

SURREY COUNTY COUNCIL

COUNTY COUNCIL

DATE: 5 FEBRUARY 2019



REPORT OF: MR TIM OLIVER, LEADER OF THE COUNCIL

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF FINANCE

SUBJECT: REVENUE AND CAPITAL BUDGET 2019/20 AND KEY FINANCIAL STRATEGIES to 2023/24 - ADDENDUM

SUMMARY OF ISSUE

Subsequent to the publication of the County Council's agenda, there are amendments to be made to the Revenue and Capital Budget 2019/20. These changes arise for the following reasons;

- Revised Cabinet recommendations from its meeting on 29 January 2019
- Final notification of Council Tax bases and collection fund balances
- The publication of the Final Local Government Finance Settlement on 29 January 2019

Following these changes, **Annex A** replaces Annex 1 on the original report and **Annex B** replaces Annex 2.

Revised Cabinet Recommendations

On 29 January 2019 the Cabinet approved the 2019/20 Budget for recommendation to the County Council. Within this there were amended recommendations for Community Recycling Centres. The impact of these changes are to reduce the in-year savings on the Environment Service budget by £279,000. **Annex A** reflects these changes on pages 23, 27, and 28 with an increase in the net budget for the Environment Service.

Final Council Tax Base and Collection Fund

Following receipt of the council tax bases and collection fund balances from Surrey Borough and District Councils, the total council tax to be collected will increase by £205,000 to £731.5m. This increases the Total Core funding and Net Budget to £886.1m. **Annex A** reflects these changes on pages 19, 20 (Table C) and page 23.

The Cabinet recommends Council to fund £16.7m of Transformation investment through the flexible use of capital receipts in 2019/20. This expenditure and funding is shown in **Annex A** pages 23 and 33.

Final Local Government Settlement

The Final Local Government Finance Settlement was published on 29 January 2019. The Business Rates Top Up has been confirmed as £62,077,015.60. This is an increase of £77,000 from the previously published Budget Report. This change is reflected in **Annex A** on page 23.

Annex B reflects these funding changes in the table on page 1.

RECOMMENDATIONS

Following the Cabinet meeting on 29 January 2019, the revised recommendations to County Council on 5 February 2019 are:

To note the following important features of the revenue and capital budget:

1. The Executive Director of Finance's statutory conclusions in his Section 25 statement. (**Annex A**)

Proposed budget: Cabinet recommends County Council approves the following revenue and capital budget decisions:

2. Approve the net revenue budget requirement be set at £886.1m (net cost of services after service specific government grants) for 2019/20 (**Annex A**), subject to confirmation of the Final Local Government Financial Settlement
3. Approve the total council tax funding requirement be set at £731.5m for 2019/20. This is an increase in the level of the council tax of 2.99% (**Annex A**).
4. Notes that for the purpose of section 52ZB of the Local Government Finance Act 1992, the council formally determines that the increase in council tax is not such as to trigger a referendum.
5. Set the Surrey County Council precept for Band D council tax at £1,453.50, which represents a 2.99% up-lift. This is a rise of 81p a week from 2018/19's precept of £1,411.29. This includes £102.39 for the Adult Social Care Precept, which remains at the same rate as last year.
6. The Council Tax for each category of dwelling as set out in the table below

Council Tax Band	2018/19 £	2019/20 £
Band A	940.86	£969.00
Band B	1,097.67	£1,130.50
Band C	1,254.48	£1,292.00
Band D	1,411.29	£1,453.50
Band E	1,724.91	£1,776.51
Band F	2,038.53	£2,099.51
Band G	2,352.15	£2,422.51
Band H	2,822.58	£2,907.01

7. The payment for each billing authority, including any balances on the collection fund, will be as set out in **Annex B**.
8. Delegate powers to the Leader and the Executive Director of Finance to finalise budget proposals and recommendations to County Council, updated to take into account new information in the Final Local Government Financial Settlement.
9. Approve the Flexible Use of Capital Receipts Policy for 2019/20 to meet the statutory guidelines for the use of capital receipts to fund the transformation and reform of services (**Annex 3**)
10. Approve the application of a further £7.2m in the current 2018/19 financial year to fund the transformation under the capital receipt flexibilities policy (**Annex 3**).
11. Approve the use of £16.3m in the 2019/20 financial year, to fund the transformation under the capital receipt flexibilities policy (**Annex 3**).
12. That the underlying balance on the general fund remains set at £21.3m as at 1 April 2019.
13. Approve the Total Schools Budget of £492.9m to meet the council's statutory requirement on schools funding. (**Annex 1**).
14. Approve the overall indicative budget envelopes for Executive Directorates and individual services for the 2019/20 budget (**Annex 1**).
15. Note the indicative budget envelopes for 2020-24 (**Annex 1**).
16. Approve £413.8m indicative five year capital programme, with £129.2m capital investment in 2019/20 (**Annex 1**).

Capital Strategy: Cabinet recommends Council approves the following.

17. The Capital and Investment Strategy for 2019-24 (**Annex 4**)
18. The policy for making a prudent level of revenue provision for the repayment of debt (the Minimum Revenue Provisions policy) (**Annex 4a**)

STATEMENT OF THE EXECUTIVE DIRECTOR FOR FINANCE (S151 officer)

1. The Executive Director for Finance is the Section 151 Officer as defined by the Local Government Act 1974. Legislation requires the Section 151 Officer to report on the robustness of the budget. This is included in **Annex A**. In summary, the Executive Director of Finance indicates that although there is no general use of reserves to support the 2019/20 budget, the Transformation Programme savings and cost containment plans still include a high level of risks. A contingency within the budget of £10m partly mitigates those risks against a total savings requirement of £82m.
2. The Executive Director of Finance cautions against optimism bias and the report has highlighted the continuing serious financial challenges faced by the council in the years following 2019/20. These challenges are from continuing demand pressures on service budgets, especially in social care, education and waste and a high degree of uncertainty about the future level of funding. The government is set to revise the system for funding local government from April 2020, and if resource equalisation remains a factor in this, then Surrey County Council could continue to lose core funding from central government and business rates.

3. The Section 151 Officer notes that the changes to the Community Recycling Centres budget will only be affordable in 2019/20 due to increased council tax receipts following boroughs' and districts' confirmation of the council tax bases and collection fund balances.
4. Finally, in accordance with the Prudential Code, the Executive Director of Finance supports the proposed capital and investment strategy. The various elements of the capital strategy and associated inter-related controls and policies demonstrate that the council's capital expenditure and investment decisions properly take account of stewardship, value for money, prudence, sustainability and affordability, by setting out the long term context in which capital expenditure and investment decisions are made, and by giving due consideration to both risk and reward and impact on the achievement of priority outcomes.

OTHER IMPLICATIONS:

EQUALITIES AND DIVERSITY

There are no changes to the Equalities and Diversity statement in the main report

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Annexes referred to

Annex A	2019/20 Budget and Financial Strategy 2019-24
Annex B	Council Tax Requirement