financial Settlement for the current financial year, provided some strong indicators of the funding that would be made available for 2024/25. Since then, the economic position nationally has remained uncertain with high inflation sustained throughout the period. Many local authorities are highlighting difficulties in balancing the increasing cost of providing services against undefined and limited funding streams. Funding remains unclear beyond 2024/25 with many decisions being postponed past the current parliament and uncertainly highly likely to remain until after the next General Election.

1.12 Despite having some indication of the level of funding available for 2024/25, little has been confirmed. The Autumn Statement, due on 22 November, may provide some insight into potential funding to support local authorities experiencing unprecedented financial challenges. 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 2023, with a final settlement in January 2024. Until this is available, significant uncertainty on funding remains.

1.13 The overall outlook for 2024/25 is a challenging one. While budget envelopes are increasing, in line with projected funded levels, substantial increases in the cost of maintaining current service provision and increased demand result in pressures increasing at a significantly higher rate than forecast funding. These pressures relate to a number of factors occurring simultaneously, namely continued high levels of inflation, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. In addition, the Council continues to see increases in demand for services, particularly within Adults and Childrens' social care and the ongoing impact of increased cost-of-living on residents is expected to further increase demand for key services. There is a national lack of sufficiency in children's social care places which results in extremely high costs. Material uncertainty also remains over the impact of the future Adult Social Care Reform proposals which are anticipated to put additional financial pressures on the Council over the medium term, well in excess of the funding being made available.

1.14 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 seriously.

1.15 Although good progress has been made over the last few months, at the point of publication there remains a provisional budget gap for 2024/25 of £13.5m, driven primarily by high inflation and the need to maintain the delivery of priority services experiencing increasing 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 level of Council Tax raised, will be dependent upon progress in identifying further efficiencies and in part upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.

1.16 The gap in 2024/25 and the following four years is expected to continue to grow, based on current projections, to the order of £245m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing not only on 2024/25, but simultaneously looking to address the medium-term horizon. The Council's SWITCh (Surrey Way Innovation, Transformation & Change) Programme is looking at opportunities in a number of key areas:

- Aligning our skills and capabilities in more effective ways
- Redesigning the customer journeys and entry points in our big demand-led services
- Implementing improved ways of organising our commissioning activity and market shaping to better manage increasing market costs.

Engagement and next steps

1.17 Over the summer of 2023, the council engaged with residents, organisations and Members to inform the draft budget. This is in line with the council's priority objective for Surrey to have empowered and thriving communities to enable more people to participate, engage and have a say in how things are done on matters that impact them and where they live.

1.18 The objectives of this engagement were to gather insight on what the most important priority outcomes were for stakeholders, including residents and organisations, and their views on how the council allocated its financial resources, approaches to balancing the budget and circumstances under which a council tax increase would be supported. A range of methods were used to gather the views of over 1,600 stakeholders across the county.

1.19 Residents wanted the council to prioritise spending on supporting the most vulnerable residents, improving roads and pavements, making the county safer and enhancing public transport. A strong theme that also emerged was residents' desire to do more to tackle the climate emergency.

1.20 Organisations were more likely than residents to suggest the council should prioritise providing care for adults and children that need it most, promoting better health and wellbeing for all residents and enabling greater access to education and skills for all ages. Their view was investing in these areas would prevent future demand for acute services and support financial efficiencies over the longer term.

1.21 Some respondents to the open surveys struggled with the idea of prioritising outcomes among those presented as they felt all of them were important and worthy of equal attention. However, others felt the council had a core set of specialisms that should be prioritised and it should try to do less in some spaces.

1.22 Residents wanted the council to allocate resources to services that all residents benefit from and wanted all parts of the county to benefit. They also wanted the council to focus on spending that meets the future long-term needs of residents, though a significant minority wanted expenditure to focus on resolving current issues. Organisations were more likely to advocate for more targeted spending focused on people in Surrey with the greatest needs, and also supported spending focused on longer-term needs.

1.23 When asked to think about measures to balance the budget, residents were more likely to support approaches involving upskilling council staff to work more effectively with communities and partners, increase the amount of partnership working and giving residents the tools and resources to support others and set and deliver local priorities. They were less likely to support reducing or stopping services to protect others or introducing fees and charges for existing free or subsidised services.

1.24 Residents were asked about the circumstances under which they would support or oppose a council tax increase. They were more likely to support, or least likely to oppose, scenarios where it would be increased to protect spending on services for the most vulnerable residents and where all options to streamline services had been exhausted. The most opposed scenario was where council tax was increased as an alternative to increasing fees and charges.

1.25 Residents were also offered an option to say that they would not support any council tax increase under any circumstances. While some residents supported this option, the majority did not, reflecting a view that there were legitimate circumstances when council tax may need to rise.

1.26 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.

1.27 The results from this engagement work should be considered by Cabinet as it finalises the budget to present to Council in February 2024. Stakeholders have provided a clear set of messages for Members on what they consider to be the most important issues facing Surrey and how the council should prioritise the use of its financial resources.

1.28 If Cabinet agrees this draft budget at its meeting on 28 November 2023, this will signal the start of a new consultation exercise with stakeholders. The purpose of this is to provide residents and organisations with information on key proposals in this draft budget, and seek their views on the financial efficiencies that the council is pursuing. Where further consultation will be required on some of these efficiencies, this will be clearly highlighted.

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

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:

2.4 Our main duty as a council is to deliver high-quality 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 design 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 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.

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3 INNOVATION, TRANSFORMATION & CHANGE

3.1 The Council has 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 'SWITCh' (Surrey Way, Innovation, Transformation and Change) is Surrey County Council's medium to long term portfolio of redesign and transformational change that will enable greater financial sustainability for the Council.

3.3 The portfolio will focus on activity that is cross-cutting in nature and that emphasises the need for services across the council to work together to improve outcomes for Surrey residents whilst reducing costs and making SCC a more efficient organisation. With an emphasis on designing prevention-based services and supporting residents at the earliest possible stage of their customer journey, SWITCh will eventually reduce demand in our critical services.

3.4 Collaboration across directorates with residents, businesses and other partners will be essential to supporting council priorities and facilitating greater innovation and challenging existing ways of delivering services and budget setting.

3.5 SWITCh will deliver against the organisational ambitions set out in Surrey County Council's strategic framework (The Surrey Way) seeking to create the conditions for success through:

- Organising around outcomes and making collaboration easier
- Devolving decisions, and moving service design close to the customer
- Using digital and data and technology to transform how we work
- Creating financial sustainability through activity that is preventative and or commercial in nature

3.6 Strategies for identifying required efficiencies include:

- Aligning our skills and capabilities in more effective ways
- Redesigning the customer journeys and entry points in our big demand-led services
- Implementing improved ways of organising our commissioning activity and market shaping to better manage increasing market costs.

4 SERVICE STRATEGIES

ADULTS, WELLBEING & HEALTH PARTNERSHIPS

Context

4.1 The Directorate's overarching vision is **supporting people to live their best life**, by connecting to their communities, embracing supportive technology, and accessing joined-up support and care when needed, which delivers what matters to them.

Adult Social Care (ASC)

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 pressures significantly exceeding 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 all in the context of the ongoing impacts of the Covid-19 pandemic and the increased cost of living, which are having profound effects on Surrey's residents, social care providers and our health and third sector partners.

4.4 ASC has eight priorities to achieve the overarching vision, these are to focus upon developing a high-quality **prevention** approach, transforming Surrey's **reablement** offer, improving **mental health outcomes** and delivering **accommodation models** to enable people to live as independently as possible. They also emphasise working as an effective and financially sustainable system with our **place-based partners,** improving outcomes for **young people in transition to adulthood**, delivering consistent **strengths-based approaches** and creating the environment for our **staff** to develop, progress their careers and thrive in a diverse and inclusive workplace.

4.5 **The Council is committed to integrating health and social care** in Surrey to improve outcomes for residents, with an emphasis on enhancing preventative services in the community. **Key areas of focus** include **effective joint management of hospital discharge** through robust **discharge to assess** models across Surrey's five acute hospitals, and working with health partners **to improve mental health services** across the county.

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Public Health

4.6 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
- 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 & commissioning of health improvement services for all ages, targeted to those at risk of health inequalities.
- working with partners to protect 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

4.7 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.

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

Current 2023/24 budget position

4.9 At month 6 the Directorate is forecasting a balanced outturn against a budget of £474.8m. There is an underlying £4.1m overspend forecast on the total care package budget due to demand growth in the year and increased costs of care, which is being mitigated by additional grant funding and some underspends outside of the care package budget.

4.10 Growing care package demand is creating pressures that will carry forward into 2024/25. At the end of September, full year care package commitments (the annual cost of all active care packages) were £10.6m above the 2023/24 budget. The 2024/25 Draft Budget assumes that this pressure can be reduced to £10.3m on a full year basis through delivery of efficiencies and other mitigations in the remainder of the year. Achieving this reduction in spending and then holding commitments will be challenging in the context of significant demand pressures.

4.11 In addition to its core budget, the Adults, Wellbeing and Health Partnerships directorate has continued to manage two other important areas of funding:

- The PH service has continued to manage deployment of the remaining £7.4m Contain Management Outbreak Fund (COMF) monies carried forward from 2022/23. This funding is expected to be fully spent on activities to support the recovery from the Covid-19 pandemic, with remaining funds fully spent by 2024/25.
- The directorate has the lead for the deployment of the Mental Health Investment Fund (MHIF), to enable the delivery of the outcomes in Priority Two of Surrey's Health and Wellbeing Strategy. This priority area is focused on prevention, removing barriers, and supporting people to become proactive in improving their emotional health and wellbeing. The total MHIF is £10.5m, comprising £6.5m from SCC and £4m from Surrey Heartlands ICB. To date £8.5m of the funding has been committed on investment approved through agreed MHIF governance, with £2m remaining to be committed.

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Financial pressures

4.12 The Directorate's Draft Budget position includes £46.2m of pressures in 2024/25 relating to Adult Social Care, £248.2m across the MTFS period. These pressures relate to:

- Price inflation for care packages and wider support services of £33.3m in 2024/25, £137.4m 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. This represents the budgeted price inflation pressure before consideration of any price or inflation related efficiencies.
- A budgeted carry forward care package pressure from 2023/24 of £10.3m as set out above.
- Increased demand for care packages in future years across all client groups of £5.3m in 2024/25, £60.3m across the MTFS, including young people who will transition from children's services. This represents the net budgeted demand pressures including expected increases in ASC care package income before consideration of demand management efficiencies.
- ASC's share of the cost of estimated increased demand for community equipment of £0.3m in 2024/25, £2.2m across the MTFS period.
- The creation of a £2m budget for ASC assessed charges bad debt in the context of a significant increase (c. £12m) in billed ASC assessed charges compared to the current 2023/24 budget.
- Pay inflation and other staffing related pressures of £7.2m in 2024/25, £15.2m across the MTFS.
- Budgeted increased Better Care Fund (BCF) income for ASC of £3m in 2024/25 based on 2 year BCF plan approved by Surrey's Health & Wellbeing Board for the period 2023/24 to 2024/25.
- Increased ASC Market Sustainability and Improvement grant funding of £8.1m in 2024/25 which is being used in full towards the cost of budgeted price inflation for ASC providers in 2024/25.
- Increased ASC Discharge grant funding of £1.1m in 2024/25 to support hospital discharge. This funding has to be pooled in Surrey's Better Care Fund alongside discharge funding allocated to Surrey's Integrated Care Boards, and will be used to help fund Discharge to Assess models across Surrey's five acute hospitals.
- The latest estimated mid-point funding gap for the ASC charging reforms of £14m in 2025/26 rising to £33m in 2026/27 calculated prior to the delayed implementation date of October 2025. This remains a high level estimate pending further direction from government about the implementation of the reforms. There is a substantial risk that the pressure could be higher. This is dependent on timing and funding allocations.

4.13 In addition, Surrey's Public Health services continue to operate in a very challenging financial environment. Surrey continues to receive a very low level of PH funding – the fifth 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 modestly in recent 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 councils in 2013/14.

4.14 The Council's PH grant in 2023/24 is £40.9m. £35.7m of this is allocated to fund preventative services commissioned by the PH service and the remaining £5.2m is allocated to services delivered or commissioned by other parts of the council, that contribute to meeting PH outcomes with the remit of the grant criteria.

4.15 PH's latest MTFS proposals include pressures of £1m in 2024/25 and £4.4m across the whole 2023-28 MTFS period. These pressures relate to pay and non-pay inflation for PH contracts. There is a risk that PH contract inflation could be higher than currently budgeted, most notably in relation to NHS Agenda for Change pay rises which impact on several services that PH commission. In recent years the government has provided temporary funding to cover additional in year pressures for NHS Agenda for Change pay rises, but it is unclear if this will continue. As PH grant funding typically increases at a lower rate than the NHS inflator, this leads to ongoing funding gaps for PH services that are subject to NHS inflation. PH leaders continue to lobby government to increase PH funding in line with the NHS inflator. 8

Financial efficiencies

4.16 The Draft Budget position includes efficiencies of £23.5m in 2024/25 relating to Adults Social Care (ASC), £50.1m over the MTFS. The main areas of focus for delivery of efficiencies are:

- Strengths based practice and demand management efficiencies of £2.2m in 2024/25, £21.5m across the MTFS, including redesigning ASC's "front door," maximising digital opportunities including technology enabled care services, maximising the benefit of reablement services and strengths based reviews of people's care. Demand management efficiencies are risk rated "Red" due to the current high level of demand.
- £1.7m in 2024/25, £5.7m across the MTFS driven by moving away from institutionalised models of care to promote people's independence. This includes remodelling learning disability and autism (LD&A) day support services and associated transport, supporting people with LD&A to move from residential care to supported independent living, the expansion of extra care housing, primarily for older people, and efficiencies targeted for out of county care packages.
- Efficiencies of £10.8m in 2024/25, £13m across the MTFS, relating to the effective purchasing of older people nursing and residential placements and home based services across all client groups, and seeking to mitigate a third of the gross budgeted price inflation for care packages and contracts in 2024/25. Based on the current budgeted increase to the National Living Wage (NLW) from April 2024 and CPI in the Draft Budget, this inflation mitigation efficiency is necessary to ensure ASC's budget remains within available funding. It is risk rated "Red" subject to discussion and collaborative working with the provider market including reviewing models of care and costs of service delivery. The inflation mitigation efficiency will be reviewed for the Final Budget based on the confirmed NLW increase, SCC's overall MTFS position and dialogue with the ASC provider sector.
- Efficiencies of £7.4m in 2024/25 associated with changes to ASC in-house services, including the completion of the closure of 8 older people residential care homes, the ceasing of ASC in-house staffing provision in 5 extra care housing settings and the final element of efficiencies relating to the conversion of LD&A in-house services from residential care to supported independent living.
- Efficiencies of £1m in 2024/25, £2m across the MTFS through delivery of a workforce redesign programme to reshape the workforce, maximise productivity and improve service delivery.
- Removal of budgets for discretionary services where there is not clear evidence that they are preventing care package demand, equating to £0.4m in 2024/25.

4.17 The Draft Budget also includes £0.5m of efficiencies in 2024/25 relating to Public Health. These all relate to the management of PH contract inflation to ensure that total PH expenditure remains within PH's budget envelope. This will involve limiting or avoiding inflationary uplifts where they are not a fixed contractually or changing service delivery outside of fixed contracts to mitigate inflation pressures.

4.18 Efficiencies are not budgeted for future years beyond 2024/25, pending government direction about the future of the current ringfenced PH grant.

Capital programme

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

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

- The development of 725 new units of affordable Extra Care Housing (ECH), primarily to support older people with care needs. Total capital expenditure across the whole ECH programme is estimated at up to £47m. The borrowing cost of this capital expenditure is modelled to be fully funded through ASC care package savings included in ASC's draft revenue budget through utilising the new extra care housing settings to provide more affordable care than alternative care settings.
- The creation of 500 new units of Supported Independent Living (SIL) for people with a learning disability and/or autism, with a target for SCC to lead on the development of c. 110 of these units. Total capital expenditure on LD&A SIL accommodation is estimated at up to £69m. The borrowing cost of this capital expenditure is modelled to be fully funded through ASC care package savings included in ASC's draft revenue budget and rental income from residents on the assumption these schemes are developed on a direct delivery basis.
- The development of two specialist short breaks respite accommodation schemes for people with LD&A essential to fill a significant gap in provision. Development of these two schemes is budgeted to require just under £12m of capital expenditure. Just over half of the borrowing cost of this capital expenditure is expected to be funded by ASC care package savings, with the remaining unfunded borrowing included in the corporate unfunded borrowing limit set to ensure affordability across the MTFS.
- 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. Work continues to identify an affordable basis for developing these schemes before they can be fully incorporated into SCC's capital programme.

Horizon scanning

4.21 The adult social care system both nationally and in Surrey is under incredible strain. Rising demand, significant inflationary and broader cost pressures, increasing acuity of care needs, severe workforce challenges both for local authorities and the wider ASC sector, increasingly fragile care markets and significant pressures across the NHS, all set against a backdrop of the wider cost of living challenges and some of the ongoing impacts of the Covid-19 pandemic create something of a perfect storm. Increased government funding for social care over the period 2023/24 – 2024/25 through the Social Care grant and Market Sustainability & Improvement Fund (MSIF) has been welcome, but these funding sources only represent a contribution towards existing demand and inflationary pressures. The new CQC assurance regime presents opportunities for cross sector learning and improvement, but also places increased burdens on local authorities at a time of acute financial and operational challenges.

4.22 Surrey has made significant progress in recent years through transformation in areas such as commissioning, brokerage and market management, strength-based practice, promoting people's independence and wellbeing, and shifting away from institutionalised models of care. There remain opportunities to improve service delivery and achieve savings which are reflected in the efficiencies included in the MTFS, along with areas that continue to be explored beyond this. 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 are required year on year to meet demand and cost pressures and maintain market sustainability. The Council will continue to robustly engage with government about the funding required for ASC. Based on current estimated funding in future years, it is likely that very difficult decisions will need to be made about how to fund ASC within available resources in the medium term.

4.23 At present the future of the Public Health grant remains unclear. It was expected that the ringfence would be removed as part of wider local government funding reform, but this remains uncertain. The service will need to remain responsive to any changes in grant funding. In the meantime, the council will continue to lobby for increased public health funding to support the delivery of the health and wellbeing priorities for Surrey residents.

4.24 Most of public health'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.

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4.25 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 to 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.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

4.26 The Children, Families and Lifelong Learning (CFLL) Directorate's vision is to root children and families in our hearts and minds because it is our purpose to ensure that every child feels seen and heard, feels safe and can grow.

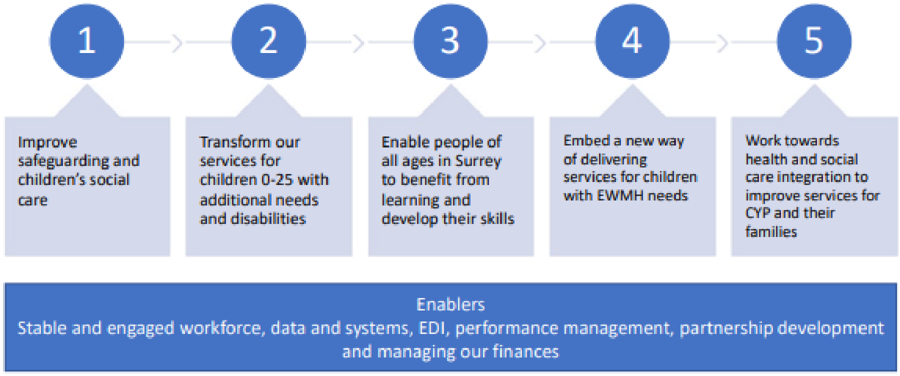
4.27 CFLL provide services to children, young people and their families with a statutory responsibility for ages 0-25. Providing and commissioning early help, targeted help, social care, education and health services. With 4.5k children and young people known to social services (including care leavers), 1k children looked after and circa 159k Surrey pupils in primary and secondary schools.

4.28 CFLL operate in an extremely challenging context which is shared by many local authorities up and down the country. Such shared challenges include the difficulty to recruit and retain qualified social workers to meet the demands in social care, resulting in greater reliance on an interim market, at greater cost and less consistency of practice with the short-term nature of interim work.

4.29 Falling foster carer numbers across the UK post pandemic along with increasing complexity of needs presenting, driving up demand for residential placements. Insufficient in-house places results in greater reliance on external providers in a dysfunctional market driving up the costs of care in a provider market and with rising inflation, worsened by new legislation being introduced to ensure all provision is regulated for any child up to age 18.

4.30 Rising numbers of children with additional needs and disability placing greater demands on the high needs block of the dedicated schools grant at the same time as driving up demand for home to school travel assistance where rates are increasing at the same time with driver shortages, inflationary rises and a drive to be greener.

4.31 CFLL's strategic priorities and enablers are shown below;



8

Current 2023/24 budget position

4.32 CFLL's position as at period 6 is an adverse position of £20.4m against the net budget of £257.1m, representing a 7.9% variance.

4.33 Placement spend accounts for £14.8m of the forecast adverse variance. Although the number of looked after children has remained broadly stable, rising numbers in external residential placements along with significant price rises in external residential and supported accommodation provision account for the majority of the placement pressures. Rises in child allowances rates for special guardianship orders to match fostering rates following a court judgement are also adding to the pressures.

4.34 Home to school travel assistance is reporting a £4.7m adverse position to budget with a further £0.5m identified at risk, even though overall demand is largely in line with budgeted assumptions and initiatives to move pupils from solo taxis to personal budgets have outperformed budget assumptions. Unit rates for travel have far exceeded budgeted assumptions and more than offset the good news delivered through the personal budget promotion. Unit rate rises are a result of a number of factors including higher than planned inflation, driver shortages in the market leading to alternate transport arrangements and the drive towards greener transport.

4.35 Continued growth in demand for services and support to children with a disability is adding to the pressures in-year.

4.36 Pressures arising from the increase in agency staff in the system against the budgeted assumptions is offset by vacancies in established posts. This is seen as short term respite against the pressures and although it is welcome from a financial point of view, it creates significant performance risk in the service because the currently vacant posts are essential to the delivery of services. They are therefore being recruited to or restructured to drive improvements in practice to get services to good, and can't be held vacant to offset pressures elsewhere.

Financial pressures

4.37 CFLL budget includes £39.9m of pressures for 2024/25, with a total of £90.5m across the MTFS period, the pressures relate to;

- Contract inflation including placements, home to school travel assistance and other contracts £10.1m based on 5% inflation for 2024/25.
- Pay inflation of 4% across all staffing in the directorate including those on teaching pay scales, totalling an estimated £5.9m for 2024/25.
- Investment in recruitment and retention initiatives aimed at increasing the permanent rates of social work staff to 85% accounting for £2.4m investment in 2024/25.
- Increase in establishment budgets to meet rising demands across the service seen through 2023/24 and required ongoing £0.8m.

- Investment in preventative services including targeted early help and reunification of children back to their parental homes where safe to do so £1.6m in 2024/25.
- Growth in placements budgets resulting from a change in mix in placement type with greater reliance on external provisions in 2023/24. Placement budget pressures also arising from price rises in excess of budgeted values, partially offset with increases expected in health contributions and increased funding for unaccompanied asylum seeking children (UASCs) resulting in a net growth ask of £13.9m.
- Growth in demand and prices of H2STA arrangements through 2023/24 going into 2024/25 of £3.7m.
- Growth in demand for support and care for children with disability in 2023/24 going into 2024/25 £1.5m.

Financial Efficiencies

4.38 CFLL's budget for 2024/25 includes projected efficiencies of £9.0m, 3.5% of the 2023/24 budget, with £40.6m projected over the period of the MTFS. These are challenging targets to be delivered to help partially offset the pressures above. 8

4.39 CFLL is looking to manage demand into the service through a number of initiatives including reunification, Intensive family support service (IFSS, the development of adolescence services and Coming home and big fostering. The initiatives are targeted to deliver efficiencies of £1.7m

4.40 CFLL is looking to manage the market through capital investment in In-house residential development and group living arrangements for care leavers. This is alongside targeting improved performance of in-house provisions for both residential and fostering services. The team are looking to drive more permanent arrangements, where these meet children's needs, through adoption and special guardianship orders. Commissioning services are looking to develop strategic relations with providers, develop a dynamic purchasing system for new placements and manage inflation requests to improve on market rates. These initiatives are looking to deliver against the targeted efficiencies of £2.6m.

4.41 CFLL are looking to continue the successes of promoting personal budgets for H2STA arrangements, along with reviews of policies for travel in conjunction with the Freedom to Travel programme, looking to achieve efficiencies of £2.6m.

4.42 Other contract negotiations for contracts due for procurement through 2024/25 are expected to target efficiencies of £1.4m .

4.43 CFLL's investment in IFSS above is expected to be able to maximise supporting families payment by results claims along with reducing demand on social care and social workers targeting efficiencies of £0.5m

4.44 CFLL have set targets of £0.2m for increases in fees and charges.

Capital budgets

4.45 Surrey's Safety Valve Agreement with the DfE includes a condition to deliver an ambitious Special Education Needs and Disabilities (SEND) and Alternative Provision (AP) Capital Programme that will improve the long-term sufficiency of state-maintained specialist educational provision that meets the needs of communities across Surrey in the long term. The Capital Programme's successful delivery is a key dependency of the Safety Valve Agreement and directly supports SCC's priorities to eliminate the council's Dedicated Schools Grant High Needs Block (DSG HNB) deficit and contain cost through significantly reduced reliance on the Service's commissioning of higher cost out of county placements and the non-maintained and independent school sectors.

4.46 Robust data modelling and forecasting of what the profile of need of Surrey resident children and young people with additional needs and disabilities is likely to look like to 2031/32 has been completed and is updated annually. Between 2019-2023 Cabinet approved the Capital strategy for four phases of the SEND Capital Programme and the AP Capital Programme and £260m investment. With this investment the programme is aiming to deliver 2,440 permanent additional specialist school places between 2019-2026 to create capacity for 5,760 Surrey state-maintained school places by 2030/31.

4.47 The Capital Programme's delivery of additional specialist school places remains on track. The programme has successfully delivered 40 of 83 committed projects to date at a cost of £41m. This has expanded Surrey's state-maintained education estate by 917 places from around 3,320 places when the programme started in 2019 to 4,237 places at the start of academic year 2023/24.

4.48 The £223m approved SEND and AP capital programme in the MTFS is largely funded with external funding sources, a small amount remains unsecured for 2025/26 and 2026/27. The capital budget forecast for 2024/25 is £74.3m for SEND and AP. CFLL continue to reprofile the rate of spend based against the known risk associated with individual schemes. In most cases mitigations to secure place availability against sufficiency need are already planned and practical completion will be achieved in line with the agreed plans so there is no risk to overall delivery.

4.49 Programme delivery in full is still achievable through utilising capped budgets per scheme. These remain subject to timely legal permissions and approvals, and confirmation of asset/ site viability along with affordable mitigating measures deliverable within the approved MTFS. Ongoing risks in relation to affordability, planning and procurement delays, identification of appropriate sponsors and school/Trust engagement continue to be managed out with appropriate partners.

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4.50 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 £19m for the Schools Basic Need programme (grant funded) in 2024/25 and £12m for capital maintenance in schools for 2024/25, work continues on the programme for the next 5 years with financial forecast due later.

4.51 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 an additional 30 bed capacity through new homes in the County. This programme is also looking to support Care Leavers through increased provision of 24 beds for group living.

Horizon scanning

4.52 CFLL continue to work in an incredibly difficult market, with rising demands, increasing complexity of needs and operating in dysfunctional markets where rates are increasing at unprecedented levels. Surrey along with other authorities continue to lobby government over funding into the sector.

- **The ADCS Resources and Strategy Policy Committee** highlighted evidence of pressures being experienced across the sector through national research, below are some of the headlines;
- **CIPFA performance tracker** highlighted £11.1 billion spent on children's social care in 2021/22, a 41% rise in real terms compared to 2009, while the children's population grew by less than 10% over the same period.
- **Safeguarding Pressures Phase 8 (2022)** showed that there was an overall increase in safeguarding activity between 2019/20 and 2021/22 with more children previously unknown to social care services presenting at a later stage, with greater levels of need and higher risks.
- **The Independent Review of Children's Social Care**, 2022 found that only 56% of the increase in the numbers of children in care since 2013 could be explained by population growth and an increase in the number of unaccompanied asylum seeking children arriving. It found that children are staying in care for longer, with 12% fewer children leaving care in 2021 than in 2016. It estimated that, without implementation of the proposed reforms, total spend on children's social care is likely to rise to just under £12bn in 2024/25. Full roll out of the reforms will not be seen until 2025/26 at the earliest.
- **Family Justice Observatory Deprivation of Liberty (DoL)** data, between July 2022 and May 2023, the national DoL court issued 1217 applications across 153 different LAs, for a total of 1142 children. 53.8% of children in July and August 2022 were placed in unregistered setting in the first six months of the order being granted. Indicating a lack of suitable regulated provision for children experiencing risk of criminal exploitation, emotional difficulties, behaviours that were a risk to others, and self-harm risks.

- **Competitions and Markets Authority** review concluded there are not enough placements of the right kind, in the right places, which means that children are not consistently getting access to care and accommodation that meets their needs. The largest private providers of placements are making materially higher profits and charging materially higher prices than would be expected form a functioning market. Some of the largest private providers are carrying very high levels of debt which creates a risk that disorderly failure of highly-leveraged firms could disrupt placements.
- **S251 Data Outturn**, reported that in 2021/22, LA gross expenditure on children and young people's services was £11.9 billion. £3.6 billion of which was spent in placements. Private residential placement costs increased the most, by 90.56%, while LA placement costs increased by 18.78%.
- **Children's Home Association's State of the Sector Survey 2023** highlighted the private sector's approach to formal procurement and tendering, with over a third not engaging with formal processes (twice as many as in 2021) and half of all providers selectively considering which tenders to bid for.
- **Regulatory regime for supported accommodation Demand and Capacity of Homes for Children in Care (CCN, LIIA, Newton, 2023**) found that between 2019 and 2022, the number of young people living in supported accommodation increased by 21.3%.
- **The Independent Review of Children's Social Care**, 2022 estimated the additional cost of employing agency staff at approximately £26k per worker per year (53% of the average social worker salary), indicating a loss of over £100 million per year. DfE data (2023) shows that the agency social worker rate increased from 16% in 2021 to 18% in 2022, with 13% more agency social workers in total in 2022. This compares to Surrey stats which show the additional costs of an agency worker at £21k (39% of the average social worker salary). Based on the government return done for 2022, if we apply this to 165 fte agency, indicating a loss of £3.4m in year.

4.53 Surrey's agency social worker rate increased from 23% in 2021 to 27% in 2022, with 21% more agency social workers in total in 2022.

4.54 Surrey were inspected under the new Area SEND inspection the outcome from the inspection will be published in November 2023.

4.55 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.

4.56 Any financial implications resulting from the ongoing legislation changes from the 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

4.57 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 highways and waste management. Key service areas include:

- Maintenance and improvement of highways, footways, street lighting and other highway assets;
- Public transport;
- Waste management, including recycling or disposal of household waste and operation of community recycling centres;
- Transport infrastructure and place development;
- Countryside;
- Planning & Development; and

- Supporting the county's and Council's response to climate change and carbon reduction

4.58 Over the period of the Medium Term Financial Strategy, ETI's key priorities are to:

- Continue to 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;
- Continue to improve bus services, including the introduction of a half price travel scheme and digital demand responsive transport services;
- Continue to work with Ringway, 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;
- Deliver the Council and county's carbon emission reduction targets in line with our Climate Change Delivery Plan. With 41% 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, improvements to local bus services and the introduction of Digital Demand Responsive Transport;
- Deliver the capital programme including the River Thames flood alleviation scheme in partnership with the Environment Agency, the Surrey Infrastructure Programme, and develop the pipeline for future schemes
- Continue to maximise external funding toward revenue and capital activities, including grants, income and developer contributions.

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Current 2023/24 budget position

4.59 ETI's current annual revenue budget is £153.8m. 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.

4.60 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.

4.61 At month 6 ETI forecasts an overspend of £1.2m due to:

- a number of pressures in Highways & Transport including additional staffing, reduced income and increased costs (£0.8m)
- additional capacity including project management to support improvements and legislative change across ETI, an interim director and emergency management team growth (£0.3m) and
- acceleration of treatment to address ash dieback in the countryside (£0.1m).

Financial pressures

4.62 The ETI 2024/25 draft revenue budget includes pressures of £26.4m, £40.4m for the whole 2024-29 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. The draft budget assumes contract inflation at 5% (£5m) for 2024/25. Pay inflation is also included at 4% (£1.3m) for 2024/25.

- Supporting and enhancing transport services: the draft budget includes significant investment in bus services, the introduction of a half price travel scheme and digital demand responsive transport (£11.9m). Most of this investment is initially funded by Government grants, resulting in a budget pressure in future years.
- Supporting and enhancing highways and environment services: following a task and finish review undertaken by Cabinet earlier in the year, investment in a range of service improvements are proposed including refreshing road lines, additional investment in gulley cleaning, area stewards and grass-cutting (£5.2m).
- Greener Futures activities (Climate Change and Natural Capital) previously funded through Transformation are transitioning to the ETI revenue budget resulting in growth of £1.5m, with an option to prioritise and reprofile activity and reduce investment.
- Staffing changes in other areas (e.g. project management capacity to support service improvement and respond to legislative changes, senior management capacity, building resilience in the Emergency Management team, and restructuring the Waste team) results in growth of £1.2m.

8

Financial Efficiencies

4.63 The ETI 2023/24 revenue budget includes efficiencies totalling £15.6m including:

- Transport funding: including one-off and prior year transport grants (£11.4m) which will be applied to manage the costs associated with bus service improvements set out above, resulting in a financial pressure in 2025/26.
- Waste management: efficiencies are anticipated from new contracts for residual waste and dry mixed recyclables (£0.6m and £0.3m respectively, both part-year) when those contracts commence in October 2024.
- Other efficiencies include ongoing efficiencies following new arrangements for enforcement of on street parking restrictions (£0.5m) and enforcement of bus lane and moving traffic offences (£0.3m), income from highway advertising (£0.3m), and transformation and integration of services across ETI.

Capital budgets

4.64 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 5 year capital programme totals £1bn across the MTFS period. 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

4.65 In future years further opportunities are anticipated in a number of areas.

- Following an extensive procurement process the Council's new highways maintenance and improvement contract, delivered by Ringway, started in April 2022. The Council and its contractor continue to 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.

SURREY FIRE & RESCUE SERVICE

Context

4.66 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 (HIMCFRS), SFRS has put in place major improvement programmes which was, in part, 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.

4.67 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.

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Current 2023/24 budget position

4.68 SFRS currently has an annual revenue budget of £38.7m. At month 6 Fire forecasts an overspend of £0.5m on revenue budgets due to a backdated national pay award for uniformed staff for 2022/23 of 7%, which was agreed after the current budget was approved and exceeds the 5% uplift assumed in the Council's MTFS. This creates a pressure of £0.7m, which is partially offset by vacancies (£0.2m) and is reflected in the draft budget.

Financial Pressures

4.69 The SFRS 2024/25 draft revenue budget includes pressures of £2.3m, £6.2m across the whole 2024-29 MTFS period; including:

- Expected growth through pay inflation, including anticipated growth from nationally agreed firefighter's pay awards in 2023/24 and 2024/25 and including the current year pressure, totalling £2.4m next year.
- Other adjustments total a net reduction of £0.1m and include recruitment and resilience measures designed to offset the ongoing impact of operational firefighters leaving the authority, increased communications costs, increased level of contingency cover and extension of the corporate Reasonable Adjustments offer to encompass SFRS, offset by removal of time-limited prior year growth including temporary staffing.

Financial Efficiencies

4.70 The SFRS 2024/25 draft revenue budget includes efficiencies totalling £0.7m, rising to £1.2m over the MTFS period, including reviews of Fire Investigation, Logistics and the Operations Management Centre (OMC)/Staff Office, alongside cessation of operational staff rotations and capitalisation of the costs of staff delivering the capital programme.

Capital budgets

4.71 SFRS currently has a Capital Programme of £21m across the 5-year MTFS period which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.72 Efficiency measures subject to further development include developing a shared use offer for future training and fleet maintenance facilities, and savings anticipated from a new communications system. The Community Risk Management Plan (MSSP) will be reviewed and updated for early 2025, and will include a wider review of the service, including efficiency and an opportunity to consult on any changes.

PROSPERITY, PARTNERSHIPS AND GROWTH

Context

4.73 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.

4.74 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.

4.75 '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.

4.76 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: 8

- 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.

4.77 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 2023/24 budget position

4.78 The 2023/24 net PPG budget is £2.2m, including £0.6m of temporary investment funding for the skills strategy. The budget is materially targeted at the Economic Growth Team and associated costs to stimulate investment and pilot projects. The directorate is forecasting a small underspend of £0.1m, due to planned recruitment delays and reductions on project spend to assist the Council's in year position.

Financial Pressures & Efficiencies

4.79 For 2024/25 pay and price inflation are expected to increase costs by £0.1m. This pressure is offset by £0.2m of efficiencies from continuing the 2023/24 project underspend and a reduction in staffing.

Capital budgets

4.80 The Directorate has a capital budget of £3.3m for the contribution to Convergent Screen Technologies and Performance in Realtime to co-fund a Satellite Studio and Incubator Space in Surrey.

Horizon scanning

4.81 The transition of LEP responsibilities from 1 April 2024 may lead to opportunities as well as risks to the current PPG budget assumptions. It is not possible to assess the full financial implications of LEP integration at this stage, as this is dependent on discussions with and information from Enterprise M3, Coast to Capital, their Accountable Bodies and Government, which has yet to be finalised.

CUSTOMER AND COMMUNITIES

Context

4.82 The Directorate includes the following services:

- Customer Services

- Libraries, Arts, and Heritage
- Registration and Nationality Services
- Coroners
- Trading Standards and Health & Safety
- Community Investment and Engagement
- Community Partnerships and Prevention

4.83 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's Health and Wellbeing Strategy.

4.84 The Directorate is at the forefront of shaping and delivering the Council's priority ambition for empowered and thriving 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.

4.85 The Directorate is delivering key transformation work that continues to adapt and improve services to meet the changing needs to our residents and ensure financial sustainability including:

- **Customer Transformation** - making the experience of dealing with the council quicker, easier, and better by shaping relationships 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;
- **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 2023/24 budget position

4.86 The net budget for the Directorate for 2023/24 amounts to circa £21m. This includes significant income budgets in excess of £17m, primarily across Cultural Services (Libraries and Surrey Arts) and Registration and Nationality Services.

4.87 All areas have delivered significant service improvements and cost reductions over the last three years. For example, the Library Service net budget has reduced by 43% 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 efficiently and effectively.

4.88 The M6 forecast is £0.1m overspend. The main reason for the overspend is £0.3m Libraries income pressure and additional staff in Customer Services in response to activity levels, £0.2m. These overspends are offset by staffing underspends in other services. The Libraries income budget was set at 2019/20 levels as footfall continued to recover after the pandemic, however it is now considered unlikely that income will fully recover. The Libraries income pressure is likely to continue into 2024/25 as are the high demand and rising customer expectations leading to resourcing pressures.

Financial pressures

4.89 In 2024/25, the directorate is likely to have £1.2m of inflationary pressures. Over 77% of the Customer & Communities Directorate budget is staffing and consequently, the majority of, its inflationary pressures relate to pay inflation, estimated at £1.1m next year. There are a range of other smaller pressures, totalling £0.6m, including the continuation of the 2023/24 Libraries income pressure.

4.90 There are also continued risks as all services are experiencing high demand and rising customer expectations leading to resourcing pressures.

Financial Efficiencies

4.91 The Directorate has had to identify £1.3m of efficiencies to offset the £1.8m pressures. These have been developed and are guided by the following principles:

- Maximise income in 2024/25 by setting rate increases equal to inflation (or more where the market allows) and driving income generation from other sources where possible;
- Prioritise the continuation of operational services and offers we have strongly committed to as part of our strategy – for example a network of 52 libraries and support for Your Fund Surrey;
- Ensure we can continue to build on the new capabilities we have developed for the future design of the organisation for example Customer Services, local engagement and community-based prevention;
- Consideration of the statutory duties and requirements that relate to C&C services;
- Ability to practically deliver the expected efficiencies and to mitigate impacts;
- Consideration of efficiencies already made in recent years across C&C services;

4.92 The efficiencies include increased income of £0.6m and service reviews which do not impact the strategic direction, £0.2m. In addition, £0.5m of more challenging efficiencies. 8

Capital budgets

4.93 The Directorate has capital investment plans to transform the libraries. The Directorate also oversees the corporate Your Fund Surrey capital investment programme.

4.94 The capital pipeline and budget contains £23.2m 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

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

RESOURCES

Context

4.96 The Resources Directorate sits at the heart of the Council, predominantly responsible for enabling services, but also for some front-line services. The directorate is committed to providing highly effective support to colleagues across the council spanning the breadth of our functional responsibilities, but in a way that feels joined up and responsive.

4.97 The aim of the Resources directorate is to be seen as a 'True Business Partner' by all colleagues and customers. This means supporting and enabling service colleagues as the primary objective, because through them Resources is contributing to great outcomes for Surrey and Surrey residents. The directorate also aims to embody the culture of Surrey County Council as a successful and effective organisation; demonstrating the same agility and responsiveness that we all aim to provide to residents. Thinking primarily about customer's perspective and presenting issues, rather than Resources own organisational structure and arrangements.

4.98 The directorate's focus in the medium term is:

- Delivering highly effective and value for money services
- Delivering high impact collaborative support, to enable the organisation to deliver high quality services and good outcomes for residents.
- Empowering our people to reach their full potential across the organisation, ensuring no one is left behind.
- To deliver excellent financial management by ensuring a balanced and sustainable budget, providing insight and solutions, supporting robust commercial activity and investing in the services that matter to our residents.

- To provide sustainable assets to meet the growing needs of Surrey's residents through our capital programme.
- Supporting the organisation to become agile and dynamic in our ways of working.
- Providing efficient systems & governance to enable the organisation to deliver high quality services and good outcomes for residents.
- Continually challenge ourselves and others to improve and innovate for the benefit of our residents.

Current 2023/24 budget position

4.99 The Directorate is forecasting an overspend of £0.8m, after mitigations. The largest variance is the expected reduction in income of £0.3m from the provision of payroll services, due to decreases in customer numbers. There are also staffing pressures in People & Change and Land & Property due to agency and restructure costs (£0.5m).

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Financial pressures

4.100 The directorate is forecasting inflationary pressures of £3.8m, mainly from staffing and also continued high inflation levels for food, property maintenance, utilities and insurance premiums. Although the headline rate of inflation on staffing costs is lower than some of the external ones, staffing accounts for a majority of costs within the directorate.

4.101 The inflationary pressure along with the continuation of 2023/24 pressures and some specific increases, result in likely 2024/25 pressures of £5.1m. Specific pressures mainly relate to insurance where the current levels of insurance claims and reduced recovery of insurance costs as schools convert to academies is leading to a pressure of £0.6m.

Financial Efficiencies

4.102 The directorate has identified £4m of efficiencies. They mainly relate to Land & Property efficiencies (£3m) to be delivered by the rationalisation of property assets, through the agile programme and asset strategy, plus the facilities management transformation programme. Each service within the directorate is reviewing activities to make service based efficiencies of £0.6m and a directorate wide capacity review will achieve further efficiencies.

4.103 These efficiencies are likely to have a significant impact on staffing, particularly the facilities management transformation and payroll services changes which are likely to lead to a reduction in full time equivalent staff of circa 145.

Capital budgets

4.104 The Directorate has significant capital investment and delivery plans relating to the Council's Land and Property (£745.6m) and IT&D (£31.3m) services, over the MTFS 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.

Horizon scanning

4.105 The Directorate contains the Design & Transformation service, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation and SWITCh (Surrey Way Innovation, Transformation & Change) programmes 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.

COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS

Context

4.106 The Communications, Public Affairs and Engagement directorate 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.

4.107 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.

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4.108 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 2023/24 budget position

4.109 The Directorate operates within an overall budget of £2.2m, managing demand pressures within existing financial resources wherever possible. The latest forecast is a balanced position.

Financial pressures & Efficiencies

4.110 The majority of the directorate's expenditure is on staffing, leading to pay inflation pressures of £0.1m. The inclusion of a new Resident Intelligence Unit (RIU), which will collect, interpret and report resident insights and intelligence and guide, support and track engagement and consultation across the entire organisation is estimated to cost £0.4m. It is assumed that the planned review of Communications activities across the Council will deliver organisation wide efficiencies of £0.4m to offset the pressures in the directorate.

5. FINANCIAL STRATEGY AND DRAFT BUDGET 2024/25

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	• The budget process has been coordinated across Directorate Leadership Teams, Corporate Strategy & Policy, Transformation/Design & Change and Finance; the integrated approach ensures that the budget is focussed on delivering corporate priorities and is linked to the core planning assumptions and Directorate business plans. • 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 and well as a focus on

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	balancing the budget for 2024/25. The SWITCh Programme continues this focus from 2024/25 onwards.
Resources are focused on our vision and our priority outcomes	• 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 seven months to narrow the gap and clarify and update assumptions. • Core planning assumptions are developed using the comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery, contributed to 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	• 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 five 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. • We assess the level of our reserves, in the context of the risk environment in which we operate but also with reference to levels recommended by external auditors ('Lessons from recent Public Interest Reports') and, looking at the direction of travel (ie are reserve levels increasing or decreasing over the medium term) and utilising comparisons and benchmarking data to compare to similar authorities.
The budget is transparent and well scrutinised	• The Budget Task Group and Select Committees have been involved early in the budget process to set out the approach, covering the Core Planning Assumptions, funding projections and baseline financial planning assumptions. • Select Committees have been asked to identify areas of focus to enable more robust and detailed scrutiny of specific areas of pressure and/or risk. 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. • Opposition Groups have been engaged earlier in the budget setting process since 2023/24. They have been consulted on the core planning assumptions, funding projections, key areas of risk and underlying financial planning assumptions. They have been asked to contribute suggestions to close the budget gap.
The budget is integrated with the Capital Programme	• 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, dedicated capital sessions have been held with the Corporate Leadership Team and Cabinet to inform prioritisation of capital bids, 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	• Section 9 sets out our approach to consultation. • We delivered a multi-method exercise to ask residents and other stakeholders what the most important outcomes were, what they wanted the council to focus most on, what they wanted the organisation to deliver, how the council's financial resources should be allocated, how the budget should be balanced and the circumstances under which residents would most likely support or oppose any increases in council tax. • During November 2023 to January 2024, we will consult with residents, businesses, district and borough councils, other public service partners and the voluntary, community and faith sector to understand their views on key proposals in the draft budget.

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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 2024/25 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;
- Ensuring a culture of budget responsibility where managers are accountable for their budgets – budgets are agreed and acknowledged annually by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes to ensure ownership and accountability;
- Robust efficiency plans which are owned, tracked, and monitored;
- 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 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. 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 increased cost-of-living and likely demand for services in 2024/25 all very unclear. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.

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5.5 The Council develops a set of Core Planning Assumptions to help manage this uncertainty, setting out assumptions about the council's most likely operating context. The assumptions are 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.

5.6 Directorate growth pressures have been subject to a number of iterations and changing assumptions, particularly in relation to forecast inflation and the ongoing impact of in-year changes to demand pressures; culminating in indicative pressures for the Draft Budget of £143.5m, including £13.2m of increased capital financing costs. The level of pressures represents a continuation of the trend of significant increases in the annual pressures identified year on year. Due primarily to the continued high inflation environment and increasing demand pressures in a number of key services, specifically children's and adults social care placements.

5.7 To date, efficiencies of £55.2m have been identified. Together with an increase in funding of £74.8m (as set out in para 5.19), these developments give a gap yet to be closed for 2024/25 of £13.5m, as shown in Table 2 below.

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

Table 2: Summary Draft Budget Position for 2024/25.

Directorate	Base Budget £m	Pay & Contract Inflation £m	Demand & Other Pressures £m	Identified Efficiencies & Funding £m	Total Budget Require-ment £m
Adults, Wellbeing & Health Partnerships	475.6	37.5	9.7	(24.0)	498.8
Children, Families and Lifelong Learning	249.8	15.9	24.0	(9.0)	280.7
Environment, Transport and Infrastructure	152.8	6.3	20.1	(15.6)	163.6
Surrey Fire & Rescue Service	38.7	2.5	- 0.2	(0.7)	40.3
Customer and Communities	18.9	1.2	0.6	(1.3)	19.3
Prosperity, Partnerships and Growth	1.6	0.1	-	(0.2)	1.5
Comms, Public Affairs & Engagement	2.2	0.1	0.4	(0.4)	2.2
Resources	80.1	3.8	1.4	(4.0)	81.3
Central Income and Expenditure	82.3	0.7	19.4	0.0	102.4
Directorate Total	**1,101.9**	**68.0**	**75.5**	**(55.2)**	**1,190.2**
Central Funding	(1,101.9)			(74.8)	(1,176.7)
Council Total	**0.0**	**68.0**	**75.5**	**(130.0)**	**13.5**

5.9 Given the prevailing level of inflation, substantial demand pressures and the level of uncertainty nationally, specifically for local government, a gap of £13.5m (1.1% of likely net revenue funding) represents acceptable progress in balancing the budget at this early stage.

5.10 Given the level of efficiencies still required and the achievement of considerable efficiencies over recent years, it is going to be extremely challenging for the council to identify further additional efficiencies of this level to close the gap. Our final funding position for 2024/25, we will be more certain once the provisional settlement is issued in December, which will provide further details of the Council's specific grant allocations. Further decisions on the level of council tax required will not be made until we have more clarity on the funding position. Decisions to increase Council Tax are not made lightly and balance the need to provide sustainable services for the most vulnerable with a recognition of the pressures on household finances, particularly during the current inflationary period and increased cost of living. It is possible that the Council will need to raise council tax further than the 3.99% assumed in this Draft Budget.

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5.11 We continue to review our proposals and look to mitigate pressures wherever possible, but the scale of the challenge may mean, even with additional council tax income, we may have to delay the achievement of some of our priorities in order to meet the financial challenge ahead.

5.12 In addition, a review of the levels of reserves of the Council will be undertaken, with regard to the current high risk operating environment. The extent to which it might be necessary to rely on reserves to close the budget gap, will depend on the allocation of funding from the Local Government Finance Settlement in December, confirmation of District and Borough Council Tax Bases in January and the impact of any further changes in the in-year financial position over the remainder of this financial year.

National Funding Context

Background

5.13 The Chancellor of the Exchequer, the Right Honourable Jermey Hunt has confirmed the Autumn Statement will be delivered on Wednesday 22 November 2023. He has also confirmed that he has commissioned an Office for Budget Responsibility (OBR) forecast to sit alongside this.

5.14 The Chancellor will deliver this Autumn Statement in a period of uncertainty for the national economy. The UK has narrowly avoided a recession in 2023, with the economy growing in the first two quarters of the year. The OBR are however predicting a decrease in the economy of 0.2% for the year[1]. Stronger tax receipts meant the UK's budget deficit stood at £4.3bn in July, below OBR estimates but still the fifth highest for a July since modern records began in 1993.

5.15 The past year has seen 14 consecutive interest rate rises, with interest rates now standing at 5.25%, a 15 year high. The inflation rate – measured as the annual change in the consumer prices index (CPI) – has been falling since it peaked at 11.1% in October 2022 and was 6.7% in August 2023[2]. As a result, the economy has seen the largest two year fall in living standards since the 1950s.

5.16 This Autumn Statement will be second that this Chancellor has delivered, along with the Spring Budget. In both the Spring Budget and as a backdrop to the run up to the next General Election, the Chancellor has confirmed a focus on reducing inflation and curbing interest rate rises.

5.2 The national economic environment influences the level of funding available to Local Authorities. The Local Government Financial Settlement for the current financial year, confirmed in January 2023, provided some strong indicators of the funding that would be made available for 2024/25. Since then, the economic

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[1] EFOs - Office for Budget Responsibility (obr.uk)

[2] Economic Update: Have interest rates peaked? (parliament.uk)

position nationally has remained uncertain and a number of local authorities are highlighting difficulties in balancing the increasing cost of providing services against unconfirmed and limited funding streams.

Funding Assumptions for 2024/25

5.17 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. Government have confirmed that these reforms will not be implemented in this parliament and our current planning assumption is that these will not impact until 2026/27, at the earliest.

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Table 3: Funding assumptions:

	2023/ 24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Council Tax	866.0	906.9	931.4	956.6	982.5	1,009.0
Business Rates	131.1	149.2	152.5	155.9	158.5	161.4
Grant funding	111.8	120.4	115.0	87.3	64.2	40.9
Funding before collection fund	**1,108.9**	**1,176.5**	**1,198.9**	**1,199.8**	**1,205.2**	**1,211.3**
Council Tax collection fund	-3.8	2.7	2.8	2.9	2.9	3.0
Business Rates collection fund	-3.1	-2.6	-2.6	-2.9	-3.0	-3.1
Total funding	**1,101.9**	**1,176.7**	**1,199.1**	**1,199.8**	**1,205.2**	**1,211.3**

Council Tax Funding

5.18 The Chancellor announced in the November 2022 Autumn Statement, that core council tax referendum principles would continue for 2024/ 25 as set in 2023/24. This means councils can 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. Council tax has been modelled assuming a **Band D rate increase of 1.99% on the core council tax and a 2% increase on the ASC precept. A total increase of 3.99%.** This would result in Council Tax rising by £33.46 on the core and £33.50 on the ASC precept, a total annual increase of £66.96 for Band D properties.

5.19 The variable used is the tax base which has been modelled at a 0.7% growth for 2024/25.

Business Rates funding

5.20 Business rates growth into 2024/ 25 has been modelled at 0.5%, which is the historic 5 year average. An assumption has been made that the Business rate multiplier will be frozen at 49.9pence and Government will provide funding through a section 31 grant to compensate local authorities for the impact of the freeze, mirroring what occurred in the current year. No adjustment has been made to the top up for the finalising of the 2023 revaluation. All business rates grants are included in these assumptions based on what is received in the current year.

Grant funding

5.21 Material grants included are the Public Health Grant and the Social Care Grant. Public Health Grant (£40.9m) is anticipated to increase by 2% from the amount received in the current financial year. The increase in assumed for the additional social care grant, is in line with that announced as part of the Financial Settlement last year. Current assumptions include the continuation of the Services Grant and New Homes Bonus into 2024/25. Both were due to cease from 2021/22, however given the lack of consultation and any further information on changes in these areas, they are current assumed to continue at current levels.

5.22 It is considered unlikely there will be large additions in any other grant funding, due to prevailing economic circumstances.

Collection Fund

5.23 The Council Tax collection fund has been calculated at 0.3% of Council Tax.

5.24 For Business Rates an assumption has been made that the collection fund produces an in-year deficit. This is anticipated at 0.5% of core Non-Domestic Rates income.

CIPFA Resilience Index Update

5.25 The 2023/24 Budget and Medium-Term Financial Strategy to 2027/28 report to Council in February 2023 provided an update on the Council's performance in the CIPFA resilience index, based on provisional 2021/22 data. Final data for 2021/22 has now been released, 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 no longer low, however remains significantly less than a number of our nearest neighbours.

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5.26 2022/23 data has not yet been released but will be analysed for the Final Budget report for February 2024, if it is available. When available, we anticipate the 2022/23 data to show a further improvement in resilience.

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. Officers have carried out a review of practices in place for the 2023/24 financial year 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 the focus on financial management capabilities as part of the Finance Improvement Programme initiated in 2018, the Council's arrangements exceed the expected 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 2024, including areas where further development or improvement would be beneficial in 2024/25.

Best Value Standards

5.30 The Department for Levelling Up, Housing & Communities (DLUHC) have recently consulted on a new set of statutory guidance 'Best Value Standards and Intervention.' These have been developed to provide greater clarity to the local government sector on how to fulfil the Best Value Duty, by describing what constitutes best value, the standards expected and the models of intervention available to the Secretary of State in the event of a failure to uphold these standards. The guidance sets out seven best value themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate potential failure.

5.31 The Council have responded to the consultation, which closed in September 2023. Once the results of the consultation have been reviewed and final guidance issued by DLUHC, the Council intends to carry out a self-assessment against the guidance and is expected to report the results to the Audit & Governance Committee. Further details will be included in the Final Budget papers January 2024, if final versions of the guidance have been issued.

6. DRAFT CAPITAL PROGRAMME 2024/25 TO 2028/29

Overview & Approach

6.1 This section provides an update on the development of the Capital Programme for 2024/25 to 2028/29, taking into account work that has been carried out by officers and Cabinet Members over the last six months.

6.2 Over recent years the Council's capital ambition and delivery has grown significantly, in recognition of historic under-investment in our assets and in order to improve the condition of the infrastructure in the County. The capital programme is aligned to the Council's corporate priorities and invests in the areas of most importance to our residents.

6.3 Our aspirations remain high and the Draft Capital Programme for 2024/25 – 2028/29 remains ambitious and proposes ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational needs and disabilities, the green agenda, transforming our libraries and investing in Adult Social Care accommodation with care and support.

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6.4 The capital programme is developed based on an asset planning approach to ensure that affordable, value for money capital solutions are identified which focus on outcomes for residents, deliverability and affordability and contributes to the Community Vision for Surrey 2030, aligned with the organisation's priorities.

6.5 Despite our continued ambitions, the economic environment has changed over recent years. High inflation is making delivery of capital schemes more expensive and successive interest rate rises have increased the cost of financing borrowing. In order to sustain our financial resilience**,** we need to tighten up and re-set our capital expenditure approach, to ensure the affordability and sustainability of our capital programme in the medium term.

6.6 Due to the economic climate and the growing size of our capital investment plans, additional work has been undertaken in developing the proposed capital programme for 2024/25 - 2028/29 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 through income and efficiencies. These schemes are not a burden on the revenue budget. 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;
- 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. 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;

6.7 The Capital Programme planning process began in May 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.

6.8 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 and interest rate rises increasing the overall cost of borrowing. Over the summer, investment plans have been robustly reviewed and schemes in the programme prioritised, re-scoped, removed or re-profiled to ensure the proposals best reflect the council's priorities and are deliverable within available financial and operational resources. Opportunities to utilise other sources of funding have been factored into the proposed budget.

6.9 The Council operates a capital pipeline, in addition to the capital programme. 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. The nature of the pipeline is to be a flexible portfolio of schemes that contribute to the Council's strategic objectives.

6.10 Pipeline schemes have also been reviewed as part of the work recently carried out and a number of schemes have been re-scoped and re-prioritised, seeing an overall decrease in the 'unfunded borrowing' elements of the pipeline. This dampening of our ambitions is required to ensure the ongoing deliverability and affordability of the remaining, significant capital investment.

6.11 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.

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.

Draft Capital Programme

6.18 The draft Capital Programme of £1.902bn is set out in more detail in **Annex B**. This consists of £1.291m in the capital programme and a further £611m in the capital pipeline. In developing this programme, detailed modelling of the impact of the MTFS on borrowing costs and borrowing limits has been carried out to ensured that revenue costs remain within the budget envelopes set out.

6.19 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 2024.

6.20 Uncertainty remains over the economic backdrop. Inflation remains high, driving up the cost of scheme delivery. While it is widely anticipated that interest rate rises have peaked, there remains uncertainty on the path of interest rates. These risks and uncertainties will be monitoring through CPP and mitigating actions taken where required.

STRATEGIC CAPITAL GROUP - CAPITAL STRATEGIES

6.21 The Council is committed to developing a 10-year capital strategy, setting out a clear framework for managing our capital assets over the next ten years. It will enable us to make informed decisions on investments, asset disposals, and maintenance, and ensure that our assets are used effectively and efficiently to deliver the services our residents need, while also maintaining and improving their quality.

6.22 The first step in developing a 10-year strategy has been for each Strategic Capital Group to develop a 5 year strategy alongside the proposed 5-yearcapital programme.

Property Panel

Strategic Objectives

6.23 The Council's capital strategy plays a key part in the achievement of the Council's ambitions, providing the physical infrastructure that allows services to be delivered effectively, where most needed.

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6.24 The Land and Property Team is continuing to transform Surrey County Council's property portfolio property in line with its Asset and Place Strategy (2019-2030) which sets out: the Council's approach to the strategic management of its assets; how it will support service delivery; provide income to the Council; be used to promote growth and place shaping within Surrey; and deliver Surrey's Community Vision to 2030.

6.25 Additionally, the capital investment framework for property is shaped by the relevant Service Strategies that are underpinned by property assets, such as the:

- Additional Needs Strategy & Transformation Programme which aims to eliminate the council's Dedicated Schools Grant High Needs Block deficit thorough the provision up to 6000 pupil places across the county by 2030/31 (the "SEND & AP programme");
- Schools Basic Needs (SBN) programme that will meet the changing demands for pupil places through to 2030;
- Looked After Children (LAC) and Care Leavers Accommodation programme;
- Adult Social Care Accommodation with Care and Support Programme (AwCS);
- Agile Office Programme (AOP);
- Libraries Transformation Programme; and
- Inclusion of other corporate projects, including fire station upgrades, depot refurbishments, a new Gypsy Romany Traveller transit site, hubs in Sunbury and Bookham, and upgrade to an Outdoor Learning site.

6.26 Capital investment across these programmes is prioritised on those projects that:

- Address any statutory requirements;
- Are self-financing schemes and/or grant aided;
- Generate revenue efficiencies;
- Enhance the existing asset base and deliver against wider corporate objectives such as Net Zero; and
- Rationalise the overall property estate and deliver an overall step change improvement in the condition of remaining asset base.

Asset Maintenance Programme

6.27 There are two key recurring capital maintenance budgets for the property estate, for:

- Schools – includes all local authority maintained secondary and primary schools where the council is obligated to fund and deliver life cycle works; and
- Corporate – includes all other council owned and/or occupied buildings where the council has the obligation as a freeholder or leaseholder to fund lifecycle works.

6.28 New condition surveys are being commissioned for schools and other corporate assets which will provide data to inform the prioritisation of spend on capital maintenance. Surveys will only be carried out on properties that expected to remain within the property estate beyond 2030 (aligned to the Asset & Place Strategy).

6.29 The profile of spend on school asset maintenance is front loaded to take account of a significant increase in works over the next 2-3 years as we work through the priorities highlighted in the lifecycle surveys to be undertaken by the end of March 2024, and to fund works required prior to the academisation of schools. Contingency has been included in the schools estimates to deal with "unknowns" (e.g. RAAC) over and above assumed grant levels. The annual figures for the last two years of the MTFS (FY27/28 & FY28/29) are forecast to reduce, as the number of maintained schools in portfolio is anticipated to decline. The forecast for the schools' budget is based on the following assumptions:

- £35m of capital expenditure required above the forecast Government grant funding up to 2028/29.
- based on c12 schools per year converting to Academy status.
- includes inflation estimates
- includes in excess of £20m of known backlog maintenance
- contingency to deal with
  - Unforeseen works pre-academisation
  - Fire compartmentalisation
  - Asbestos removal
  - Climate change affecting schools
  - Possible fire protection with sprinklers

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6.30 For the corporate maintenance programme, the increased spend in the first 3 years will be driven by a combination of the outputs from the lifecycle assessments and increased expenditure on decarbonising the corporate estate to achieve the 2030 targets. Leading up to 2026 there will also need to be investment in retained buildings (as a result of service collocation and disposal of other properties), and for leased out buildings which will need to have an EPC rating of "C" or better.

6.31 Spend will reduce towards 2030, due to the rationalisation of the corporate estate and as major refurbishment and new build works under the Service Strategies listed above will avoid the need for investment from this budget. There is a however a need to ensure the capital maintenance budget remains sufficient to avoid putting pressure on the revenue budget and minimising the whole-life costs of property. The forecast in the MTFS and is based on the following assumptions:

- In excess of £30m of known backlog maintenance across the operational estate
- delivery of the Net Zero 2030 targets across the operational estate
- includes inflation estimates
- delivery of the Asset & Place Strategy by 2030, seeking portfolio consolidation and maximising property utilisation.

Programme Management and Governance

6.32 In additional to the overarching governance to approve capital spend, there are Programme Boards that govern the delivery of the respective projects and programmes. Each Programme Board is chaired by the client or "sponsor" of the project and programmes – to ensure that Land & Property continues to deliver to the Services' requirements, is held to account and secures the sponsorship and commitment to the investment at each stage of the respective project.

6.33 Land & Property continually engages with Services throughout programme and project delivery to ensure the required financial and non-financial benefits remain on track.

Asset Disposals

6.34 The Asset & Place Strategy 2019-2030, sets out two key outcomes:

- A reduction in the number of operational estate properties (non-schools); and
- the generation of capital receipts.

6.35 The process for identifying surplus assets is based on a forensic review of the estate to determine which properties provide no or limited benefit to the council, and those properties are then shared with services to establish if there is any likely service benefit from retention. Once a property is formally declared surplus, it is then prepared for disposal.

IT & Digital Governance Board

Strategic Objectives

6.36 The core strategy which underpins the IT&D capital programme is the Core Infrastructure Architecture (C.I.A). This sets out the technical direction for the MTFS period, denoting the technologies which will be implemented throughout its lifecycle.

6.37 The IT&D capital programme should be seen as an underpinning enabler to the delivery of the council's strategic priorities and operational imperatives. There are three priority outcomes sought from the capital programme:

- Cyber Resilience: Maintain and develop a proactive posture to the risk of cyber-attack investing in new and extending existing technology assets to support the prevention, detection and response to a cyber-attack. The benefit from this investment is cost-avoidance and risk management, reducing the council's exposure to catastrophic, costly and highly disruptive service failure.
- Maintaining core operations: Invest in essential technology asset refresh that enables the council to maintain normal operations. Capital schemes falling within this priority include device refresh including laptops and mobile phones and infrastructure components such as the Wide Area Network (WAN), Local Area Network (LAN), Wi-Fi and telephony. This investment ensures the provision of the underpinning technology foundations without which the council would not function.
- Strategic innovation: Capital schemes that strategically drive, promote and facilitate innovation and the enablement of council service transformation. Investments would include the Internet of Things and the capital asset elements of software platform developments. Such investment provides potential for service redesign and enhanced operational efficiencies and improved effectiveness.

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Asset Maintenance Programme

6.38 The IT&D main refresh programmes fall into the following categories:

- Infrastructure (Servers, Storage, Security Devices and backup capability)
- LAN / WAN and Wi-Fi Refresh (Networking)
- Desktop and Laptop Refresh (end user computing)
- Mobile Devices
- Data Centre Maintenance

6.39 The refresh cycles are derived using the following main metrics:

- Age of hardware – a customer device such as a laptop will have a life span of up to four years before it becomes completely obsolete. Server and storage refreshes are based upon 5-year replacement cycles and networking is based upon 7 years.
- Supportability from the manufacturer – devices, servers and networking assets are serviced by the manufacturer. This includes replacements parts and software updates (which will include fixes for critical security fixes). Manufacturers do not support hardware indefinitely and the replacement cycles are linked closely to the age of the hardware.

6.40 The main purpose of the IT & Digital capital and pipeline schemes is to provide a robust, secure, reliable and performing technical infrastructure to all users within the council, to enable our staff to provide quality services to our residents 24 hours a day/ seven days a week.

Programme Management & Governance

6.41 IT & Digital's capital programme is governed by the IT & Digital Capital and Revenue governance board. Meeting monthly the board reviews the capital pipeline, new business cases and revenue impact of capital schemes. In addition to the governance board, larger IT & Digital schemes have their own programme boards which monitor spend and report any issues or delays directly to the IT & Digital senior leadership team.

Asset Disposals

6.42 Assets are disposed of via the chosen vendors during our refresh cycles. Collected assets are categorised according to their condition and those which are determined to have a re-sale value are securely wiped, refurbished and proceeds from the sale are treated as capital receipts.

Infrastructure Board

6.43 The Infrastructure Strategic Capital Group includes Environment, Transport, Infrastructure Projects, Community Protection & Emergencies, including Surrey Fire & Rescue Service.

Strategic Objectives

6.44 ETI are the key driver of the Council's primary place strategies, including the Climate Change Delivery Plan, the Surrey Transport Plan, and the Surrey Infrastructure Plan, as well as the services that deliver these ambitions – all of which are critical in achieving the corporate ambition to enable a Greener Future for Surrey communities, as well as the other key priorities for the Council. Through this and our broader work we are also tackling health inequalities, delivering initiatives such as green social prescribing and active travel schemes across the county. We are increasing our focus on engagement across the board so that communities have more say about the services and schemes that are delivered for them and strengthening our approach to delivering infrastructure with a place-based approach, working more closely with local partners to unlock funding and improve the physical infrastructure in our towns and villages.

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6.45 Key ETI strategies delivered through capital investment include:

- **Greener Future Finance Strategy** which sets out how the Council will finance our 2030 net zero carbon target and how we will generate and leverage funding and investment to contribute towards the county's 2050 net zero target, focusing on areas where investment generates multiple benefits. This strategy is closely aligned to the Council's Greener Futures priority and also links to No One Left Behind and Growing Surrey's Economy.
- **Surrey Transport Delivery Plan** (including Ultra-low emission (bus) vehicles, Active Travel & Road Safety programmes). Adopted in July 2022, the new and ambitious Surrey Transport Plan, sets out our 'Core Strategy' and sets out policies and measures that aim to develop and deliver safe, cleaner, greener ways of travelling and accessing services and opportunities in the future.
- **Highways Asset Maintenance (Horizon Highways Programme)** prioritises works on roads, pavements, structures, drainage, safety barriers and traffic signals to provide the best outcomes possible within available financial resources. Using an "asset management strategy" we balance the needs of the assets based on their condition, the risk to the public and the priority of the road network. We carry out both structural and preventative maintenance to ensure that whatever funds are available are spent on the right schemes at the right time and that schemes are prioritised using optimisation methodologies to maximise risk reduction and minimise whole life costs.
- **Surrey Infrastructure Plan (SIP),** produced in 2020 ,sets out 15 objectives derived from the full range of strategies that impact on and determine the county's priorities for placemaking, from the Place Ambition, the Surrey Climate Change Strategy, the Surrey Health and Wellbeing Strategy, the Local Transport Plan, the Local Plans of the districts and boroughs, and Council's own organisational strategy. By bringing together a comprehensive set of objectives that capture the intent of this full range of strategies, the Plan will enable the Council and partners to take a truly integrated view of infrastructure that delivers not just

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for one agenda at a time. Major schemes included in the Plan include A320 to provide additional capacity improvements to local junctions and links within the local highway network; Farnham Town Centre to tackle the town's air quality and congestion issues and deliver attractive, well-integrated, future focused and high-quality infrastructure for Farnham that enables a connected and vibrant town; and the River Thames Scheme which is a Nationally Significant Infrastructure Project that will reduce the risk of flooding from the Thames for communities in Runnymede and Spelthorne.

- **Waste Infrastructure Strategy -** sets out an outline programme of work for the development of strategic waste infrastructure over the next seven years that will support a resilient and efficient waste management service for residents over the next thirty years. It focuses on the upgrade and development of assets within the geography of Surrey where there is a critical need for that infrastructure. It presents a series of recommended work packages needed to both safeguard the future of waste services and develop more opportunities for recycling and reuse.
- **Local Highways Schemes (Individual Member Highway Allocations)** enables Members to promote important local improvements which do not have the option to be funded from other sources. These can include safety and accessibility improvements through to maintenance works. This helps to support the objectives within the Surrey Transport Plan and our Asset Management strategy.
- **Surrey Local Flood Risk Management Strategy (Surrey Flood alleviation Programme) -** sets out the objectives for reducing the risk of flooding in the county alongside the approach and actions Surrey County Council and its partners should take in delivering those objectives. It tackles the impact of climate change and delivers multiple environmental benefits through nature-based solutions, reduces the economic impact of flooding and encourages community resilience to flooding as well as forming part of placemaking through sustainable drainage.
- **Land Management Policy -** sets out how the Council manages its land to safeguard and replenish its natural assets, how it will contribute to delivering the Government's 25 year Environment Plan, the Council's obligations towards reporting on biodiversity as a local authority and as a landlord as well as addressing other Council's priorities.

6.46 Key priorities for capital investment within Community Protection & Emergencies are:

- to demonstrate the service's commitment to deliver high-quality and sustainable services through continuous development of our physical and data assets to ensure that they are fit for purpose, collaborative, sustainable and support the delivery of outcomes as detailed within the Making Surrey Safer Plan (MSSP).
- to maximise capital allocations, deliver value for money and support a greener future through the capital replacement/improvement programme.
- identify drivers and objectives of the service Digital Roadmap, which sets out how our approach to digital will help enable improved outcomes for our residents.

<u>Programme Management & Governance</u>

6.47 All capital investment approvals are governed in the same way via Infrastructure Board, the Capital Programme Panel and Cabinet.

Environment Transport & Infrastructure:

6.48 ETI capital programmes are prioritised against the policy framework set out above and benefits are specifically assessed against the principles set out in the Surrey Way.

6.49 In additional to the governance to approve capital spend, there are also multiple Programme, Partnership and Contract Boards that govern the delivery of the respective projects and programmes. These include the broader strategies of Greener Futures and the Surrey Transport Plan in addition to more targeted capital spend programmes by project or theme. For example, projects delivering the Council's climate change Delivery Plan will be developed in close consultation with the Greener Futures Board to provide oversight, challenge and practical support during delivery. Decision making and prioritisation of detailed schemes for some programmes such as Visitor Improvement at Countryside Sites will be overseen by its own internal steering board.

Community Protection and Emergencies:

6.50 The Capital Replacement/Improvement Programme sets out the long-term investment requirements to meet the MSSP and Service operational and transformation objectives, strategic oversight is assured through our governance framework.

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6.51 The Asset Strategy is reviewed annually to identify additional capital investment requirements. Programmes are then managed by the strategic leads for Logistics and Data & Digital monitored via the Resources Working Group.

Asset Maintenance Programme

6.52 As Highway Authority and Lead Local Flood Authority, we are responsible for over 3,000 miles of roads, 1,800 bridges and structures and 3,520 miles of pavement. We are also responsible for cycle facilities, streetlights, embankments and safety barriers. Few of our assets are in an 'as new' state and we must prioritise our work to achieve best value. The network is heavily trafficked reflecting Surreys' high economic output, used daily by most of the travelling public for commuting, business, social and leisure activities.

6.53 The Highway Asset Strategy is modelled over a 15-year period, however it is recognised that things can change over time, such as access to government grant or changing council priorities. The modelling we carry out assumes normal deterioration patterns and does not make allowance for any significant damage caused by severe weather events. The modelling is refreshed every 5 years and the level of funding in the budget will determine whether a steady state, managed decline or improvement strategy will be pursued for each asset. In relation to roads specifically, it is estimated that our backlog figure to bring roads to "good" condition is currently around £270m. The proposed levels of investment in the MTFS, which is significantly above the government grant provision for maintenance, shows an improving picture of road condition overall with the current enhanced programme of investment and subsequent return to a baseline of £40m from 26/27 onwards until the end of the 15 year period.

6.54 Countryside Assets such as rights of way, car parks, visitor centres, information infrastructure, lock gates, bridges and trees all require maintenance and upgrading. With a quarter of the 4,000 enquiries outstanding after Covid, tackled in the last two years, investment in the rights of way network is a statutory duty for the Council. Maintenance of the Basingstoke Canal's navigational and recreational infrastructure is managed on a cyclical programme with locks requiring refurbishment every 20 years. Benches and information boards on the countryside estate have a life span of 15 years, most of which required replacing following the change in agreement with Surrey Wildlife Trust in 2020. Popular car parks require annual maintenance. The Council's Tree Planting programme to plan 1.2m trees by 2030 is underpinned by annual planting programmes with three years of maintenance post planting. Asset management is generally carried out on a reactive basis for most assets except the tree planting and the canal, where an asset management plan sets out the actions required for the Council to fulfil landlord and health and safety duties.

Asset Disposals

6.55 Environment, Transport & Infrastructure: The Land Based Asset Management Plan may identify disposals as part of estate-based (several parcels of land located close to each other including a range of assets such as buildings and land) approaches to investments. All asset disposals are considered by Land and Property's Corporate Asset Panel to evaluate all potential Council uses before disposal and consideration of best value is given to all disposals.

6.56 Community Protection and Emergencies: When disposing of a vehicle or equipment, at the end of its life, the following factors are considered, to ensure the most appropriate route and best value on the overall investment:

- Maximising re-sale value, however, where public value is best served there may also be alternative routes for disposal within the public sector.
- Security of future proposed use.
- Potential supply of end of life assets to charitable organisations.
- Utilisation of spare parts prior to disposal

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MTFS Capital Budget 2024/25 to 2028/29

6.57 A total of c**£1,291m 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	705
Property	560
IT	27
Total Budget	**1,291**

6.58 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 73% of the total estimated budget:

- £260m - Highway Maintenance – improvements to roads and footways across the County
- £140m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £123m - Surrey Flood Alleviation - River Thames Programme (element within the 5-year MTFS)
- £122m - Schools Basic Need – increasing school places and building schools across the County
- £82m - Recurring Capital Maintenance: Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £60m - Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £44m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £37m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support.
- £37m – Local Highways Schemes
- £35m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements

2024/25 Capital Budget (excluding pipeline)

6.59 c£432m is provisionally included in the draft capital budget for 2024/25 as set out in the table, below. This will need to be thoroughly tested for deliverability prior to the final budget being approved.

Table 5: 2024/25 Draft Capital Budget by Strategic Capital Group:

Strategic Capital Group	2024/25 Budget (£m)
Infrastructure	223
Property	197
IT	12
Total Budget	**432**

6.60 Successful delivery of the 2024/25 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 2024, CPP will work with SCGs on the profiling of the draft budgets to ensure deliverability. The focus of the 2024/25 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 65% of the 2024/25 budget:

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- £70m - Highway Maintenance – improvements to roads and footways across the County.
- £61m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £35m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £21m – Supported Independent Living (Learning Disabilities Phase 1)
- £19m - Schools Basic Need – increasing school places and building schools across the County
- £17m – Surrey Infrastructure Plan – County wide large infrastructure schemes
- £15m – Local Highways Schemes
- £15m - Recurring Capital Maintenance Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £15m – Looked After Children Schemes (Care Homes & Care Leavers Accommodation)
- £14m - Ultra Low Emission Vehicles

MTFS Pipeline Schemes 2024/25 to 2028/29

6.61 **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	390
Property	186
IT	5
Your Fund Surrey	30
Total Pipeline	**611**

6.62 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.

6.63 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:

- £139m - Farnham Infrastructure Programme A31 Hickleys Corner
- £87m - Surrey Infrastructure Plan – County wide large infrastructure schemes
- £64m - Greener Futures - Net Zero 2030 – measures to reduce the Council's carbon emissions
- £39m – Supported Independent Living (Learning Disabilities Phase 2)
- £35m - Extra Care Housing – part of the strategic ambition to building 725 units of affordable accommodation across Surrey by 2030
- £30m – Your Fund Surrey; investing in community-led place-making or place-improving projects.
- £21m – Materials Recovery Facility – construction of MRF in Surrey to deal with dry mixed recyclable material arising from kerbside collections
- £18m – Farnham Infrastructure Programme (Town Centre)
- £18m – Reigate Priory School
- £16m – Ultra Low Emission Vehicles (Bus Companies)

6.64 Of the total pipeline allocation in the MTFS, c.£252m or 41% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £386m is included in the capital budget, bringing the total to c.£638m. 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.

6.65 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.

6.66 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 23/24

7.1 The Month 6 Finance Update report is reported to the same Cabinet on 28th November. Headline performance is set out below.

7.2 **Revenue:** As at September 2023 (Month 6), Directorates are projecting a full year overspend of £20.9m, reducing to £0.9m after the application of the Council's contingency budget. The Directorate positions continue to be challenging, recognising the impact continued high inflation has on the cost of delivery of our services and specifically the very significant price increases felt in relation to childrens' placements and Home to School Travel Assistance contracts.

7.3 The current level of projected overspend is in excess of the contingency budget held and it is therefore imperative that this reduces before we reach the end of the year. Otherwise, there could 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.

7.4 The Council remains committed to budget accountability and the budget envelope approach and therefore Directorates which are currently forecasting an overspend position are expected to put in place mitigating actions to offset the residual forecast overspend position.

7.5 **Capital:** The Council approved a capital budget for 2023/24 of £308.7m in February 2023, after adjustments for carry forwards and acceleration the opening capital budget was £326.4m. In Month 5, the Council undertook a capital budget re-set, to ensure the budget reflected revised spend profiles more accurately, taking into account known delays, additional in-year approvals and reflecting the current supplier market and wider economic conditions impacting on programme delivery.

7.6 The forecast at M6 is for full year spend of £267.6m, representing a £0.4m variance against the re-set capital budget of £267.2m. which is the net effect of acceleration in some areas and slippage against other schemes, as detailed below. 8

7.7 More information on the revenue and capital position can be found in the 2023/24 Month 6 (September) Financial report to Cabinet on 28th November 2023.

7.8 Many of the factors impacting the 2023/24 expected outturn position for both revenue and capital will continue into 2024/25 and the medium term. Budget estimates for 2024/25 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 2024/25 are included in the starting point for 2024/25. Demand pressure trajectories have also been continued into 2024/25 in relation to those services experiencing pressures over and above the budget assumptions in 2023/24, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, is realistic and deliverable.

8. MEDIUM TERM FINANCIAL OUTLOOK AND STRATEGY 2024/25 TO 2028/29

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 2028/29, the Council will need to close a gap of c.£245m.

This is driven by:

- Growth pressures: including demand and inflation: c£418m;
- Increased borrowing costs of the capital programme: £46m;
  Offset by:
- An overall increase in funding: c£109m;
- Less efficiencies identified to date: c£110m.

8.2 Although our immediate priority is understandably closing the gap and setting a balanced budget for 2024/25, we also need to focus on the medium-term. Transformation and service delivery plans are being developed now to identify opportunities to improve our medium-term financial outlook. These proposals will continue to iterate as plans and projections gain more certainty.

Table 7: MTFS Gap to 2028/29

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Brought forward budget	1,101.9	1,190.2	1,266.0	1,336.0	1,393.0	
Directorate Pressures	130.2	78.0	79.9	63.7	66.1	**418.0**
Increased borrowing costs of Draft Capital Programme	13.2	8.2	8.6	7.8	7.8	**45.6**
Identified Efficiencies	(55.2)	(10.5)	(18.5)	(14.5)	(10.8)	**(109.5)**
Total Budget Requirement	**1,190.2**	**1,266.0**	**1,336.0**	**1,393.0**	**1,456.1**	**354.1**
Change in net budget requirement	88.3	75.8	70.0	57.0	63.1	354.1
Opening funding	**1,101.9**	**1,176.7**	**1,199.1**	**1,199.8**	**1,205.2**	
Funding (reduction) / increase	74.8	22.4	0.7	5.4	6.1	109.4
Funding for Year	**1,176.7**	**1,199.1**	**1,199.8**	**1,205.2**	**1,211.3**	
Overall Reductions still to find	**13.5**	**66.9**	**136.2**	**187.8**	**244.8**	
Year on Year - Reductions still to find	13.5	53.4	69.3	51.6	57.0	244.8

Council Tax

8.3 A neutral scenario for Council Tax has been modelled assuming a Band D rate increase of 1.99% from 2025/26 onwards. The variable used is the tax base which has been modelled at a 0.70% growth on an ongoing basis.

8.4 No assumption is currently made on the level of Adult Social Care precept from 2025/26.

8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 77% of net revenue expenditure, the impact of the increased cost-of-living 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. Given no changes are likely until after the next General Election, current modelling assumptions use 2026/27 as the earliest possible opportunity for these changes to be implemented.

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 have assumed transitional arrangements will be put in place to phase the impact of the reduction.

Business Rates

8.8 For the period of the MTFS, a 0.5% growth in business rates annually has been modelled. Further growth has been factored in through the multiplier, which is predicted to be frozen again in 2024/25, with the government compensating authorities through a S31 grant for this. From 2025/26, the multiplier has been modelled as increasing in line with inflation.

8.9 Business Rates reform is modelled from 2026/27 onwards, although timings of this remain uncertain. Once implemented, the Council anticipates an initial increase to Business Rate retention, offset by a significant decrease to grant income. 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 The services grant (£4.6m) is predicted to cease from 2025/ 26, with most other grants remaining unchanged. Post reform, currently modelled in 2026/27, it is likely the majority of grant income will be eliminated, although the scale of this might be dampened by transitional funding arrangements. No information on the timing or specific impact of this is yet confirmed.

9. ENGAGEMENT AND CONSULTATION

9.1 Over the summer of 2023, the council engaged with residents, organisations and Members to inform the draft budget. This is in line with the council's priority objective for Surrey to have empowered and thriving communities to enable more people to participate, engage and have a say in how things are done on matters that impact them and where they live. 8

9.2 For this phase of engagement, the council asked for insight from stakeholders on:

- The outcomes they felt the council should be focused most on using its resources to deliver. Stakeholders were asked to choose priorities out of 11 outcomes, based on the Community Vision for Surrey in 2030 and Organisation Strategy 2023 – 2028 and simplified to make it easy for all residents to respond. These outcomes were:
    - Better public transport connections for easier, more predictable journeys
    - Better roads and pavements
    - Enabling people of all ages to access education and skills
    - Making our communities safer
    - Promoting better health and wellbeing for all residents
    - Protecting and enhancing Surrey's countryside and biodiversity
    - Providing care for adults and children who need us most
    - Reducing waste and increasing recycling
    - Reinvigorating town centres and high streets
    - Stronger community relations through local community networks and support
    - Supporting local businesses to prosper and grow the economy
- How the budget should be allocated.
- How the council should approach balancing its budget.
- Under what circumstances they would be most supportive of a council tax increase.

9.3 The council used a range of methods to gather quantitative and qualitative data to generate insight from stakeholders, which mirrors approaches other county councils take to budget engagement. Over 1,600 stakeholders provided their views. Methods used included:

- commissioning a YouGov survey with a statistically representative sample by age and gender of 614 Surrey residents. Participants were selected from each of Surrey's 11 district and borough authority areas. This produced the quantitative data used for this report so the views of the whole of Surrey's adult population are reflected.
- running an open survey exercise simultaneously on the Surrey Says consultation platform so all residents had an opportunity to have their say. The survey ran from 8 September 2023 to 6 October 2023, and 891 residents took part. The results from this were used to inform the qualitative findings of this report. Survey respondents were self-selecting, which means the results should not be treated as representative of the whole of Surrey's population.
- an additional open survey was shared with partner organisations and elected officials at the same time as the open resident survey. Responses were received from 50 stakeholders – 39 represented

a charity, voluntary or local community group, 1 was from a local business, 1 from a local authority in Surrey and the 3 were from organisations such as local authority trading companies or community centres. The remaining 6 were elected officials representing county, district, borough or parish and town areas. As above, these also informed the qualitative findings of this report.

- officers attending existing community events, such as Surrey Pride, to promote the open survey and gather residents' views in person. Over 100 residents were spoken to across these events.
- carrying out a desk-based review of existing insight gathered by the council since 2021 to assess how residents' priorities had changed, or stayed the same, over time.

9.4 In addition to attending events to promote the open survey, the council made extensive use of social media by posting questions on X, Facebook and Instagram to signpost people to the open survey, and through an article on the Surrey Matters website and newsletter. This generated 92,663 impressions – the number of times the advertisement appeared on peoples' screens – and 3,827 click throughs to the survey. Surrey
8 County Council Members and Community Link Officers were also encouraged to promote the survey with local residents in their areas.

Key messages

<u>Priority outcomes</u>

9.5 Supporting the most vulnerable residents, particularly providing care for adults and children who need it, was a top priority for all stakeholders. 80% of residents responding to the Yougov survey said this was a top priority, and organisations rated this as the most important area for the council to focus on. Residents taking the open survey also believed focusing resources on supporting the most vulnerable was important, with some also highlighting the needs of people experiencing inequalities:

- "*Providing care to those who most need it is the most basic and fundamental requirement*."
- "*Social care is very underfunded, puts families under greater stress, nothing done until crisis point reached, causing even more misery.*"
- "*It feels that the divide between those who can afford to live, and those who can't and need help is growing. Those right at the bottom on benefits, in social housing, unemployed, dealing with addictions, mental health problems and debt are drowning and more needs to be done to help them earlier*."

9.6 The other top priorities highlighted by the Yougov survey were improving the county's roads and pavements (89%), making communities safer (83%) and better public transport (80%).

9.1 On roads and pavements, some residents who responded to the open survey were keen that the council invested more in maintenance and repairs to keep motorists and pedestrians safe and avoid incurring costs from damage caused to their vehicles. Others saw the importance of this outcome as helping contribute to reductions in the use of road vehicles and building more cycling infrastructure.

- "*Dangerous roads and pavements lead to accidents which result in health issues for constituents."*
- "*Better roads and pavements will lead to less accidents, less braking and accelerating, make life easier for those using wheelchairs or pushing children's buggies.*"
- "*By improving roads, pavements and cycleways, and making them safer, this will encourage more people to walk and cycle for short journeys which will improve the environment and reduce the number of cars locally.*"

9.2 Residents wanted more of a focus on safety across a range of different areas, including road safety and areas outside of the council's responsibility, such as policing.

- "*Crime is rising and more police need to be seen around [Guildford], with PCSOs back patrolling the areas.*"

- “*Safety for our community is my main concern. Reducing speeding cars, motorbikes, lorries etc should be a priority.*”

9.3 Residents expressed their desires for more investment in public transport and active travel solutions. This included expanding the bus and rail offer in Surrey, and more infrastructure and options for residents who wanted to cycle more. Some referred to increased public transport and accelerating the move to electric vehicles as key tactics for helping to tackle climate change, and the positive impacts for health and wellbeing from increased cycling.

- “*Public transport and good care are vital for the well-being of vulnerable people…this is also vital for the economy, tackling air pollution and improving job prospects for mobility.*”
- “*Public transport must be improved if we are to move away from the current dependency on cars.*”

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9.4 A strong theme that emerged through the open survey was residents’ desire for the council to do more to tackle the climate emergency. Their motivations were based on the impact of climate change on current and future generations, need to find ways to mitigate against it and anxiety on what might happen if no action is taken:

- “*The climate emergency is the most pressing issue of our time…it is even more pressing that local authorities to step up, be brave about their targets and put funding where it is most needed – saving our planet.*”
- “*All the above outcomes are about the Surrey Community, however there will be no communities if we (residents, Councillors, Governments) globally do not do anything about Climate Change now, our children's children will suffer because we did nothing to combat this.”*
- *“[Climate change] would be my top priority for the council.*”

9.5 Organisations that responded were more likely to suggest the council should prioritise providing care for adults and children that need it most, promoting better health and wellbeing for all residents and enabling greater access to education and skills for all ages. They were least likely to prioritise improvements to roads and pavements, reinvigoration of town centres and high streets and reduced waste and increased recycling.

9.6 On promoting the population’s health and wellbeing, organisations felt that this would lead to better overall outcomes for people across their lifetimes, and important for preventing future demand that could exacerbate existing pressures on acute services across health and social care. Some participants thought that a healthier population would also lead to more progress on other priorities:

- “*…if you empower residents and put their wellbeing first, you will have a stronger community who will help themselves.*”
- “*The priority of the population has to be health. Without that and education, society cannot function to its full potential*.”

9.7 By focusing on getting investment in these priority outcomes right, and taking a preventative approach, stakeholders thought that this would support efficiencies over the longer term and less demand for crisis response:

- “*If we catch people who are struggling earlier, I believe we can provide them with less help over the timeframe, ultimately costing less in resources*.”
- *“Whilst there has for many years been a big push to keep older people in their own homes, the reality is that much of the preventative work has either been cut back completely or disappeared*.”

9.8 Some respondents to the open surveys struggled with the idea of prioritising outcomes among those presented as they felt that all of them were important and worthy of equal attention. However, others felt the council had a core set of specialisms that should be prioritised and it should try to do less in some spaces:

- "*Faced with difficult choices, the county council needs to prioritise getting its unique areas of expertise right rather than having too wide an agenda. Where other organisations can pick up activity, everyone shouldn't feel they need to be involved*."
- *"Such difficult choices for us and those making final decisions, they're all important."*

<u>Use of resources</u>

9.9 Stakeholders taking the representative and organisation surveys were asked for their views on how the council should allocate its resources. The choices offered to them were to allocate resources to:

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- services that benefit the majority of residents or services that benefit those with the greatest needs, such as residents with disabilities and additional needs.
- local areas with the highest number of people with poor health or across all local areas in Surrey.
- meet the needs of residents today or meet the long-term future needs of residents.

9.10 Residents said it was more important to allocate resources to:

- services that benefit the majority of residents (58%). Younger residents aged 18 to 25 however preferred to allocate resources to benefit those with greatest needs (47%).
- all local areas across Surrey (65%). This reflected the even views of respondents across all parts of the county wanting resources to be allocated equitably. Again, younger residents were more likely than other age groups to prefer allocating resources to places where residents were in poor health (48%), although the majority still wanted broad distribution across the county.
- meet the future long-term needs of residents (47%), although a significant minority still wanted the focus to be on issues impacting residents now (45%).

9.11 Organisations were more likely to say it was more important to allocate resources to:

- services that benefit those with the greatest needs such as residents with disabilities and additional needs.
- meeting the long-term future needs of residents.
- local areas with the highest number of people with poor health.

<u>Balancing the budget</u>

9.12 Stakeholders were asked to give their views on different approaches that the council could approach to balancing its budget. This is defined as the total costs of delivering services not exceeding income received from sources such as council tax. They were asked for their views on:

- introducing charges for services which are currently free or subsidised.
- reducing or stopping some services to protect others.
- providing local people and communities with the tools to support others and set and deliver local priorities.
- equipping Surrey County Council staff with the skills to work together with communities and partners to deliver services across the county.
- working with partner organisations to provide services.

9.13 Most residents supported equipping staff to work with partners and communities (83%), increased partnership working (80%) and providing local communities with tools to support themselves more (80%). Most residents opposed the idea of reducing or stopping services to protect others (51%) and introducing charges for free or subsidised services (62%).

9.14 Organisations were most likely to support the council on providing local communities with the tools they need to support others and set local priorities, empower them to help themselves so they are less reliant on publicly funded services and work with partner organisations to provide services.

9.15 There was more division on issues of introducing charges for services and the idea of reducing or stopping some services to protect others. On charging, 20 stakeholders either tended to support or strongly supported this approach, while 22 either tended to oppose or strongly opposed this. On reducing or stopping services, 17 stakeholders either tended to support or strongly supported this while 24 either tended to oppose or strongly opposed these approaches.

9.16 26 organisations put forward suggestions for other tactics the council should adopt to support a balanced budget. These suggestions were wide-ranging and included enhanced partnership working, tackling fraud, reducing reliance on consultants and removing barriers for smaller local organisations to be more competitive in tendering processes for contracts. 8

Council tax increase - scenarios

9.17 Finally, residents in the Yougov survey were asked to indicate the circumstances under which they would support or oppose a council tax increase. The scenarios residents had to respond to were:

- as an alternative to imposing/increasing fees and charges for services.
- if the additional funds will be used to finance long-term investment plans.
- only when opportunities to streamline services have been exhausted.
- to protect services for the most vulnerable and those without choices.
- under no circumstances.
- when the only alternative is to stop delivering some services.

9.18 The two scenarios that were most supported and least opposed were to protect services for the most vulnerable (65% supported, 28% opposed) and when opportunities to streamline services had been exhausted (59% supported, 31% opposed).

9.19 The most opposed scenario was where council tax was increased as an alternative to imposing or increasing fees and charges (33% supported, 56% opposed). There was also less appetite for an increase to support the financing of long-term investment (39% supported, 49% opposed).

9.20 Residents were also offered an option to say that they would not support any council tax increase under any circumstances. 38% of residents indicated that they supported this option. However, 44% of residents did not agree with this, reflecting that there were legitimate circumstances when council tax may need to rise.

9.23 The results from this engagement work should be considered by Cabinet as it finalises the budget to present to Council in February 2024. Stakeholders have provided a clear set of messages for Members on what they consider to be the most important issues facing Surrey and how the council should prioritise the use of its financial resources.

9.24 If Cabinet agrees this draft budget at its meeting on 28 November 2023, this will signal the start of a new consultation exercise with stakeholders. The purpose of this is to provide residents and organisations with information on key proposals in this draft budget, and seek their views on the financial efficiencies that the council is pursuing. Where further consultation will be required on some of these efficiencies, this will be clearly highlighted.

Equality impacts

9.25 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). Given the nature of the services we provide as a local authority, we already ensure that services are delivered in a way that appreciates resources are finite and should therefore be targeted to areas where they are needed most. This means it is challenging to avoid all scenarios where some vulnerable groups are affected. EIAs, therefore, are one of many measures we use to guide budget decisions and manage the risks of any potential negative equality impacts. Completed EIA documents that have been approved by the relevant Executive Director and Cabinet Member will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes.

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9.26 The Council considers impacts on the nine characteristics protected under the Equality Act 2010, such as Age and Disability, but also a range of other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities and those experiencing homelessness. Some information on the equality analysis of each Directorate's budget will be considered by Select Committees and a full equality analysis will be presented with the final budget in early 2024. As the development of this analysis is a moving picture, our understanding of the anticipated impacts, as well as any mitigations put in place, is liable to change as finer details of the budget are refined and activity related to delivering against efficiencies is planned.

9.27 Some budget proposals may not have enough detail or activity planned out to enable a comprehensive and thorough equality analysis at this time. Where this is the case, some provisional information that is more narrative based will be developed within services and made available for senior officers and Cabinet Members to review. This analysis will also be factored into the Cumulative Impacts report.

9.28 As information on the equality analysis is made available by services, we are beginning to identify which groups at this stage look to potentially be disproportionately impacted in both positive and negative ways by some of the draft spending proposals. Services have also begun to identify what mitigations they will put in place to minimise negative impacts and maximise positive ones. The main characteristics likely to be disproportionally impacted are: Older adults and their carers, and adults of all ages with physical, mental and learning disabilities and their carers; children and young people, including those with special educational needs and disabilities (SEND), and families; and Staff and residents facing socio-economic disadvantage.

9.29 These groups are mainly likely to be impacted through efficiencies related to changes to: 'Front-door' services that may have additional accessibility considerations, changes to services where the makeup of service users/ residents or staff have over-representations of particular characteristics (in particular services related to vulnerable adults or children), and changes to our funding arrangements with partners who deliver services to certain vulnerable groups.

9.30 Most of the way residents and staff with protected characteristics are impacted through these changes are positive, given the way we deliver services to those who are most in need. The approach we take towards budgeting aligns with our overarching ambitions to improve outcomes for residents and ensure no one is left behind. For example, there are a number of proposals aimed at helping vulnerable children, including those that prioritise placing looked after children within the county and closer to friends and supportive communities. We have also proposed changes to the way adult social care is delivered to help ensure more support for people at home. These are changes that will have important positive impacts on the community, and the equality impact assessments services carry out are only one of many ways we capture this.

9.31 Whilst the mitigations against potential negative impacts can vary from efficiency to efficiency, or service to service, some themes have begun to emerge. Many services have committed to using co-design, consultation and engagement methods to produce services that are responsive and focus on supporting people that need them most. Services have also committed to invest in preventative activity and early-intervention measures to help enable better outcomes earlier and avoiding having to resource high-cost intensive activity that leads to greater pressures on our budget. They have also committed to work closely with strategic partners to mitigate impacts where relevant.

10. NEXT STEPS

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10.1 The Final 2024/25 Budget Report and Medium-Term Financial Strategy will be presented to Cabinet in January 2024 and Full Council in February 2024.

10.2 Select Committees have been involved throughout the budget setting process for 2024/25 – 2028/29. Early planning assumptions, key challenges and budget envelopes were shared in July. During these sessions, areas of focus for identifying opportunities for efficiencies and areas of key challenge and risk were identified. Sub-groups of each of the Select Committees were set up to explore these areas in more detail. During October and November, further budget updates were provided to the Select Committees, updating on progress on the Draft Budget proposals, including getting specific feedback from the sub-groups. Throughout the process, the Budget Task Group has also been provided with details on the in-year financial position, core planning assumption updates, plans for engagement and consultation, and a number of other areas of focus determined by the Chair and members of the group. Select Committees will undertake further 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 will be 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 2024/25 to Cabinet and Full Council for approval. The focus for the intervening period is to resolve the budget gap of £13.5m. 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 2024/25 budget 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 the Council’s level of reserves, recognising the need to balance ongoing financial resilience with ensuring funds are put to best use.
- Consider further Council Tax rises, balancing the need to provide sustainable services for the most vulnerable with a recognition of the pressures on household finances.
- Review Directorate budget envelopes for further efficiencies; and
- Continue to review opportunities and drive further cross cutting efficiencies.