

# **Communities, Environment & Highways Select Committee**

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## **2021/22 Draft Budget Report and Medium-Term Financial Strategy to 2025/26**

15<sup>th</sup> December 2020

# Introduction – 2021/22 Draft Budget and Medium-Term Financial Strategy

## Purpose and content

- Set out to Select Committee the 2021/22 Draft Budget and MTFs, setting out:
  - 2021/22 budget gap
  - 2021/22 – 2025/26 summary position
  - Detailed Directorate progress

## The process to date

- Stabilise the 2020/21 budget following the immediate CV-19 crisis through budget resets
- Establish Core Planning Assumptions and funding projections
- Convert the assumptions into the Draft Budget position
- Identify efficiencies to contribute towards closing the gap for 2021/22 and the medium-term
- Draft budget presented to Cabinet 24<sup>th</sup> November with a gap to close of £18.3m

## Next Steps

- Closing the gap
  - Refine core planning assumptions, funding assumptions and Directorate gaps
  - Finalise the efficiency and transformation proposals
- Finalise the 2021/22 – 2025/26 Capital Programme
- Consultation with residents on draft proposals and Equality Impact Assessments
- Final Budget to Cabinet in January 2021
- Final Budget to Council February 2021

# Our Focus for the Next 5 Years: 2021 – 26

## Community Vision 2030

We want Surrey to be a uniquely special place where everyone has a great start in 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. Where our economy thrives and grows, in balance with our beautiful natural environment. While many residents and businesses thrive in Surrey, not everyone has the same opportunities to flourish so our focus for the next five years will be guided by the principle of **tackling inequality and ensuring no-one is left behind**

## Four priority objectives ('dial up' areas)

### Growing a sustainable economy so everyone can benefit

Support people and businesses across Surrey to grow during the economic recovery and re-prioritise infrastructure plans to adapt to the changing needs and demands of residents at a time of financial challenges

### Tackling health inequality

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

### Enabling a greener future

Build on behaviour changes and lessons learnt during lockdown to further progress work to tackle environmental challenges, improve air quality and focus on green energy to make sure we achieve our 2030 net zero target

### Empowering communities

Reinvigorate our relationship with residents, empowering communities to tackle local issues and support one another, while making it easier for everyone to play an active role in the decisions that will shape Surrey's future

## Transforming the Council

### Customer experience

We will get better at seeing things from a resident's perspective, giving customers a simpler and more consistent experience

### Stronger Partnerships

We will focus on building stronger and more effective partnerships with residents, other public services and businesses to collectively meet challenges and take opportunities

### Transformation and reform

We will continue our comprehensive transformation programme to improve outcomes for residents, deliver efficiencies and make sure financial sustainability underpins our approach

### Digital and Data

We will embrace digital solutions and take a data-driven approach to transforming our organisation and services we deliver for residents

### Agile, diverse and motivated workforce

We will embed new agile ways of working and provide staff with the tools and support to be high performing and outcomes-focussed. We will put equality, diversity and inclusivity at the heart of everything we do, valuing the strength of a diverse workforce

### Financial Management

We will spend our money in the most efficient and effective ways, so we can have the greatest impact on improving people's quality of life and ensure we provide the best value for money to our residents

# 2021/22 Draft Budget

- The table shows the overall picture for the Council for 2021/22 against estimated funding
- Pressures, efficiencies and funding will continue to iterate over November and December
- In particular, funding estimates are subject to clarification as our understanding of the impact of CV-19 on Council Tax Collection continues to develop
- Announcements from Government expected on 24<sup>th</sup> November - further detail before Christmas
- The draft budget includes net pressures of £59.3m, with efficiencies of £41m, leaving a net gap of £18.3m

	Base Budget £m	Pressures £m	Efficiencies £m	Directorate Total £m	Directorate Gap £m
Adult Social Care	372.1	16.5	(11.5)	377.1	5.0
Public Health	32.6	0.0	0.0	32.6	0.0
Children, Families, Lifelong Learning and Culture	245.2	26.8	(20.9)	251.2	5.9
Environment, Transport and Infrastructure	132.8	9.4	(3.5)	138.8	5.9
Community Protection	36.2	1.8	(0.5)	37.4	1.2
Resources	66.6	3.9	(4.4)	66.1	(0.5)
TPP Services	17.4	0.9	(0.2)	18.1	0.7
Central Income and Expenditure	65.4	3.2	0.0	68.6	0.0
Directorate Sub-total	968.4	62.5	(41.0)	989.9	18.3
Projected Funding	(968.4)	(3.2)	0.0	(971.6)	
Net Gap	0.0	59.3	(41.0)	18.3	

# 2021-2026 Medium Term Financial Plan

- Directorates were tasked with costing the core planning assumptions and scenarios to arrive at a **pressures and efficiencies** for the MTFS from 2021/22 to 2025/26 to include alongside the Draft Budget
- **Draft estimates of likely funding over the medium-term** from Council Tax, Business Rates and Government Grants have been developed – these will need to be updated for funding announcements expected in November and December
- Pressures may iterate as further information on CV-19 becomes clearer
- The Capital Programme will continue to be refined to present the final programme to Cabinet in January, recommended to full Council in February

# 2021-2026 Council Summary Position

- The table shows the overall picture for the Council against estimated funding
- The estimates in some cases are indicative at this early stage and will require review
- 2021/22 shows a gap of £18.3m, growing to £170.1m over the 5-year MTFS
- Funding estimates are based on the most likely outcome but will be kept under review

	Total						Total
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Budget Envelope</b>	<b>968.4</b>	<b>971.6</b>	<b>960.3</b>	<b>951.7</b>	<b>933.8</b>	<b>929.0</b>	
Brought forward budget	968.4	968.4	989.9	1,007.7	1,034.5	1,066.8	
Plus growth (inc inflation)		62.5	47.6	45.5	44.5	43.9	<b>243.9</b>
Less identified efficiencies		(41.0)	(29.7)	(18.7)	(12.3)	(11.5)	<b>(113.2)</b>
<b>Total budget requirement</b>		<b>989.9</b>	<b>1,007.7</b>	<b>1,034.5</b>	<b>1,066.8</b>	<b>1,099.1</b>	
Reductions still to find		18.3	29.1	35.4	50.2	37.0	<b>170.1</b>

# Environment, Transport & Infrastructure



# Services provided

Environment Transport & Infrastructure (ETI) provides many “universal services” to residents, i.e. services which many/all residents access including waste management and highways. Key service areas include:

- Waste management, including recycling/disposal, and community recycling centres
- Highway maintenance and street lighting
- Public transport
- Countryside
- Planning & Development
- Responding to climate change and carbon reduction

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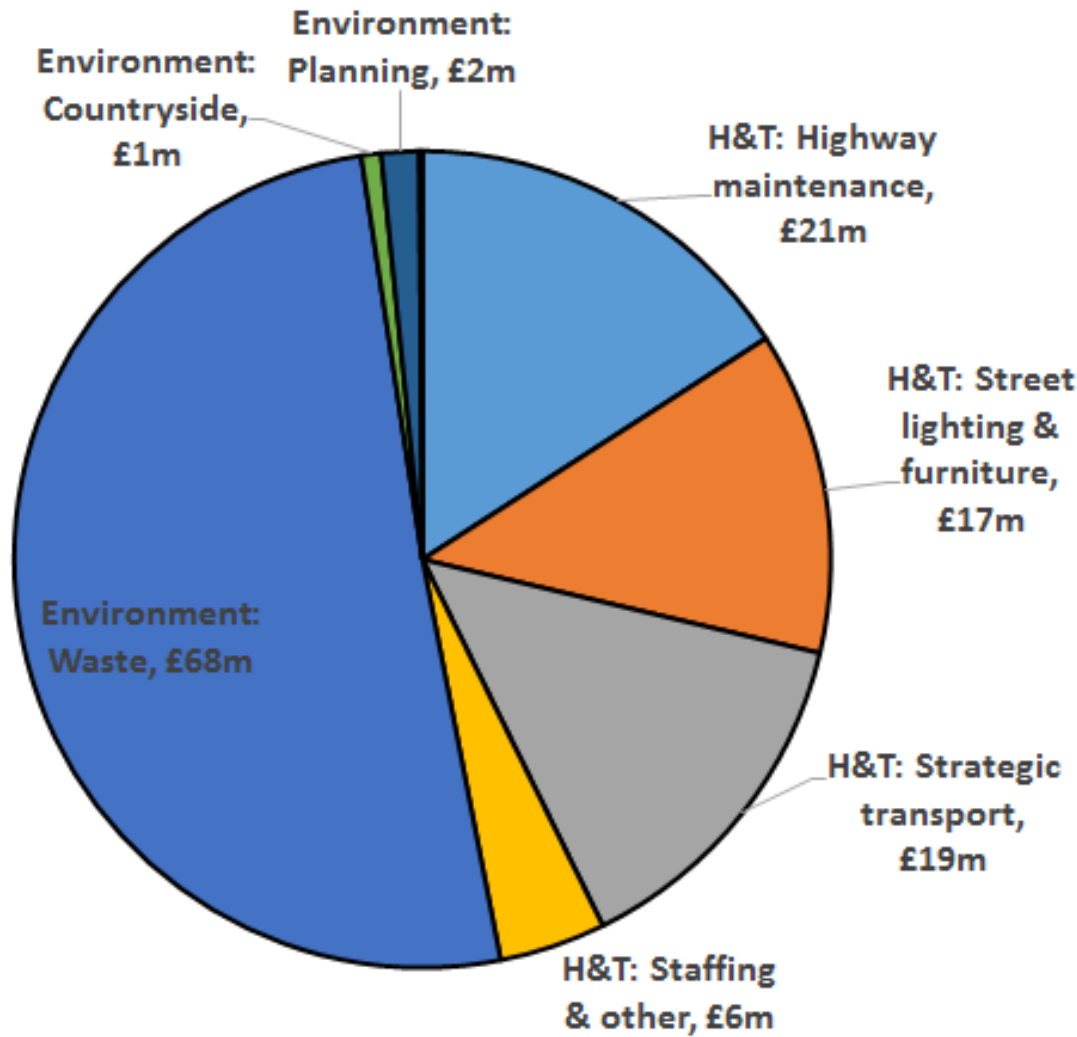
ETI operates in a challenging environment with increasing costs, high demand for services, and changes to residents behaviour including the impact of the Covid-19 pandemic on travel patterns and waste volumes.

ETI aims to **shape places, improving the environment** and reaching **sustainability and climate change targets**. **Building resilience** in the Surrey community through provision of **transport and digital connectivity**, infrastructure, and services in a **flexible** way that puts our **customers first** and provides **excellent value** for taxpayer money. ETI aims to embrace **effective and genuine partnership working** with **residents, peers, and business to deliver outcomes**.



# How is the service budget spent?

2020/21 net expenditure ETI



The majority of ETI spend is committed to strategic contracts including waste management, highway maintenance, street lighting and bus services.

The largest of these is the waste management contract with Suez which includes disposal of waste, and developing and operating waste management facilities. This contract is due to end in 2024.

# Service strategy for 2021-26 MTFS

ETI is developing a 5-year financial strategy which reflects a number of factors including:

- delivering on the Organisational Strategy, in particular enabling a Greener Future as well as climate change (as per the Surrey Climate Change Strategy),
- responding to other priorities including a visitor-facing countryside service, major capital infrastructure delivery and place-shaping (as per the Surrey Place Ambition); as well as new legislation such as the Government's National Waste Strategy and the Environment Bill,
- COVID-19 is also impacting on services with new ways of working, travelling, and new expectations as a result of changing behaviour arising from lockdown. Impacts include pressure on the bus industry and increased waste volumes, which could continue into the medium term,
- the proposed financial strategy also reflects inflationary increases where necessary, e.g. for contracts delivering highways, transport and waste services.

This has inevitably led to growth, which the Directorate continues to review and challenge. In addition, opportunities for efficiencies are being actively pursued, including energy savings arising from street lighting LED conversion, additional opportunities for cost recovery and income, opportunities for better joint working with districts and boroughs on waste, and opportunities to reduce waste disposal costs.

# 2021-26 MTFS Budget Summary

Environment, Transport & Infrastructure									
	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Budget	Outturn							
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	128.6	128.9	132.8	132.8	138.8	139.8	143.2	147.1	
Pressures				9.4	3.3	4.3	4.1	4.1	25.2
Efficiencies				(3.4)	(2.4)	(0.9)	(0.2)	(0.1)	(7.0)
<b>Current calculated budget requirement</b>				<b>138.8</b>	<b>139.8</b>	<b>143.2</b>	<b>147.1</b>	<b>151.0</b>	
Pressures vs Efficiencies				6.0	1.0	3.4	3.9	3.9	
Indicative share of medium term gap				0.0	3.1	2.2	4.2	2.2	11.7
<b>Reductions still to find</b>				<b>6.0</b>	<b>4.1</b>	<b>5.6</b>	<b>8.1</b>	<b>6.1</b>	<b>29.8</b>

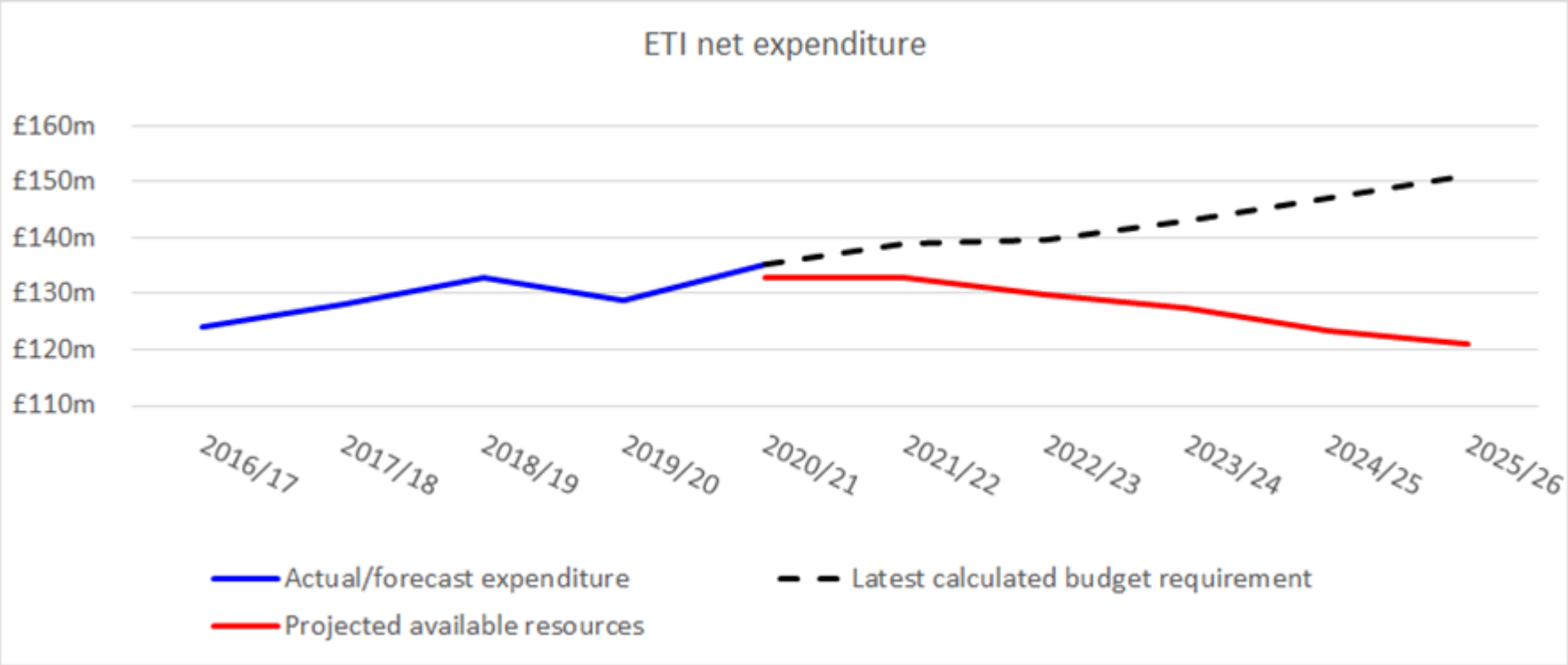
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Although significant progress has been made in developing more financially sustainable budget proposals in recent months a gap of c.£6m still remains in 2021/22 compared to the Council's currently estimated available funding.

This gap increases to £29.8m by 2025/26 based on current modelling of potential changes to the Council's funding in future years.

The funding available in 2021/22 for all Council services will be reviewed when the Local Government Finance Settlement for 2021/22 is published (expected in December 2020). This combined with any changes to ETI's current estimated pressures or efficiencies will determine the budget gap for 2021/22 that needs to be closed.

# Year on year expenditure



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With the exception of lower costs in 2019/20 (due to one off and ongoing efficiencies) the cost of ETI services has risen in recent years in line with market costs and demand for services. In 2020/21 there is a forecast pressure of c.£2m mainly in respect of waste prices, which is expected to continue into future years with some mitigation planned.

Current service costs are expected to continue to increase, primarily due to inflation, requiring significant changes to keep spending within currently estimated resources in the medium term.

# Summary of budgeted pressures

Pressure	2021/22 £m	2021-26 £m	Comments
Price inflation	3.0	17.7	Contractual inflation including waste, highways and buses, assuming a base rate of 2.5% in most cases.
Pay inflation	0.5	2.8	Based on SCC's Pay & Reward offer.
Waste volume (CV-19 related)	0.8	0.1	Reflecting a sustained increase in homeworking.
Waste prices	1.4	1.4	Increased cost of disposing of residual waste due to market capacity, and value of recyclable materials.
Public Rights of Way	0.1	0.4	Investment in rights of way maintenance.
Climate Change agenda	0.3	0.4	Staffing and associated costs.
Planning and Major Projects	0.2	0.2	Director of Infrastructure Planning and Major Projects and associated costs.
Place Making	0.3	0.3	This team will maximise funding and inward investment opportunities and support development of local centres.
Local Bus Service subsidies (CV-19 related)	1.7	0.0	Short term support to contracted bus operators to enable services to continue with reduced passengers/fares, while options are developed for a more sustainable model.
H&T resources & capacity	0.4	0.5	Bringing structures inspections back in-house, additional resource to deliver LTP/LCWIP/active travel, dedicated highways contract manager.
Maintaining new active travel infrastructure to heightened design standards	0.0	0.3	Changes to government design standards for cycleways and increasing options requiring higher levels of maintenance to maintain safety for vulnerable users.
Increased mitigation for severe weather and ecological threats	0.0	0.2	E.g. gritting, increased gully cleaning at hotspots, additional road repairs after flooding, removal of diseased trees.
Network management efficiency	0.7	0.7	Reversal of 2020/21 efficiency, which assumed changes to parking management.
Other pressures	0.0	0.3	
<b>Total Pressures</b>	<b>9.4</b>	<b>25.2</b>	

# Summary of budgeted efficiencies

Efficiency	2021/22 £m	2021-26 £m	Comments
Increased capture of food waste	0.2	0.2	Increase existing participation, additional measures at flats.
Review waste & recycling financial mechanisms	0.2	0.2	Review existing arrangements.
Reduce CRC trade waste through ANPR	0.1	0.1	Project under way.
Growth in reuse shop income	0.1	0.1	Continue expansion of CRC reuse shop offering.
Reduction in residual waste prices	0.8	0.8	Obtain improved price for residual waste.
Infrastructure and Planning efficiencies and cost recovery	0.0	0.1	Various measures including planning income.
Energy savings from streetlighting LED conversion	1.1	2.5	Energy saving from ongoing conversion of street lights.
Bus lane enforcement	0.2	0.5	Expansion of current measures.
Commercialisation	0.1	0.2	Investigate options, including Laboratory.
Review of network management including on street parking	0.1	0.5	Review scope to optimise management of the network.
Increase capitalisation of structures and network resilience costs	0.3	0.3	Fund costs from existing capital programme.
Reduced highways insurance claims	0.3	0.3	Reduction in light of recent trend of reduced claims/costs.
Countryside estate efficiencies and cost recovery	0.2	0.3	Including grant and other income.
Savings to start in future years	0.0	1.0	
<b>Total Efficiencies</b>	<b>3.4</b>	<b>6.9</b>	

# Draft Capital Programme (1)

- The Capital Programme is comprised of the Budget (for schemes which are developed and ready to proceed) and the Pipeline (schemes requiring further development and subject to business case approval).
- The ETI Capital Budget totals £557.0 m over 5 years, and is funded from a number of sources including grants and borrowing. The main schemes are set out below:

Project	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Surrey Flood Alleviation - River Thames	2.5	10.0	60.0	60.0	50.0	182.5
Surrey Flood Alleviation - Wider Schemes	3.6	3.6	3.6	3.6	3.6	17.8
Highway Maintenance	33.9	33.9	33.9	33.9	33.9	169.3
A320 North of Woking and Junction 11 of M25	3.0	15.0	27.7	-	-	45.7
Bridge/Structures Maintenance	8.6	10.2	10.2	10.2	10.2	49.2
Traffic signals	2.9	2.9	2.9	2.9	2.9	14.6
Street Lighting LED Conversion	7.6	4.8	-	-	-	12.4
Illuminated Street Furniture	3.5	1.9	1.9	1.9	0.5	9.7
Flooding & drainage	1.7	1.7	1.7	1.7	1.7	8.5
Local Highways Schemes	2.1	2.0	2.0	2.0	2.0	10.1
Local Enterprise Partnerships Funded Schemes	7.7	-	-	-	-	7.7
External funding	1.2	1.2	1.2	1.2	1.2	6.0
Drainage Asset Capital Maintenance/Improvements	1.0	1.0	1.0	1.0	1.0	5.0
Safety Barriers	1.0	1.0	1.0	1.0	1.0	5.1
Superfast Broadband	0.1	-	-	-	-	0.1
<b>Highways and Transport Total</b>	<b>82.8</b>	<b>90.7</b>	<b>148.2</b>	<b>120.5</b>	<b>109.1</b>	<b>551.5</b>
Public Rights of Way	1.0	0.7	0.7	0.7	0.7	4.0
Basingstoke Canal	0.2	0.2	0.2	0.1	0.1	0.7
Improving Access to the Countryside	0.4	0.0	0.0	0.0	0.0	0.5
Closed landfill sites	0.1	0.1	0.1	0.1	0.1	0.3
<b>Environment Total</b>	<b>1.7</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>5.5</b>
<b>ETI Total</b>	<b>84.5</b>	<b>91.7</b>	<b>149.2</b>	<b>121.5</b>	<b>110.0</b>	<b>557.0</b>

- These amounts represent schemes directly delivered by ETI.
- Schemes less than £5m over the MTF5 period include Highways Signs, Traffic Monitoring, Replacement Vehicles, Bus Corridor Improvement and other schemes smaller in value

# Draft Capital Programme (2)

- The ETI Capital Pipeline is comprised of schemes under development and is therefore subject to further work. As with the capital budget, the pipeline is funded from a number of sources including grants and borrowing. Allocations include:
  - Farnham improvement schemes (c£139m)
  - A22 Strategic Developments (c£57m)
  - Local Enterprise Partnership schemes (c£43m)
  - Low Emission Vehicles (c£48m)
  - Local Cycling & Walking Infrastructure (LCWIPS) (c£35m)
  - Materials Recovery Facility (c£27m)
  - Community Recycling Centre improvements (c£18m)
  - Other schemes include solar/renewable energy installations and electric vehicle infrastructure
  - Further pipeline schemes are under consideration including the Surrey Infrastructure Plan



# Community Protection Group



**SURREY**  
COUNTY COUNCIL

# Services provided

The Community Protection Group (CPG) includes:

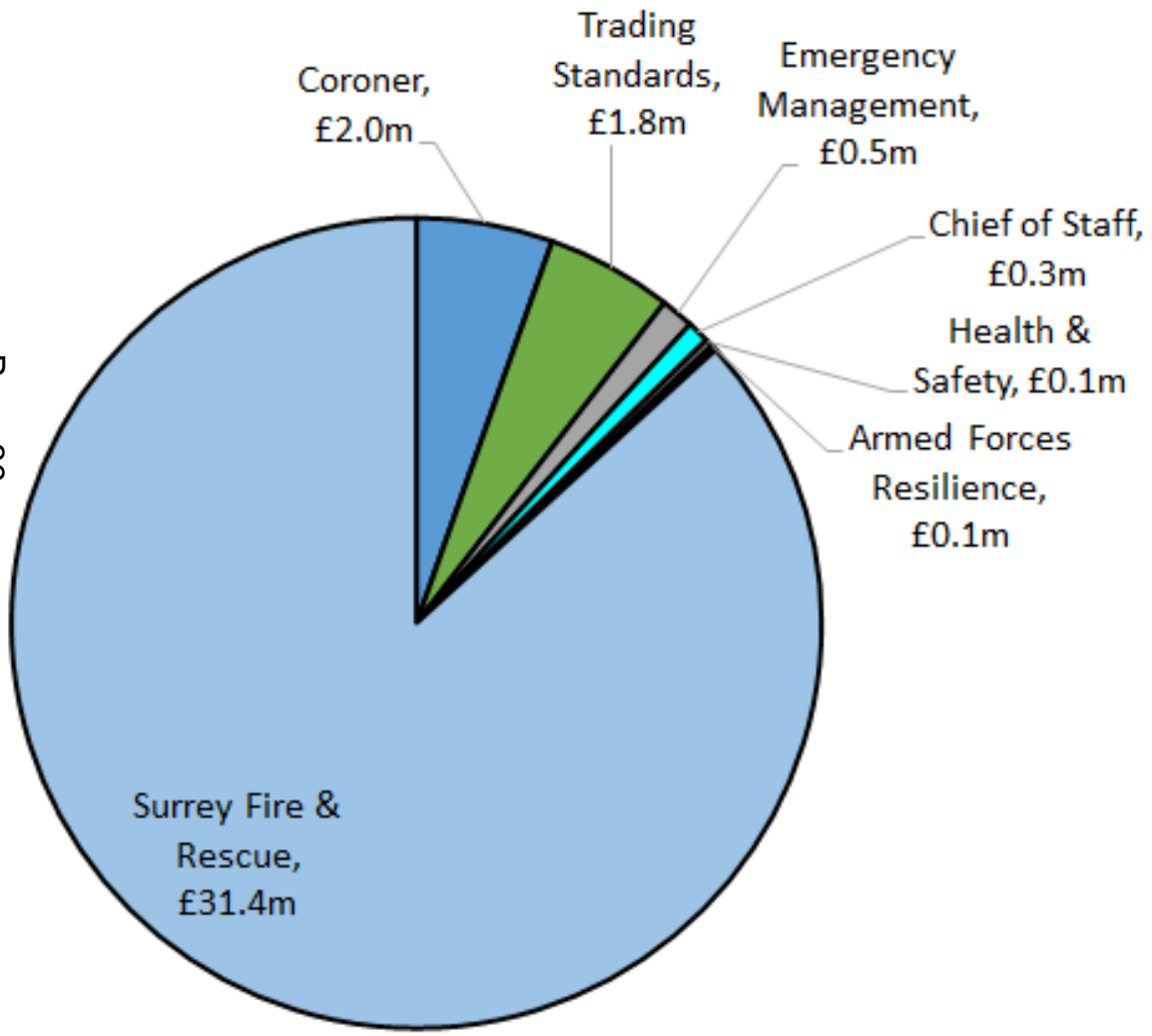
- Surrey Fire & Rescue Service
- Trading Standards
- Emergency Management
- Coroners
- Health & Safety
- Military Covenant and Resilience.

At its core, this group is positioned to work together to deliver against the Council's 2020-2025 Corporate Strategy and the 2030 Community Vision.

Partnership working is key to the success of the group, starting within Surrey County Council with Adults and Children's services, to help prioritise support to our most vulnerable residents. External partnerships with the boroughs and districts will also be key around protecting people, places and premises, and enabling closer working with businesses to support the Surrey economy.

# How is the service budget spent?

2020/21 net expenditure CPG



Fire & Rescue accounts for over 85% of the CPG net budget. The largest cost type within CPG is staffing, primarily employed within Fire & Rescue.

# Service strategy for 2021-26 MTFS

The Group's Medium-Term Financial Strategy reflects:

- a cost review of the Coroners service, highlighting historic issues which need to be addressed. An external review of the service is under way, which amongst other things will confirm the preferred service model, and this is expected to result in budget growth;
- inflation, against pay and other costs; and
- the full year effect of the changes introduced in 2019/20 as part of Making Surrey Safer – Our Plan 2020-2023, which was approved by the Council in September 2019 following extensive consultation, and which sets out how we will deliver our prevention, protection and response activities and find better ways of working with partners, residents and businesses. The plan allows for a stronger focus on prevention and protection activities to meet the risk profile of Surrey, while continuing to provide a strong, effective, and more efficient response to incidents. The plan is supported by investment in Fire vehicles and equipment and requires investment in infrastructure.

# 2021-26 MTFS Budget Summary

Community Protection Group									
	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	Budget	Outturn							
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Brought forward budget	36.3	36.2	36.2	36.2	37.4	38.4	39.5	40.6	
Pressures				1.8	1.0	1.1	1.0	1.1	6.0
Efficiencies				(0.5)	0.0	0.0	0.0	0.0	(0.5)
<b>Current calculated budget requirement</b>				<b>37.4</b>	<b>38.4</b>	<b>39.5</b>	<b>40.6</b>	<b>41.7</b>	
Pressures vs Efficiencies				1.2	1.0	1.1	1.0	1.1	
Indicative share of medium term gap				0.0	0.8	0.6	1.1	0.6	3.2
<b>Reductions still to find</b>				<b>1.2</b>	<b>1.8</b>	<b>1.7</b>	<b>2.2</b>	<b>1.7</b>	<b>8.7</b>

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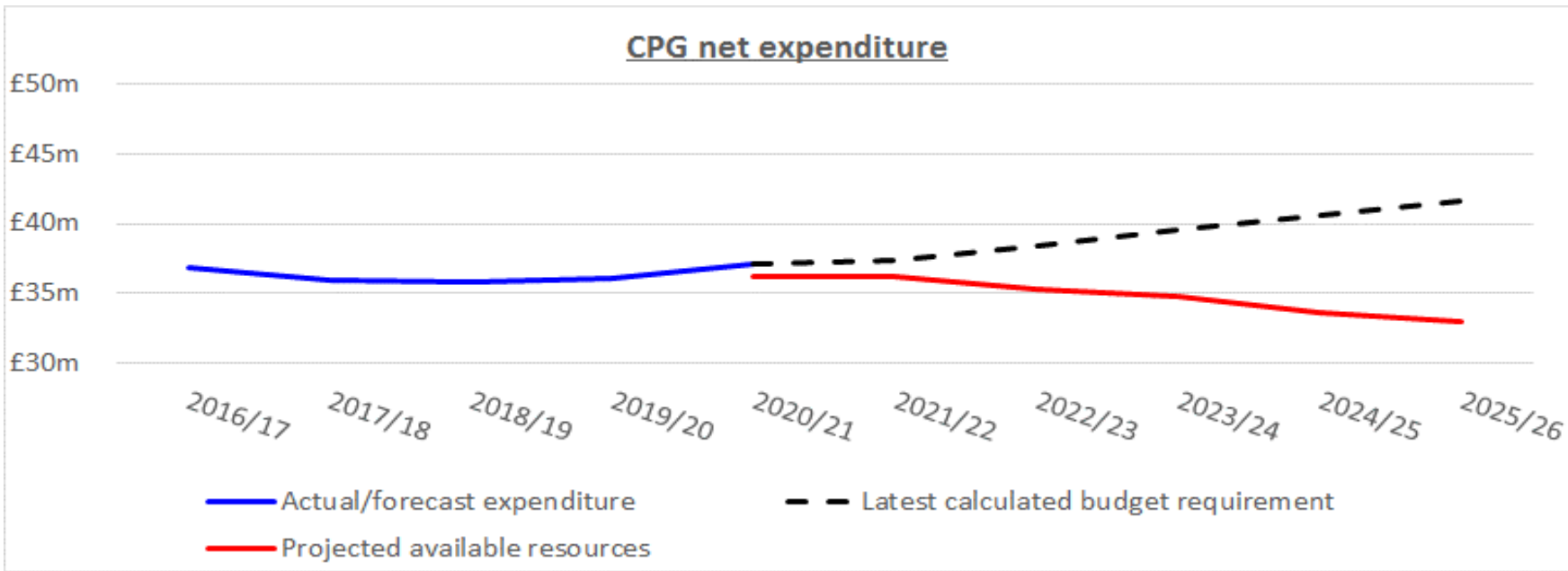
The CPG MTFS currently shows a gap of £1.2m in 2021/22 compared to the Council's currently estimated available funding.

This gap increases to £8.7m by 2025/26 based on current modelling of potential changes to the Council's funding in future years.

The funding available in 2021/22 for all Council services will be reviewed when the Local Government Finance Settlement for 2021/22 is published (expected in December 2020). This combined with any changes to ETI's current estimated pressures or efficiencies will determine the budget gap for 2021/22 that needs to be closed.

# Year on year expenditure

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CPG costs reduced in previous years as efficiencies were implemented, and are now rising in line with inflation. In addition a forecast pressure of c.£0.8m in 2020/21 in respect of Coroners costs is expected to continue into future years.

Current service costs are expected to continue to increase, primarily due to inflation, requiring significant changes to keep spending within currently estimated resources in the medium term.



# Summary of budgeted pressures & efficiencies

Pressure	2021/22 £m	2021-26 £m	Comments
Price inflation	0.1	0.5	Inflation on supplies and services.
Pay inflation	0.8	4.5	Based on SCC's Pay & Reward offer.
Coroner underlying cost pressure	0.7	0.6	The Coroners service has historically overspent. A review of the service is in progress and will determine the optimum model and cost, including options for efficiencies. The draft MTFS assumes some improvement over the period.
Coroner reduced funding from Surrey Police	0.1	0.4	Reduction in funding agreed with Surrey Police when Coronial staff transferred into SCC.
<b>Total Pressures</b>	<b>1.8</b>	<b>6.0</b>	

Efficiency	2021/22 £m	2021-26 £m	Comments
Second stage of Fire & Rescue transformation including collaboration and modernisation in response to the recommendations of HMICFRS	0.5	0.5	Full year impact of improvements introduced during 2020/21.
<b>Total Efficiencies</b>	<b>0.5</b>	<b>0.5</b>	

# Draft Capital Programme

- The CPG Capital Programme totals £18.7m over 5 years, as set out below:

Project	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Surrey Fire - Purchase of New Fire Engines & Equipment	4.2	4.1	4.1	2.1	2.1	16.6
Making Surrey Safer – Our Plan 2020-2023	0.3	0.5	0.5	0.5	0.5	2.1
<b>Surrey Fire &amp; Rescue Service Total</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>	<b>2.5</b>	<b>2.5</b>	<b>18.7</b>

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- These amounts represent schemes directly delivered by CPG. In addition the Property capital budget includes provision for investment in fire stations and other facilities.
- In addition, a number of CPG projects are included in the pipeline:
  - Mortuary and Coroners (£10.5m) – Property pipeline
  - Fire - Joint Transport Project (£0.5m) – Infrastructure pipeline