



2025/26 Draft
Budget &
Medium-Term
Financial
Strategy to
2029/30

1 EXECUTIVE SUMMARY

- 1.1 This Council continue to focus on delivering the Community Vision for Surrey 2030 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 mission 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 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.
- 1.4 The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding and resources to deliver its priority objectives and core services. These sit at the core of the budget process, driving our approach to the allocation of resources and developing investment plans.
- 1.5 The period covered in this report, represents a challenging time for local authority finances, with inherent uncertainty in the planning process and significant pressures identified in relation to both cost increases in the short term and ongoing forecast increases in demand for key services. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19, high 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 we delivery high quality to residents.

Developing the Draft Budget and Medium-Term Financial Strategy

- 1.6 The 2025/26 Draft Budget Report and Medium-Term Financial Strategy to 2029/30 updates on the progress to deliver a balanced budget for 2025/26. 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 a challenging national economic environment.
- 1.7 As in previous years, the production of the 2025/26 budget is an integrated approach across Corporate Strategy & Policy, Design & Transformation and Finance. Basing proposals around 'Core Planning Assumptions,' which set out likely changes to the external context in which we deliver our services, ensures that revenue budgets, capital investment and transformation plans are aligned with each Directorate's service plans and the Corporate Priorities of the organisation.
- 1.8 The Council's financial position is anticipated to remain challenging over the medium term. While many of the demands we are experiencing are not unique to this Council, we cannot rely on Government, or partners, to solve the issue for us. We need to reduce our costs and take difficult decisions in order to ensure our ongoing financial resilience.

- 1.9 The Council will continue to maintain a strong focus on financial accountability across the organisation to ensure we can both protect and continue to drive improvements in our vital services and ensure No One Left Behind.

The financial outlook

- 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 slow national economic growth, has had a damaging effect on the UK economy. Local Government funding remains highly uncertain, with many local authorities highlighting difficulties in balancing the increasing cost of providing services against undefined and limited funding streams.
- 1.11 The new Government has launched a multi-year Spending Review which will conclude in Spring 2025. The Spending Review will set departmental spending plans for a minimum of three years. Whilst the Government have shown a commitment to multi-year-settlements for Local Government, the timing of the Spending Review indicates the next Local Government Finance Settlement for 2025/26 will be a single year event, with multi-year settlements aligned to the multi-year Spending Review thereafter. This would be the sixth consecutive single year settlement.
- 1.12 The Budget, delivered by the Chancellor on 30 October, provided 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 2024, with a final settlement in January 2025. Until this is available, significant uncertainty on funding remains, with little expectation of any major changes from the funding available in the current financial year, or certainly not enough to fill the forecast budget gap.
- 1.13 The overall outlook for 2025/26 is a challenging one. While there is an anticipated modest increase in the overall budget envelope, 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. The Council continues to see exponential increases in demand for services, particularly within Adults and Children's Social Care and Home to School Travel Assistance.
- 1.14 Although good progress has been made over the last few months, at the point of publication there remains a provisional budget gap for 2025/26 of £17.4m, driven primarily by the need to maintain the delivery of priority services experiencing increasing demand pressures and higher than inflationary price rises. The rise in the living wage announced by the Chancellor on the 30th October will increase the Council's own wage bill as well as that of many of our suppliers, which will feed through into increased costs, widening the budget gap. Further actions will therefore be required to close the gap, 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.
- 1.15 The medium term budget pressures are expected to continue to grow. In addition, changes as a result of a Funding Reform are likely to have a significant impact and increase the Council's reliance on Council Tax. The Council recognises that tackling these challenges will require a medium-term focus, meaning we need to not only look to close the residual gap in 2025/26, but simultaneously look to address the medium-term horizon.

Engagement and next steps

- 1.16 Over summer 2024, the council engaged with residents to inform the draft budget. This is in line with the council's priority objective for Surrey to have empowered and thriving communities and 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.

- 1.17 The objectives of this engagement were to gather insight on what the most important outcomes were for stakeholders, and their views on how the council allocates its financial resources, approaches balancing the budget and circumstances under which a council tax increase would be supported. Different methods were used to gather the views of nearly 1,600 stakeholders across the county. Costs have been limited to the creation of accessible formats of our engagement material by using internal survey tools, however, this means the results illustrate the preferences of those who chose to take part but does not provide data representative of Surrey residents.
- 1.18 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.
- 1.19 If Cabinet agrees this draft budget at its meeting on 26 November 2024, 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

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- 2.1 The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.
- 2.2 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 help us create the conditions for Surrey to thrive. Our Organisation Strategy (2023-28), sets out four priority objectives which reflect where 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, high performing 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. Investment in prevention and early support is key to achieving those ambitions.
- 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 The four design principles that guide how our organisation operates, and the four commitments about how our people will work are detailed in full in our [Strategic Framework – The Surrey Way](#). 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.

3 INNOVATION, TRANSFORMATION & CHANGE

- 3.1 In recent years our transformation programmes have shifted focus to a more cross-cutting approach that is rooted in the outcomes we were seeking for Surrey’s residents and businesses and to enable a financially sustainable footing over the medium-term. To achieve this, we have developed a one-council approach to transformation with several cross-council programmes designed to optimise the way we work. These programmes focus on:
 - Customer engagement and improvements to customer experiences and outcomes
 - Organisation redesign to review ‘the way we do things’ across the whole council
 - Data and digital to leverage emerging and innovative technology
 - Place and communities support to improve outcomes for residents
 - Developing the performance and culture that underpins the organisation
- 3.2 In addition, we have several major Directorate-led change programmes that are focussed on driving service excellence and making improvements to statutory and preventative services. These are driven and delivered alongside our cross-cutting work, emphasising the need and commitment for services across the council to work together to improve outcomes for Surrey residents, whilst reducing costs and ensuring a more efficient and modern organisation. With an emphasis on designing prevention-based services and supporting residents at the earliest possible stage of their customer journey, we aim to reduce demand in our critical services and support the sustainability of the Council.
- 3.3 Moving into 2025/26, the Council continues to show a strong commitment to transforming how we operate, with a planned £20m of investment in transformation and service improvement activity. This level of investment is estimating a return of £41m in spend reductions, which is made up of £14m of permanent

budget efficiencies and £27m of cost containment. In addition, this work is anticipated to generate further efficiencies over and above those currently included in later years of the MTFs.

- 3.4 In addition to financial benefits, the transformation programme is essential to achieving our strategic ambitions and objectives, as set out in The Surrey Way. Change activity delivers a large amount of non-financial benefits and improved outcomes for residents and the most vulnerable members of our communities. These benefits, and a desire to continue delivering improved outcomes, are critical for the Council to meet the social, financial and environmental challenges it faces over the next five years.
- 3.5 Due to the financial pressures we are facing, we will continue to review both the level of investment and the returns on that investment, with a view to identifying further efficiencies to support our financial sustainability.

4 SERVICE STRATEGIES

ADULTS, WELLBEING & HEALTH PARTNERSHIPS

Context

- 4.1 Adults, Wellbeing & Health Partnerships (AWHP) is made up of three main services:
 - **Adult Social Care (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. Surrey’s ASC service works with over 24,000 residents and funds care packages for almost 13,000 residents.
 - **Public Health (PH)** – commissions preventative services targeted at reducing health inequalities including 0-19 services, sexual health services, substance misuse service, NHS health checks and healthy lifestyle services. PH also works to protect residents from communicable diseases and environmental hazards, as well as providing public health intelligence to inform local health planning.
 - **Communities & Prevention services (C&P)** – provides a range of community functions to help join up services and prevent demand for SCC and partner services across towns and villages, supports and helps to coordinate Surrey’s voluntary sector infrastructure and administers the Your Fund Surrey capital fund and Your Councillor Community Fund revenue fund.
- 4.2 AWHP operates in an incredibly challenging environment with the current rate of rising demand for services and inflationary pressures exceeding available funding, significant legislative changes and uncertainty about future government policy, including future plans for the ASC charging reforms which have been postponed indefinitely by the new government.
- 4.3 In the context of these challenges AWHP is taking forward an ambitious programme to bring down the care package spending trajectory by transforming and improving the customer journey, including through improved reablement services, expansion of technology enabled care services and supporting more people to stay at home, effective market shaping and commissioning of services, and enabling thriving communities across Surrey’s towns and villages. In June 2024 SCC’s Cabinet approved up to £8m of investment in this programme over 2024/25 to 2026/27.

Current 2024/25 budget position

- 4.4 AWHP’s current annual revenue budget is £511.7m. At the end of September, an overspend of £3.6m was forecast against AWHP’s total 2024/25 budget. This was due to a forecast £4.9m overspend on the total care package budget and a £2.2m overspend on staffing & other expenditure budgets, partially mitigated by a forecast underspend on wider support services and additional grant funding. AWHP is continuing to seek to identify mitigations to reduce the overspend in the rest of the year.
- 4.5 The annual cost of all active care package commitments at the end of September 2024 was £10.3m higher than the 2024/25 budget. Based on the current trajectory it is estimated that this gap could rise to £16m by 31 March 2025, which is included in 2025/26 budget pressures. The full year effect of efficiencies

planned in the rest of 2024/25 and included in the 2025/26 budget seek to significantly manage down this pressure. Workforce pressures in 2024/25 are also impacting on the 2025/26 budget, with £4.2m of staffing budget pressures included in the draft revenue budget in addition to pay inflation.

Financial pressures

- 4.6 AWHP's 2025/26 draft revenue budget includes £50.1m of pressures, with £212.7m across the whole MTFS period to 2029/30. The largest pressures relate to increase demand for ASC care packages (£26.8m in 2025/26, £128.8m across the MTFS), care package and contract inflation (£20.6m in 2025/26, £79.4m across the MTFS) and workforce pressures including pay inflation (£6.1m in 2025/26, £14.3m across the MTFS).
- 4.7 Expenditure pressures are partially mitigated by inflation on ASC assessed fees & charges (£2.7m in 2025/26, £11.1m across the MTFS), £3m of budgeted increased income from Surrey's Better Care Fund for ASC in 2025/26, which is a high level estimate based on prior years pending government announcements, and £0.4m of other funding increases.

Financial efficiencies

- 4.8 AWHP's 2025/26 draft revenue budget includes £31.6m of efficiencies, with £98m planned across the whole MTFS period to 2029/30. The majority of AWHP's planned efficiencies are reliant in part, or in full, on the successful delivery of AWHP's transformation and improvement programme (£18.5m in 2025/26 and £83m across the MTFS). This includes strengths-based practice and demand management efficiencies to bring the care package trajectory to a more affordable level, market shaping & commissioning activities to implement a new technology enabled care strategy and delivery of the Right Homes Right Support ASC accommodation programme and restructuring and refocus of AWHP's community functions.
- 4.9 AWHP plans for £12.7m of efficiencies in 2025/26, £14.5m across the MTFS, the delivery of which sits outside of the directorate's transformation and improvement programme. These include efficiencies planned to mitigate ASC price inflation (£6.8m in 2025/26), improve purchasing of older people nursing/residential packages (£1.9m across the MTFS) and change SCC's ASC charging policies (£1.4m across the MTFS) and £1.4m of efficiencies across the MFS that relate to Public Health and Communities Services.

Capital programme

- 4.10 There are three main areas of capital expenditure planned:
- The Right Homes Right Support programme to develop affordable extra care housing for older people, supported independent living and short breaks services for people with learning disabilities & autism and mental health conditions, and specialist nursing and residential care service for older people. £60.2m is included in the Capital Programme & Pipeline across these workstreams, with £29.9m spent to date in prior years. The delivery of this accommodation is essential to meeting future demand and efficiencies.
 - Your Fund Surrey which is a capital fund for large and small community projects. £10.0m is included in the Capital Programme for 2025/26.
 - The capitalisation of community equipment – £1.5m per year across the MTFS.

Horizon scanning

- 4.11 Sustained and significant demand, inflationary and workforce pressures, considerable uncertainty about future funding for ASC and PH services and ongoing legislative changes and reforms all make the future operating environment for AWHP incredibly challenging.
- 4.12 The directorate is focused on delivering its ambitious transformation and improvement programme, which is vital to future financial sustainability, as well as continuing to take all opportunities to operate more efficiently. However, given the scale of pressures, further efficiencies beyond those included in the MTFS

would likely have serious detrimental impacts on the Council's ability to deliver its statutory duties to the high standards it aspires for residents.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

- 4.13 The Children, Families and Lifelong Learning Directorate (CFLD) covers all Children's Social Care, corporate parenting and Education budgets and provides budgets for all State funded Schools across Surrey. Much of CFLD relates to the provision of statutory services, including care packages, corporate parent responsibilities, supporting families and the provision of services for children with additional need and disabilities both in the home and in school.
- 4.14 Core services are funded through the Council resources via the general fund, whilst funding for children in school is through the Dedicated Schools Grant (DSG).

Current 2024/25 budget position

- 4.15 CFLD's current annual revenue budget is £299.9m. The budget position at the end of September 2024 is a forecast overspend of £10.4m. The largest area of pressure relates to the cost of home to school travel assistance (£7.4m), which links to the significant growth in the number of children with additional needs and disabilities in specialist provision and the statutory transport requirements for those children. Increased costs of social care placements account for the remaining pressures.

Financial pressures

- 4.16 Like many authorities across the country, the provision of support for children with additional needs continues to be one of the biggest challenges and pressure for the Council. Much of the cost is met through the high needs block of the dedicated schools grant (DSG), whilst the staffing pressures relating to assessments, management and associated transport costs cause pressures in the general fund.
- 4.17 In addition, the costs of social care placements continues to be a budget pressure across the MTFS period. Although the number of children in our care has fallen, the cost of very specialist placements continues to rise, in a highly competitive commercial market.

Financial Efficiencies

- 4.18 The Directorate is reviewing all areas for potential efficiencies, with particular focus on:
- Detailed review of Home to School Travel Assistance, where stricter adherence to our policy of not funding transport for young people outside of the statutory entitlement has been introduced.
 - Prevention has been a particular focus across all areas of CFLD with additional funding and support introduced to ensure that the need for children and families to have a statutory social work intervention can be prevented wherever safe to do so.
 - Ensuring where possible children can return to their families has been a focus of the reunification project which supports the return of children successfully to home so they are no longer in our care.
 - Building and investing in Surrey owned and managed provision for both children's homes and supported accommodation allows us to have more control over the market and ensure children are placed closer to their family and community.
 - A full review of all management structures and spans of control is taking place to ensure the most efficient and cost-effective structure across the Directorate.
 - A review of all non-statutory services has been undertaken, and a review of the Directorate's business administration function is under way.

Capital budgets

4.19 CFLT has a direct Capital budget of £2.4m, however it has significant interest in several projects delivered through Land and Property, specifically focussed on building new SEN school provision and provision for young people in children's Homes and supported living.

Horizon scanning

4.20 Work is continuing to identify efficiencies within the service as well as looking at early intervention opportunities to reduce longer term costs. The costs relating to children with additional needs and disabilities continue to be a pressure, as in the rest of the Country, and ensuring best use of our resources in supporting these children in their communities continues to be a priority.

ENVIRONMENT, INFRASTRUCTURE & GROWTH

Context

4.21 Environment, Infrastructure & Growth (EIG) is a future-focused Directorate which aims to shape places, improve the environment and reach sustainability and climate change targets. EIG provides many "universal 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;
- Supporting the county's and Council's response to climate change and carbon reduction;
- Provision and maintenance of the Council's land & property estate; and
- Supporting economic growth.

4.22 Over the period of the Medium Term Financial Strategy, EIG'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 and innovating service delivery;
- Continue to improve bus services, including the 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 highways maintenance, the Surrey Infrastructure Programme, Land & Property's portfolio improvements and develop the pipeline for future schemes;
- Support the organisation to become agile and dynamic in its ways of working; and
- Continue to maximise external funding toward revenue and capital activities, including grants, income and developer contributions.

Current 2024/25 budget position

- 4.23 EIG's current annual revenue budget is £187.4m. 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 managing the Council's land and property.
- 4.24 A significant proportion of the Directorate's budget is linked to contracts, and EIG therefore recognises the need to work in close partnership with providers and markets to explore opportunities for efficiencies.
- 4.25 At month 6 EIG forecasts an overspend of £6.5m due to:
- pressures within Environment (£1m) including increased waste management costs, primarily due to market costs of managing dry mixed recyclables and other changes in contract costs, and costs associated with managing ash dieback,
 - pressures within Land and Property (£2.4m) due to soft facilities management, e.g. cleaning and security, energy costs due to increased usage and backdated costs, and other building running costs, and
 - pressures within Highways and Transport (£3m) due to additional verge maintenance. Further pressures associated with parking and traffic enforcement (£2m) are mitigated through use of parking funds.

Financial pressures

- 4.26 The EIG 2025/26 draft revenue budget includes pressures of £14.5m, £26.8m across the whole MTFS period to 2029/30, including:
- Inflation: significant spend within EIG 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 2% (£2.7m) for 2025/26. Pay inflation is also included at 3% (£1.5m) for 2025/26.
 - Waste pressures include increased market prices of managing dry mixed recyclables (£2m), and other contract changes (a net pressure of £0.5m after taking account of offsetting efficiencies and mitigations).
 - Highways & Transport pressures include improvements to verge maintenance, weed control and other visual improvements (£5m), increased parking contract costs linked to inflation (£0.5m), a one-off sum to address a backlog of highway tree works (£0.5m), an expected pressure following national changes to reimbursement of bus operators for concessionary travel (£0.6m) and costs associated with maintaining park and ride services (£0.4m). These are partially offset by rephasing of an existing pressure due to changes in the timing of delivering digital demand responsive transport improvements.
 - Other smaller pressures include the cost of retendering expiring bus contracts, unachieved contract efficiencies and staffing.

Financial Efficiencies

- 4.27 The EIG 2025/26 revenue budget includes efficiencies totalling £2.6m, £4.5m across the MTFS period to 2029/30, including:
- Waste efficiencies including retender of residual waste and dry mixed recyclable contracts (£2.6m), smaller efficiencies including green and sweeper waste prices (£0.3), which together with wider inflation reductions during 2024/25 (£1m) offset linked changes in contract costs above.
 - Other proposed efficiencies include undertaking some highways repairs from existing capital budgets (£5.3m), a review of greener futures activity (£0.5m), and smaller efficiencies from maximising income

including through enforcement of bus lanes, other moving traffic offences and planning activities, and savings associated with electric vehicles and the on-street charging contract.

- These are offset by the cessation of one-off grant funding applied to manage the costs associated with bus service improvements including the introduction of digital demand responsive transport (£6.6m) and unachieved prior year Agile programme efficiencies (£1.3m).

Capital budgets

4.28 EIG 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. EIG's draft 5 year capital programme and pipeline totals £1.4bn across the MTFs period. Key programmes and schemes include:

- Structural maintenance of roads, bridges and other highway assets
- Highways and transport improvement schemes and programmes, such as the A320 improvements, supporting the introduction of low emission buses, and the Surrey Infrastructure Plan
- Provision for waste management infrastructure including a materials recovery facility and maintenance & improvements to other waste sites.
- Greener Futures, the Council's carbon reduction plan.
- Investment in the Council's Land and Property estate, developed in close consultation with front line services to ensure 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

4.29 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 over the MTFs period and beyond.

COMMUNITY PROTECTION & EMERGENCIES

Context

4.30 The Community Protection & Emergencies Directorate (CP&E) 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 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HIMCFRS), CP&E 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.

4.31 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. Surrey Fire & Rescue Service also aim to work collaboratively with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

4.32 Other services within the Community Protection & Emergencies Directorate are Trading Standards, Safer Communities and Emergency Management.

Current 2024/25 budget position

4.33 CP&E currently has an annual revenue budget of £43.9m. At month 6 forecast expenditure is in line with budget, with pressures including fleet costs and abortive prior year spend (for which recovery is under investigation) being offset by efficiencies generated through shared support costs of Joint Fire Control.

Financial Pressures

4.34 The CP&E 2025/26 draft revenue budget includes pressures of £1.3m, £6.1m across the whole MTFS period to 2029/30; including:

- Expected growth through pay inflation, primarily anticipated growth from nationally agreed firefighter's pay awards, totalling £1.4m next year.
- Other adjustments total a net reduction of £0.1m, with non-pay inflation and communications systems costs being offset by cessation of time-limited growth introduced in previous years, including additional staffing.

Financial Efficiencies

4.35 The CP&E 2025/26 draft revenue budget includes efficiencies totalling £0.8m, rising to £1.3m over the MTFS period, including staffing reviews and efficiencies across the wider Group, sharing support costs for Joint Fire Control with partners, and an allowance to reflect the interval between staff leaving and new joiners starting.

Capital budgets

4.36 CP&E currently has a Capital Programme of £23m across the 5-year MTFS period which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.37 Efficiency measures subject to further development include developing a shared use offer for future training and fleet maintenance facilities.

4.38 The Community Risk Management Plan (CRMP) 2025-2030 is progressing through scrutiny, following public consultation which concluded on 6 September 2024. The final CRMP will be taken to Cabinet on 28 January 2025 and the plan will include final proposals on how CP&E respond to the risks facing our communities.

CUSTOMER, DIGITAL AND CHANGE

Context

4.39 The Customer, Digital and Change Directorate (CDC) is made up of a range of statutory and non-statutory services including Coroner's and Registration, Cultural Services, Customer Experience and Customer Strategy, Digital & Change, IT&D and People & Change. The Directorate manages various customer-facing services, as well as playing a crucial role in enabling large-scale transformation programmes, leveraging innovative practices and digital solutions to optimise service delivery and enhance resident experience.

4.40 The purpose of the Directorate is to provide a diverse range of high quality, high profile and wide reaching/impact services for our residents, whilst also being at the forefront of shaping and delivering the Council's priority ambitions of making Surrey a great place to live, work, and learn, ensuring no one is left behind. CDC works in close partnership with other council directorates, services, and external partners to ensure successful service delivery of its work plans and programmes.

Current 2024/25 budget position

4.41 The budget position at the end of period 6 is balanced. There are £0.5m of overspends offset by £0.5m of underspends in other services. The variances all relate to staffing, Customer Services and People & Change activity levels have led to increases in staffing, these are offset by holding vacancies in Design & Change.

Financial Pressures

- 4.42 The Directorate is forecasting inflationary pressures of £1.7m, the majority of which relates to staffing inflation at 3%. Furthermore, uplifts in Microsoft licences and continued support of MySurrey adds further pressures of £0.6m.
- 4.43 The main revenue budget pressure relates to permanently funding the Data Strategy and Insights Teams, which represents a budget pressure of £1.5m in 2025/26.

Financial Efficiencies

- 4.44 The majority of the efficiencies identified for this Directorate relate to Organisational Redesign and Customer Transformation. Services have reviewed staffing levels and are proposing efficiencies of £1.9m and council wide reductions in IT licences due to staffing changes. Proposals to reconfigure the welfare offer provided by the Crisis Fund are also included. In addition, the re-procurement of the wide area network will deliver savings of £0.3m.
- 4.45 Cultural Services efficiencies include uplifts in charges for services and staffing reductions as well as non-staffing operational efficiencies, such as subscriptions. Registrations efficiencies will be delivered by additional income & Coroner's through cross cutting staffing reductions.

Capital budgets

- 4.46 The Directorate has significant capital investment and delivery plans relating to the Council's IT&D services over the MTFS period. These investment plans support our staff to carry out their responsibilities.
- 4.47 The capital pipeline and budget contains £17.5m of 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.
- 4.48 The capital pipeline and budget also includes £1.2m to develop the mortuary and £2m to invest in Registration buildings.

Horizon scanning

- 4.49 The Directorate contains the Design & Change service, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation programme, Core Function Redesign and Customer programmes and therefore makes a significant contribution to achieving the financial sustainability required, so that the Council can deliver priorities, resulting in better outcomes for Surrey residents.

FINANCE & CORPORATE SERVICES

Context

- 4.50 Finance & Corporate Services (FCS) is a Directorate comprised of; Finance (including Commercial & Pensions), Legal & Governance (Democratic) Services, Internal Audit, Procurement & Fleet Management, Corporate Strategy & Policy (including Risk Management), Leadership Office (including EDI) and Twelve15 (school meals service).
- 4.51 The Directorate sits at the heart of the Council, supporting and enabling the delivery of high-quality services by ensuring compliance with our rules and regulations across the Council, as well as working with services on options and plans such as the commercial strategy. The Directorate has a key role in managing risk and ensuring a correct path to decision making through procurement rules and regulations, governance and audit and ensuring a strategic integrated planning process is followed. It has a key role to play in our external relationships; Local Government, Health, the Voluntary Sector and Central Government. Through a strong business partnering approach it drives financial management best practice and accountability, works with and challenges budget holders to deliver best value for residents.

Current 2024/25 budget position

4.52 At the end of September 2024, the Directorate is forecasting a balanced budget position. There are £0.4m of overspends forecast offset by underspends in other services. The main overspends relate to under delivery of contract, cross cutting and Orbis efficiencies and an overspend on member allowance uplifts. These are all mitigated by holding vacancies, most notably in the Leadership Office, Corporate Strategy & Policy and in Finance and there is an underspend in Twelve15 from lower than anticipated operating costs.

Financial Pressures

4.53 The majority of the directorate expenditure budget is staffing (58%), the corporate assumption is that these costs will be uplifted by 3% on average. 2025/26 inflationary pressures are expected to be £1.4m.

4.54 The directorate also faces two smaller pressures from the corporate cost of copyright licences and inflationary increases to the cost of external audit fees (£0.2m).

Financial Efficiencies

4.55 Services have identified £1.4m of efficiencies to offset these pressures, the majority are Organisational redesign staffing efficiencies (£1.2m) in Finance, Legal, Leadership and Corporate Strategy & Policy. In addition, the cost of legal advocacy has reduced and the re-procurement of the Woodhatch shuttle bus has led to further cost reductions.

Horizon scanning

4.56 The Organisational redesign and customer transformation programmes will impact the directorate by providing more efficient operating models and the opportunity for further efficiencies. The directorate enables service delivery so the directorate will adapt to the size and strategic direction of the Council.

COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS

Context

4.57 The Communications, Public Affairs and Engagement Directorate (CPAE) is responsible for developing a Communications Strategy for Surrey County Council, to:

- **Protect and enhance the reputation of Surrey County Council** amongst residents, staff, peers, stakeholders, wider sector and government, to build public confidence in the organisation and the services we deliver.
- **Keep residents and staff well informed**, to increase understanding of available services, keep residents safe and well, manage emergencies and major incidents effectively, and increase workforce understanding of the organisation's ambitions and objectives.
- **Effect positive behaviour change** in residents and staff, to help the organisation achieve its objectives, including around Transformation.
- **Engage residents and staff effectively**, to ensure residents and staff feel that they have a voice to positively influence policy development and delivery, feel invested in the organisation, and cultivate a culture of ambition, inclusion and diversity. This will be linked closely with the development of the Resident Intelligence Unit and Engagement Framework already underway.

4.58 All activity within the communications and engagement strategy is aligned to help the council deliver its strategic objectives, and ultimately help ensure that no one in Surrey is left behind.

Current 2024/25 budget position

4.59 The CPAE budget position at the end of September is balanced, however there remains a risk that the assumed Core Function Redesign efficiencies are not as high as anticipated. Efficiencies relating to staffing and holding vacancies are likely to deliver the assumed reductions this year.

Financial Pressures & Efficiencies

4.60 A high proportion (90%) of the directorate budget is staffing, with the only other area of significant spend being publicity costs. The 2025/26 inflationary pressure is forecast to be £0.1m.

4.61 Staffing efficiencies are anticipated to deliver efficiencies of £0.2m in 2025/26.

5 FINANCIAL STRATEGY AND DRAFT BUDGET 2025/26

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
<p>The budget has a Medium-Term focus which supports the Strategic Plan</p>	<ul style="list-style-type: none"> • 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 MTFS continues to forecast budget gaps in future years, due to forecast budget pressures being excess of anticipated funding increases and identified efficiencies. The continuation of medium-term planning and transparency over the scale of the medium-term challenge enables the Council to look across multiple years and to continue to focus attention of the identification of efficiencies across the MTFS period. • The budget process has been coordinated across Directorate Leadership Teams, Corporate Strategy & Policy, Transformation/Design & Change and Finance; The Council continue to try to strengthen this integrated approach and links between these core activities to ensure that the budget is focussed on delivering corporate priorities, is linked to the core planning assumptions and Directorate business plans. • The Council launched a cross-cutting approach to budget setting for 2023/24 onwards to ensure that dedicated focus, resource, and adequate time is given to solving the medium-term budget gap and well as a focus on balancing the budget for 2025/26. Transformation programmes such as Organisational Redesign, Data & Digital and Customer Transformation continues this focus.
<p>Resources are focused on our vision and our priority outcomes</p>	<ul style="list-style-type: none"> • The Strategic and Integrated Planning Group aims to ensure integration with the Organisation Strategy, the transformation programme and corporate priorities; developed in partnership across the organisation. • 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.
<p>Budget not driven by short-term fixes and maintains financial stability</p>	<ul style="list-style-type: none"> • 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 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.

	<ul style="list-style-type: none"> • The integrated approach to budget setting 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.
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> • The Council's 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, with formal scrutiny of this Draft Budget scheduled for December 2024. • 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. • Two all Member briefings have been delivered to ensure wider engagement and opportunities for input for all Councillors.
The budget is integrated with the Capital Programme	<ul style="list-style-type: none"> • Section 6 sets out the Draft Capital Programme • The Capital Programme is developed alongside the revenue budget and is overseen by Capital Programme Panel. We continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget. • Dedicated capital sessions have been held with the Corporate Leadership Team and Cabinet to assess the deliverability, affordability and proportionality of capital investment. Senior Leaders and Cabinet members have been involved in the prioritisation of capital bids, where decisions on available capital available funding have been required, taking into account parameters such as alignment to corporate priorities and impact on the revenue budget. • The full borrowing costs of proposed Capital Programme are reflected in the revenue budget and the trajectory for borrowing costs has been assessed over the long-term. • The full lifecycle costs of new investment are assessed to establish the long-term financial impact.
The budget demonstrates how the Council has listened to consultation with local, people, staff and partners	<ul style="list-style-type: none"> • Section 9 sets out our approach to consultation. • We delivered an engagement exercise to ask 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. • If Cabinet agrees this draft budget at its meeting on 26 November 2024, 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.

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 2025/26 budget. The principles are:

- Developing and continuing to strengthen the 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 or 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; and

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;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors;
- Pay and contract inflation to be managed within Directorate budget envelopes;
- Fees and charges are reviewed and benchmarked;
- A corporate transformation fund held centrally;
- A corporate budgeted contribution to reserves to enable funding of one-off and transformational activity; and
- A corporate redundancy provision held centrally.

Revenue Budget Headlines

- 5.3 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 Government leadership and policy changes, uncertainty over funding, the continued impact of increased cost-of-living and likely demand for services in 2025/26 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.
- 5.4 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.
- 5.5 Directorate growth pressures have been subject to a number of iterations and changing assumptions, culminating in indicative pressures for the Draft Budget of £108.3m, including £7.1m 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 to continued increasing demand pressures in a number of key services, specifically children's and adults social care placements.

- 5.6 To date, efficiencies of £57.1m have been identified. Together with an increase in funding of £33.9m (as set out in para 5.17), these developments give a gap yet to be closed for 2025/26 of £17.4m, as shown in Table 2 below.
- 5.7 Further information on pressures and efficiencies for each Directorate is set out in **Annex A**

Table 2: Summary Draft Budget Position for 2025/26.

Directorate	Base Budget £m	Pay & Contract Inflation £m	Demand & Other Pressures £m	Identified Efficiencies & Funding Increases £m	Total Budget Require- ment £m
Adults, Wellbeing & Health Partnerships	505.9	23.5	26.6	(31.6)	524.4
Children, Families & Lifelong Learning	291.6	9.5	20.1	(11.1)	310.1
Environment, Infrastructure & Growth	187.4	4.7	9.8	(2.6)	199.3
Community Protection & Emergencies	43.9	1.6	(0.3)	(0.8)	44.4
Customers, Digital & Change	49.3	1.7	2.3	(2.9)	50.4
Comms, Public Affairs & Engagement	2.8	0.1		(0.2)	2.7
Finance & Corporate Services	27.0	1.4	0.2	(1.4)	27.2
Central Income & Expenditure	100.6	0	7.1	(6.5)	101.2
Directorate Total	1,208.4	42.5	65.8	(57.1)	1,259.7
Central Funding	(1,208.4)			(33.9)	(1,242.3)
Council Total	-	42.5	65.8	(91.0)	17.4

- 5.8 Given the substantial demand pressures and the level of uncertainty nationally, specifically for local government, a gap of £17.4m (1.4% of likely net revenue funding) represents acceptable progress in balancing the budget at this stage.
- 5.9 Given the budget gap and the achievement of considerable efficiencies over recent years, it is going to be extremely challenging for the council to identify further additional efficiencies to close the residual gap. However, we will continue to review all areas of spend and look to mitigate pressures wherever possible, but the scale of the challenge may mean we have to delay the achievement of some of our priorities in order to meet the financial challenge ahead. Additional targets for the identification of efficiencies have been set for each Directorate and work is underway to develop plans to achieve these before the publication of the Final Budget.
- 5.10 We will be more certain of our final funding position for 2025/26 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 2.99% assumed in this Draft Budget, should that be allowed by government.
- 5.11 In addition, a review of the levels of reserves of the Council will be undertaken, with regard to the current high risk operating environment. Reserves will only be used for one-off or time limited purposes.
- 5.12 It will be crucial that any 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 for 2024/25 are assessed before a decision on Council Tax is made.

National Funding Context

Background

- 5.13 On 30 October 2024 the Chancellor of the Exchequer, delivered her first Budget Statement before the House of Commons, setting out the Government's fiscal rules and policy decisions on taxation and spend.
- 5.14 Government figures indicate an average increase in Core Spending Power (CSP) of 3.2% in 2025/26 nationally. A significant proportion of this increase comes from the presumption that all councils will levy the maximum increase in council tax permitted. Announcements included £1.3 billion of additional grant

funding for local authorities, including at least £600 million for social care. The amount that the Council receives is heavily dependent on the distribution methodology and formula adopted in determining individual authority allocations.

- 5.15 Government also announced increases to both Employer National Insurance Contributions and the National Living Wage (NLW). Both of these were higher than the existing assumptions in the budget and will lead to increased cost pressures, increasing the budget gap. The rise in the NLW will increase the Council’s own wage bill as well as that of many of our suppliers, which will feed through into increased costs, widening the budget gap. Funding for the impact of the increase in National Insurance contributions was announced simultaneously, although there are no details on how this funding will be made available. There remains a risk that funding is not sufficient to offset the increase in the Council’s wage bill experienced through this change.
- 5.16 While the announcements gave us some indication of the funding that will be made available to Local Authorities in 2025/26, 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 2024, with a final settlement in January 2025. Until this is available, significant uncertainty on funding remains, with little expectation of any major changes from the funding available in the current financial year, or certainly not enough to fill the forecast budget gap. A single year Spending Review means that again there is only one-year that we have clarity over our finances whilst developing plans over the medium term to an increase in funding for local government.

Funding Assumptions for 2025/26

- 5.17 Since 2019, the most significant anticipated influence on the Council’s funding has been the long-awaited implementation of fundamental Government funding reform. Our assumption, based on sector intelligence, is that reform would see the Council’s funding drop significantly over the medium-term. Although Government has not confirmed whether these reforms will be implemented next year, full reform would require consultation and would likely be a feature of a multi-year funding review. As such, the current planning assumption is that these will not impact until 2026/27, at the earliest. Current assumptions also include an expectation of transition arrangements to smooth the impact of any significant funding variations, resulting in a largely flat funding forecast across the Medium Term planning period.

Table 3: Funding assumptions:

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m	£m
Council tax	921.1	953.6	977.4	1,004.8	1,033.0	1,062.0
Business Rates	152.1	153.9	158.0	160.5	159.4	138.4
Grants	135.2	134.8	107.4	77.6	52.3	44.9
Total Funding	1,208.4	1,242.3	1,242.8	1,243.0	1,244.7	1,245.2

Council Tax Funding

- 5.18 The working assumption is that referendum limits will remain unchanged for 2025/26 and the budget has been modelled assuming a **Band D rate increase of 2.99% on the core council tax for 25/26** (1.99% throughout the MTFs period thereafter), with no assumption on increasing the Social Care precept at this stage (this overall increase is therefore 2% below the current total referendum limits).

Business Rates funding

- 5.19 The Government have pledged to replace the current business rates system. However, as yet there have been no detailed plans, therefore, we expect no major change in 2025/26 and planning assumptions are that any changes with Business Rates remain aligned to funding reform (assumed from 2026/27). A net increase in overall business rates funding for 2025/26 (taxbase, collection fund and associated grants) is assumed at just above 1%.

Grant funding



5.20 Material grants included are the Social Care Grant, Public Health Grant and a continuation of the Funding Guarantee. Grants where there has previously been a clear intention to cease, such as New Homes Bonus and Services Grant, have currently not been assumed to continue.

Staffing Position

5.21 During the pandemic, the Council increased staff resources in a number of key areas to deliver increased activities and provide essential support to residents while continuing to improve services. Over the last 12 months, we have seen the headcount of the organisation reduce and the budget proposals see further decreases.

5.22 Table 4 below shows the forecast FTE (Full time equivalent) movements as a result of the 2025/26 draft budget proposals.

Table 4: FTE implications:

Directorate	FTE Impact of Pressures	FTE Impact of Efficiencies	Total FTE Impact
AWHP	0.0	-22.5	-22.5
CFLL	3.0	-74.0	-71.0
EIG	4.0	-13.0	-9.0
SFRS	0.0	-14.0	-14.0
CDC	0.0	-39.2	-39.2
FCS	0.0	-13.5	-13.5
CPAE	0.0	-2.0	-2.0
	7.0	-178.2	-171.2

5.23 There is an anticipated net decrease in FTEs of 171. Some of the largest areas of change include a restructure of community functions, CFLL management and administration and business support and a review of Greener Futures spending and staffing. Through the Council's Organisational Re-design further reductions are anticipated across the medium term.

CIPFA FM Code of Practice

5.24 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.'

5.25 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 are undertaking a full self-assessment against the Code, results of which will be shared as part of the Final Budget papers in January 2025, including areas where further development or improvement would be beneficial in 2025/26.

6 DRAFT CAPITAL PROGRAMME 2025/26 TO 2029/30

Overview & Approach

- 6.1 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.
- 6.2 The Capital Programme planning process began in April 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.
- 6.3 Our aspirations remain high and the Draft Capital Programme for 2025/26 – 2029/30 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.

- 6.4 Despite these continued ambitions, the economic environment has changed over recent years. Increased construction costs have made the 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 have undertaken prioritisation of the capital programme, re-setting our capital expenditure approach and significantly reducing the borrowing requirement, to ensure the affordability, sustainability and proportionality of our capital programme in the medium term.
- 6.5 The Council operates a capital pipeline, in addition to the capital programme. Pipeline schemes act as a placeholder for schemes in early stages 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.
- 6.6 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 borrowing requirement from pipeline schemes. This dampening of our ambitions is required to ensure the ongoing deliverability and affordability of the remaining, significant capital investment.
- 6.7 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. 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.
- 6.8 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.

Capital Programme

- 6.9 The draft Capital Programme of £1,421m is set out in more detail in **Annex B**. This consists of £1,036m in the capital programme and a further £385m in the capital pipeline.
- 6.10 To finalise the Capital Programme, CPP and SCGs will continue to test the justification, affordability and prudence of plans. 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 2025.
- 6.11 Uncertainty remains over the economic backdrop. Recent high construction inflation has driven 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 monitored through CPP and mitigating actions taken where required.

MTFS Capital Budget 2025/26 to 2029/30

- 6.12 A total of **c£1,036m of schemes are included in the proposed approved capital budget over the MTFS (excluding pipeline)**. 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 5 below shows a breakdown of budget schemes by the three SCGs over the MTFS period:

Table 5: MTFS Draft Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	511
Property	510
IT	15
Total Budget	1,036

- 6.13 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 71% of the total estimated budget:

- £260m - Highway Maintenance – improvements to roads and footways across the County
- £111m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £106m - Schools Basic Need – increasing school places and building schools across the County
- £61m - Recurring Capital Maintenance: Corporate (non-schools) estate – County wide maintenance of service buildings, community facilities and offices
- £44m - Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £41m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £40m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support.
- £26m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £25m – Surrey Flood Alleviation, wider schemes
- £20m – corporate parenting – children homes / care leavers

2025/26 Capital Budget (excluding pipeline)

6.14 c£364m is provisionally included in the draft capital budget for 2025/26 as set out in the table, below. This will need to be thoroughly tested for deliverability prior to the final budget being approved.

Table 6: 2025/26 Draft Capital Budget by Strategic Capital Group:

Strategic Capital Group	2025/26 Budget (£m)
Infrastructure	177
Property	184
IT	3
Total Budget	364

6.15 Successful delivery of the 2025/26 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 2025, CPP will work with SCGs on the profiling of the draft budgets to ensure deliverability. The focus of the 2025/26 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 64% of the 2025/26 budget:

- £70m - Highway Maintenance – improvements to roads and footways across the County.
- £40m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £26m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £18m Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £17m - Recurring Capital Maintenance Corporate (non-schools) estate – County wide maintenance of service buildings, community facilities and offices
- £16m - Schools Basic Need – increasing school places and building schools across the County
- £13m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support
- £12m – Supported Independent Living (Learning Disabilities Phase 1)
- £11m – Local Highways Schemes
- £11m – Sunbury Hub

MTFS Pipeline Schemes 2025/26 to 2029/30

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

Table 7: MTFS Draft Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Pipeline (£m)
Infrastructure	306
Property	67
IT	2
Your Fund Surrey	10
Total Pipeline	385

- 6.1 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. 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.
- 6.2 The pipeline is key to the Council achieving its long-term objectives. 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 PMOs in Property and Infrastructure is a direct response to increase pipeline conversion and deliver priorities.
- 6.3 The top 10 pipeline schemes based on estimated spend over the MTFS period are shown below:
- £139m - Farnham Infrastructure Programme A31 Hickleys Corner
 - £21m – Surrey Infrastructure Plan (Placemaking Schemes)
 - £21m – Materials Recovery Facility – construction of MRF in Surrey to deal with dry mixed recyclable material arising from kerbside collections
 - £18m – Reigate Priory School
 - £16m – Farnham Infrastructure Programme (Town Centre)
 - £15m – Surrey Infrastructure Plan (Local Cycling and Walking Infrastructure Plans)
 - £14m – Slyfield Community Recycling Centre
 - £13m – Surrey Infrastructure Plan, category two
 - £12m – Ultra Low Emission Vehicles (Bus Companies)
 - £12m – Supported Independent Living (Learning Disabilities batch 2)
- 6.4 Of the total pipeline allocation in the MTFS, c.£142m or 37% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £182m is included in the capital budget, bringing the total to c.£324m.

7 FINANCIAL PERFORMANCE 2024/25

- 7.1 The Month 6 Finance Update report is reported to the same Cabinet on 26th November 2024. Headline performance is set out below.
- 7.2 **Revenue:** As at September 2024 (Month 6), Directorates are projecting a full year overspend of £18.6m. The Directorate positions continue to be challenging, recognising the impact significant demand pressures and price increases have on the cost of delivering vital services, particularly in relation to adult social care, children’s placements and Home to School Travel Assistance.
- 7.3 The Council remains committed to budget accountability and therefore Directorates are expected to put in place mitigating actions in the remainder of this financial year to offset the forecast overspend position.

- 7.4 It is imperative that the forecast level of overspend reduces before the financial year end, 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.
- 7.5 **Capital:** The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m. The Capital Programme Panel, working alongside Strategic Capital Groups, has undertaken a detailed review of the programme to validate and ensure deliverability. The re-phased capital programme reduces the 2024/25 budget to £316.5m, as approved by Cabinet in July 2024.
- 7.6 The forecast at M6 is for full year spend of £325.5m, representing a £9m variance against the re-set capital budget, which is the net effect of acceleration in some areas and slippage against other schemes.
- 7.7 More information on the revenue and capital position can be found in the 2024/25 Month 6 (September) Financial Report to Cabinet on 26th November 2024.
- 7.8 Many of the factors impacting the 2024/25 expected outturn position for both revenue and capital will continue into 2025/26 and the medium term. Budget estimates for 2025/26 include the ongoing impact of Directorate variances from the current financial year, where they are expected to continue. Demand pressure trajectories have been continued into 2025/26 in relation to those services experiencing pressures over and above the budget assumptions in 2024/25, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, should be realistic and deliverable.

8 MEDIUM TERM FINANCIAL OUTLOOK & STRATEGY TO 2029/30

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 2029/30, the Council will need to close a gap of c.£193m. This is driven by:
- Growth pressures: including demand and inflation: c£343m;
 - Increased borrowing costs of the capital programme: £35m;
- Partly offset by:
- An overall increase in funding: c£37m;
 - Less efficiencies identified to date: c£148m.
- 8.2 Although our immediate priority is understandably closing the gap and setting a balanced budget for 2025/26, 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 8: MTFG Gap to 2029/30

	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
Brought forward budget	1,208.4	1,259.7	1,294.6	1,338.9	1,383.6	
Directorate Pressures	101.2	54.3	60.0	62.2	65.7	343.4
Increased borrowing costs of Draft Capital Programme	7.1	10.1	8.7	5.5	3.4	34.8
Identified Efficiencies	(57.1)	(29.5)	(24.3)	(23.1)	(14.0)	(147.9)
Total Budget Requirement	1,259.7	1,294.6	1,338.9	1,383.6	1,438.7	230.3
Change in net budget requirement	51.3	34.9	44.3	44.7	55.1	230.3
Opening funding	1,208.4	1,242.3	1,242.8	1,243.0	1,244.7	
Funding (reduction) / increase	33.9	0.5	0.2	1.7	0.5	36.8
Funding for Year	1,242.3	1,242.8	1,243.0	1,244.7	1,245.2	
Overall Reductions still to find	17.4	51.8	95.9	138.9	193.5	
Year on Year - Reductions still to find	17.4	34.4	44.1	43.0	54.6	193.5

Council Tax, Business Rates & Local Government Funding Reform

- 8.3 A neutral scenario for Council Tax has been modelled assuming a Band D rate increase of 2.99% for 2025/26 and 1.99% over the remaining planning period. From 2026/27, the tax base has been modelled at 0.80% 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.
- 8.6 On the basis that the Government has launched a spending review to conclude in 2025 and committed to multi-year settlements, Funding Reform has been modelled to take effect from 2026/27 at the earliest. 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 expected from resource equalisation. Fair Funding Reform could have a very significant impact on the Council's future funding position and it is likely to increase the Council's reliance on Council Tax.
- 8.7 The Government has pledged to replace the business rates system and this pledge appears to be aimed at levelling the playing field between the high street and online retailers. With limited detail on what this could mean, our current planning assumptions remain in line with previous assumptions on funding reform. That is, once funding reform is 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

- 8.8 The Service Grant and New Homes Bonus funding are currently assumed to cease. Post reform, it is likely the majority of grant income will be rolled into baseline funding. The scale and pace of this will form part of the reform principles and any transitional arrangements put in place to smooth the anticipated impact over the MTFS period.

9 ENGAGEMENT AND CONSULTATION

- 9.1 Over summer 2024, the council engaged with residents to inform the draft budget. Mindful of the current financial context, we have taken a prudent approach to our consultation and engagement activity. By using internal survey tools, costs have been limited to the creation of accessible formats of our engagement material, however, this means the results illustrate the preferences of those who chose to take part but does not provide data representative of Surrey residents.
- 9.2 For this phase of engagement, the council asked for insight from stakeholders on:
- The importance they placed on each of 11 outcomes, based on the Community Vision for Surrey in 2030 and Organisation Strategy 2023 – 2028:
 - 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
 - Tackling climate change and protecting 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.
- Approaches to balancing the budget.
- Conditions for supporting a council tax increase.

9.3 Data was gathered from nearly 1,600 stakeholders using:

- An open survey on the Surrey Says platform (28 Aug - 30 Sep 2024) with 1,495 participants. Survey respondents were self-selecting, which means the results should not be treated as representative of the whole of Surrey's population.
- Community events and reference groups, engaging nearly 90 residents.
- Promotion via social media, the Surrey Matters website, newsletter, and local council members.

Key messages

Priority outcomes

9.4 Open survey respondents prioritised:

- Better roads and pavements (79%)
- Providing care for adults and children who need us most (76%)
- Making our communities safer (74%)
- Better public transport connections for easier, more predictable journeys (70%)

9.5 Younger respondents prioritised roads less than older ones. Community safety was most important in Runnymede, Spelthorne, Tandridge, and Mole Valley.

9.6 At community events, the focus was on:

- Care for vulnerable groups and health and wellbeing.
- Education and skills, especially SEN provision.
- Public transport and reducing social isolation.
- Community safety.

9.7 Attendees emphasised the importance of caring for the vulnerable, funding education and skills, and improving safety in town centres.

Use of resources

9.8 Stakeholders were asked for their views on how the council should allocate its resources. The choices offered to them were to allocate resources to:

- 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.

9.9 Open survey respondents preferred resources for the majority (54%) and across all areas (64%). Community event respondents favoured resources for those with the greatest needs and areas with poor health.

9.10 Open survey respondents prioritised current needs (50%), with older respondents favouring this more than younger ones, who preferred future needs. A significant minority (44%), wanted the focus to be on the future long-term needs of residents.

Balancing the budget

9.11 Open survey respondents were asked about approaches to balancing the budget:

- 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.
- 9.12 Most respondents supported increased partnership working (80%), equipping staff to work with partners and communities (70%) and providing local communities with tools to support themselves more (63%). Most residents opposed the idea of reducing or stopping services to protect others (80%) and introducing charges for free or subsidised services (64%).

Council tax increase - scenarios

- 9.13 Open survey respondents 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.
 - when the only alternative is to stop delivering some services.
 - under no circumstances.
- 9.14 The most supported scenarios were to protect services for the vulnerable (67%) and after exhausting streamlining opportunities (66%).
- 9.15 The most opposed scenario was increasing tax for long-term investment (52% opposed). There was also less support for an increase as an alternative to fees and charges (52% opposed).
- 9.16 38% of respondents opposed any tax increase under any circumstances, while 45% recognised legitimate circumstances for a rise.
- 9.17 If Cabinet agrees this draft budget at its meeting on 26 November 2024, 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

- 9.18 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 are targeted to areas where they are needed most. This means it is challenging to avoid all scenarios where some vulnerable groups are affected. Equality Impact Assessments (EIAs) are one of many measures we use to guide budget decisions and manage the risks of any potential negative equality impacts. EIAs approved by the relevant Executive Director and Cabinet Member will be included in the final Budget with an overview of the cumulative impacts.
- 9.19 The Council assesses impacts on the nine characteristics protected under the Equality Act 2010 and other vulnerable groups, such as those facing socio-economic disadvantage, carers, and the those experiencing homelessness. Early equality analysis will be reviewed by Select Committees, with a full analysis presented with the final budget in early 2025. This analysis is ongoing and subject to change as budget details are refined.
- 9.20 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.

- 9.21 Initial analysis on the insight emerging at this stage shows the main characteristics likely to be disproportionately 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.
- 9.22 Most of the impacts are positive, given the way we approach service delivery often focuses on those who are most in need. 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.
- 9.23 The groups identified as likely to experience disproportionate impacts are mainly 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.
- 9.24 We are committed to using co-design, consultation and engagement methods to produce services that are responsive and focus on supporting people that need them most. We are also committed to investing in preventative activity and early-intervention measures to help enable better outcomes earlier and avoid having to resource high-cost intensive activity that leads to greater pressures on our budget. We are committed to work closely with strategic partners to mitigate impacts where relevant.

10 NEXT STEPS

- 10.1 The Final 2025/26 Budget Report and Medium-Term Financial Strategy will be presented to Cabinet in January 2025 and Full Council in February 2025.
- 10.2 Select Committees have been involved throughout the budget setting process for 2025/26 – 2029/30. 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. Each of the Select Committee explored two of these specific areas in more detail. During October, further budget updates were provided to the Select Committees, updating on progress on the Draft Budget proposals, including getting specific feedback from these focused sessions. Recommendations have been made to Cabinet for consideration alongside these draft budget proposals. Select Committees will undertake further scrutiny of the Draft Budget in early-December, with any 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 2025/26 to Cabinet and Full Council for approval. The focus for the intervening period is to resolve the budget gap of £17.4m. This is likely to be achieved through a balance of the following factors:
- Review funding assumptions - specifically following the Local Government Finance Settlement;
 - Ensure that contributions to reserves in the 2025/26 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.

10.5 The Final Budget Report will include a number of additional sections including the statutory requirement for the s151 officer to comment on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves (known as a Section 25 report). In addition, the Final Budget will include the formal approval of the Council Tax Requirement for 2025/26 and the Capital, Investment & Treasury Management Strategy.

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