

WEDNESDAY 6<sup>TH</sup> DECEMBER 2023

## Scrutiny of 2024/25 Draft Budget and Medium-Term Financial Strategy to 2028/29

Purpose of report: Scrutiny of the Draft Budget and Medium-Term Financial Strategy

### Introduction:

1. Attached is a summary of the 2024/25 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Childrens, Families & Lifelong Learning Directorate (CFLL) and elements of the Customer and Communities Directorate (C&C) relating to this Select Committee.
2. The [2024/25 Draft Budget & MTFS to 2028/29](#) was presented to Cabinet on 28<sup>th</sup> November 2023. The Final Budget for 2024/25 will be approved by Cabinet in January 2024 and full Council in February 2024. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included. There will be no movements in the Draft Budget position until the provisional Local Government Finance Settlement is published, which is expected later in December, and the implications are considered.
3. The production of the 2024/25 budget has been developed through an integrated approach across Directorates, Corporate Strategy and Policy, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and the corporate priorities of the organisation.

### Context:

4. Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to our funding position over the medium-term. The national economic environment influences the level of funding available to Local Authorities. Public Sector borrowing has been put under significant 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 an impact on the UK economy.

5. 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 significant difficulties in balancing the increasing cost of providing services against uncertain and limited funding streams. Funding remains highly uncertain past 2024/25 with many decisions being postponed past the current parliament. 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.
6. The overall outlook for 2024/25 is one of significant challenge. While budget envelopes are increasing, in line with projected funding levels, substantial increases in the cost of maintaining current service provision and increased demand result in pressures increasing at a 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, and in the complexity of the cases, particularly within Adults and Childrens' social care. The ongoing impact of the high 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 significant financial pressures on the Council over the medium term, well in excess of the funding being made available.
7. Although good progress has been made over the last few months, there remains a provisional budget gap for 2024/25 of £13.5m, driven primarily by significant inflation and the need to maintain the delivery of priority services experiencing significant demand pressures. Further actions will have to be agreed to close the gap, which will be extremely challenging given the level forecast. The level of Council Tax raised and the extent to which further efficiencies will need to be identified, will be dependent in part upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.
8. As well as a focus on closing the gap for 2024/25, we need to be prepared for what will continue to be a difficult financial environment over the next few years.

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.

<b>Engagement:</b>
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9. Over the summer of 2023, we engaged with residents and organisations across Surrey (such as voluntary, community and faith organisations) and with Members to inform the draft budget. The objectives of this engagement were to gather insight on which priority outcomes stakeholders wanted the Council to focus most on, their views on how the council approached the allocation of its budget, approaches to balancing the budget and circumstances under which they would support a Council Tax increase. A summary of the results is included in Annex A.
10. We gathered the views of over 1,600 stakeholders using a range of methods. Stakeholders most wanted us to focus resources on supporting the county's most vulnerable residents. There were some differences between what residents felt were most important compared with organisations. Residents want the Council to prioritise making road and pavement improvements, making communities safer and enhancing local public transport. Organisations preferred the council to concentrate spend on service areas that supported a preventative agenda, such as promoting better health and wellbeing and strengthened community networks.
11. Residents wanted us to allocate spending so that most people living in the county would benefit and marginally favoured expenditure with the long-term needs of Surrey in mind. Organisations suggested they would prefer that spending was targeted to support those residents most in need. Residents also wanted us to focus on approaches to balancing the budget that involved more collaboration with communities, such as equipping residents with tools and resources to support themselves, and less likely to support measures such as increasing fees and charges for previously free or subsidised services.
12. Residents indicated they would be most likely to support a Council Tax increase if it was intended to support the most vulnerable residents in Surrey or if all measures to streamline services had been exhausted. They were least likely to support an increase as an alternative to raising fees and charges. Some residents said they would not support a Council Tax increase under any circumstances, but some residents did not support this view, indicating there were some legitimate circumstances where an increase was justified.
13. We have also engaged closely with members, staff and partners to shape this Draft Budget and plan to continue engagement until early into the new year as the budget is finalised. We are currently consulting with residents and other stakeholders on the measures we are taking to balance the budget for 2024/25.

The results of this exercise will be reported to Cabinet and Council in January and February 2024.

14. Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey, we consider impacts not just on the nine protected characteristics, but also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing homelessness, and so on. An overview of impacts of efficiencies pertinent to the areas covered by this committee are included in Annex A.

### **Budget Scrutiny**

15. Annex A sets out the budget proposals for CFLL and C&C, including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorates, exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
16. Members should consider how the 2024/25 Draft Budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks with options on investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Committee to consider how successful the budget is in achieving this.

### **Conclusions:**

17. The provisional Local Government Finance Settlement in December, to be finalised in January 2024, will clarify the funding position for the Council. Once funding is clear, Directorate pressures, efficiency requirements, the level of Council Tax and the Capital Programme will be finalised.

### **Recommendations:**

18. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be reported to Cabinet in December 2023.

### **Next steps:**

19. Between now and February 2024, when the budget is approved by full council, officers and Cabinet Members will work closely together to close the current budget gap; challenge and refine assumptions and finalise the development of the Capital Programme.
  20. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting in December 2023.
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### **Report contact**

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### **Annexes:**

Annex A: 2024/25 Draft Budget Report and Medium-Term Financial Strategy to 2028/29 – Scrutiny Report for CFLL and C&C.

Annex B: Draft Capital Programme 2024/25 – 2028/29

### **Sources/background papers**

- 2024/25 Draft budget and medium-term financial strategy report to Cabinet 28<sup>th</sup> November 2023

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