

WEDNESDAY 15TH DECEMBER 2021

Scrutiny of 2022/23 Draft Budget and Medium-Term Financial Strategy to 2026/27

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

Introduction:

1. Attached is a summary of the 2022/23 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Environment, Transport and Infrastructure Directorate (ETI), the Community Protection Group (CPG), the Prosperity Partnerships and Growth (PPG) Directorate and elements of the Customer and Communities Directorate (C&C) relating to this Select Committee.
2. [The 2022/23 Draft Budget and MTFS to 2026/27](#) was presented to Cabinet on 30th November 2021. The Final Budget for 2022/23 will be approved by Cabinet in January 2022 and full Council in February 2022. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included. There will be no movements in the Draft Budget position until the provisional Local Government Finance Settlement is published in mid-December and the implications are considered.
3. The production of the 2022/23 budget has been developed through an integrated approach across Directorates, Strategy, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and all four corporate priorities of the organisation.

Context:

4. Continuing a trend set over several previous financial years, Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to our funding position over the medium-term. The provisional Local Government Finance Settlement is expected to be released in mid-December, with a final settlement in January 2022. Until this is available,

significant uncertainty on funding remains. Government spending to combat Covid-19 and mitigate its impact on business and individuals has led to record levels of public sector borrowing and a damaging effect on the economy; this will influence the level of funding available for Local Authorities.

5. The overall outlook for 2022/23 is one of significant challenge, with budget envelopes remaining relatively static in the face of substantial increases in the cost of maintaining current service provision. Despite a small increase in projected funding, there remain challenges in managing growth in demand (particularly in Adult Social Care and Children's Services), inflationary pressures and the ongoing impact of Covid-19 within those envelopes.
6. Good progress has been made over the last few months however, at present, there remains a provisional gap for 2022/23 of £19.5m, driven by the need to maintain the delivery of priority services and meet the costs of the capital investment. The gap will require further actions to close. The Government announced in the recent Spending Review that Councils could levy in 2022/23 an Adult Social Care Precept of 1% in addition to a 1.99% Core Council Tax increase. There is also the option for the Council to use some or all of the balance of the 2.5% Adult Social Care Precept from last financial year but the extent to which this is necessary will depend on the allocation of funding from the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.
7. The gap over 2022/23 and the following four years is expected to continue grow. Tackling this gap will require a fundamentally different approach, and work has already begun on the budget for 2023/24 and beyond. The Council has adopted a 'Twin Track' approach with Track 1 focussing on the 2022/23 budget whilst Track 2 simultaneously begins to address the medium-term outlook, with cross-Directorate transformation opportunities that focus on delivering priority objectives within constrained funding.
8. The Draft Budget Assumes that £5m of Track 2 efficiencies (i.e. those that will predominately deliver benefits in the medium-term) will be accelerated into 2022/23. Proposals to accelerate efficiencies, including stretching the £5m target where possible to help close the gap, are being developed between now and the final budget. Select Committees will be consulted in 2022 before any changes arising from the proposals are implemented.

Engagement:

9. Through September and October, we carried out research with residents to understand their priorities for how the Council should spend its money. We carried out an online and telephone survey with 1,087 residents who were statistically representative of Surrey's population aged 16 and over. These were

complemented with online workshops with 73 residents to gather in-depth opinion on topics, such as how the Council should spend its money and make efficiencies to balance the budget.

10. Residents indicated that they were willing to accept increases in Council Tax and the Adult Social Care Precept if it was for the purpose of protecting services that work with some of the most vulnerable people in Surrey. The engagement demonstrated that resident priorities align with those of the Council, with top priorities for residents including Social Care for people of all ages, Waste services and Fire and Rescue. There was also support for more investment in preventative services and for placing those residents most at risk of being left behind in Surrey at the heart of decision-making. Residents wanted a more active role in what happens in their localities.
11. In November to December 2021, engagement will continue with residents, businesses, District and Borough councils, other public service partners and voluntary, community and faith sector organisations to get their views on the draft budget, how resources are proposed to be spent and the impact on residents and communities. The results from this will be published in the final Budget paper for Cabinet in January and full Council in February.

Budget Scrutiny

12. Annex 1 sets out the budget proposals for ETI, CPG, PPG and C&C, including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorates, exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
13. Members should consider how the 2022/23 Draft Budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks with options on investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Committee to consider how successful the budget is in achieving this.

Conclusions:

14. The provisional Local Government Finance Settlement in mid-December, to be finalised in January 2022, will clarify the funding position for the Council. Once funding is clear, Directorate pressures, efficiency requirements, the level of ASC Precept and the Capital Programme will be finalised.

Recommendations:

15. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be reflected in the Final Budget Report to Cabinet in January 2022.

Next steps:

16. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting on 25th January 2022.

Report contact

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Annexes:

Annex 1: 2022/23 Draft Budget Report and Medium-Term Financial Strategy to 2026/27 – Scrutiny Report for ETI, CPG, PPG and C&C.

Sources/background papers

- 2022/23 Draft budget and medium-term financial strategy report to Cabinet 30th November 2021