

1. EXECUTIVE SUMMARY

A budget to deliver priority objectives, ensuring that *no one is left behind*:



Fig 1 – Council Priority Objectives

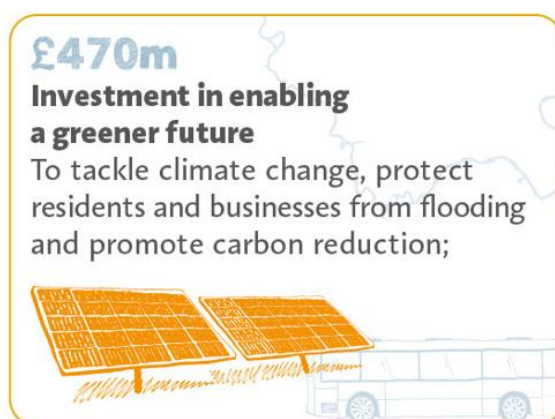
- 1.1 In 2018 the Council recognised that its Medium-Term Financial Strategy was not sustainable. It was facing increasing demand on all of its services with the rising cost of care packages, increasing numbers of children accessing specialist services, a highways network system that needed investment and areas of inefficiency in its support services.
- 1.2 Many of those same pressures still exist, but the Council embarked on an ambitious programme of transformation; a ground up review of how those services could be delivered more effectively and efficiently. Those first stage transformation programmes have delivered budget efficiencies of c£80m annually, enabling the Council to keep Council Tax increases within the Government cap.
- 1.3 With the advent of Covid-19, the focus was understandably on supporting our vulnerable residents and working closely with the NHS to keep people safe and save lives. As a consequence, a number of projects had to be paused as the Council and the county responded to the most horrific pandemic in living memory. As we start to move forward again and our economy reopens, it is apparent that there needs to be a shift of focus to reflect national priorities, the priorities of this Council and indeed of our residents.
- 1.4 Agile working has now become the norm with a genuine desire to live and work more locally. Parts of the economy will take years to recover and there is a need to offer re-skilling and upskilling to those whose jobs may never return. An international movement, to truly address the climate emergency and both the threats and opportunities of delivering a greener future is gathering pace, along with a need to enable communities to come closer together with a real sense of what they want in their localities to improve the lives and livelihoods of those living there. We recognise the absolute importance of our connection with residents and will continue our work to develop a more inclusive relationship; one where they feel supported, empowered, resilient and engaged.
- 1.5 Now, more than ever, the status quo is simply not acceptable. The Government's national agenda; to enable everyone to have equal opportunity, wherever they live and whatever their ambition, is reflected by the Council's guiding principle, to ensure that *no one is left behind*. The Council recognises the same urgency to provide equal opportunity in Surrey, where we see across this diverse county inequality; health inequalities, wealth inequality and mobility

inequality. A legacy of a county that has historically not always capitalised on its assets – its people, its countryside, its economic opportunities or indeed its community spirit.

- 1.6 As we look forward to a post-Covid world we need to build on the transformative work the Council started in 2018 and deliver a strong local economy, tackle health inequalities, enable a greener future and support and encourage thriving communities. This Council is determined that *no one is left behind* and that our Community Vision 2030 is delivered. The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding to deliver priority objectives and core services. These priority objectives (set out in fig 1 above) sit front and centre in the budget process, guiding our approach to allocating resources and developing investment plans:

- Growing a sustainable economy so everyone can benefit
- Tackling health inequality
- Enabling a greener future
- Empowering communities

- 1.7 The Council's ambition to improve the lives of residents, ensuring that *no one is left behind*, is set out in section 2 and reflected throughout this budget report, particularly in the far-reaching £1.9bn Capital Programme which illustrates our plans for investment in Surrey over the next five years. Along with further allocations for school building, road and travel improvements and improved access to vital Council services, key areas include:



£125m
SEND
To develop provision for children with special educational needs and disabilities



£129m
Care and support accommodation
Promoting independence in Adult Social Care



£100m
Investment in Your Fund Surrey
To enable communities in Surrey to realise their own aspirations for investment



Fig 2 – Key areas of capital investment

- 1.8 The 'Twin Track' approach, set out in section 3, will enable the Council to continue to direct its resources toward achieving its ambition and priorities. Amongst other priority areas, the revenue budget includes £46.5m of annual spend on mental health, £38m of which is funded directly by the Council with a further £8.5m of contributions from partners, across Adult Social Care, Public Health and Childrens Services. The Council recognises this as a key area of focus, particularly given the unprecedented impact of the Covid-19 pandemic on mental health and emotional wellbeing and has increased spend relating to mental health by £7.9m, including a £6.5m transformation investment to encourage match funding from partners, including the health sector. The funding will be used for interventions that enhance or safeguard supporting and protecting factors that help people avoid becoming acutely or chronically unwell. The investment will maintain or improve wellbeing and reduce the need for formal or acute treatment. Interventions will be designed alongside stakeholders and partners and could include, for example, investing in improved supported housing options for people with mental health problems, use of technology, peer support and expanding the immediate support available for people in a crisis, to avoid the need for longer-term interventions.

Developing the Budget and Medium-Term Financial Strategy:

- 1.9 The 2022/23 Budget Report and Medium-Term Financial Strategy to 2026/27 presents a balanced budget for 2022/23, outlining ambitious, sustainable and resilient medium-term financial plans.
- 1.10 As in previous years, the production of the 2022/23 budget has been developed through an integrated approach across Strategy, Transformation and Finance, based around Core Planning Assumptions which set out likely changes to the environment in which we deliver our services. The integrated approach ensures that revenue budgets, capital investment and transformation plans are aligned with each Directorate's service plans and the Corporate Priorities of the organisation. Ensuring that each aspect of planning for 2022/23 and the medium-term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented in the wake of the Covid-19 pandemic and wider pressures.

The financial outlook:

- 1.11 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 key factors are set out in sections 5 and 8 of this report. The provisional Local Government Finance Settlement (LGFS) was released on the 16th December, with a final settlement due in January 2022. The LGFS was published on a one-year basis, with an indication from Government that funding reform will take effect from 2023/24 which could have a significant detrimental impact on the Council. The LGFS set out an additional £18.8m of funding for the Council, at least half of which is one-off for 2022/23. The additional funding represents c.2% of core spending power whilst the wider inflation rate is c.4%. Whilst additional funding for 2022/23 is welcome, the expectation that Government funding will change significantly from 2023/24 onwards remains a significant risk to our medium-term planning.
- 1.12 The overall outlook for 2022/23 is one of significant challenge, with budget envelopes increasing by a modest 3.7% in the face of substantially higher 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.

- 1.13 The final budget for 2022/23 proposes total funding of £1,042.0m; an increase of £37.3m from 2021/22. In order to achieve a balanced budget and deliver vital additional investment in the mental health of residents, the budget includes the following recommendations to full Council on Council Tax and the Adult Social Care Precept:

- 0.99% increase to fund the increased cost of delivering services
- 3.00% increase to fund additional spend in adult and children's social care
- 1.00% increase to fund additional investment in mental health

These changes will be presented on the Council Tax notices as a 1.99% increase in Council Tax and a 3% increase in the Adult Social Care precept. The increase in the total bill for a Band D property will equate to £1.48 per week. 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 pressure on household finances. The budget avoids raising the Adult Social Care precept by the maximum 3.5% assumed by Government.

- 1.14 The gap over 2023/24 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 focussed on the 2022/23 budget whilst Track 2 simultaneously beginning to address the medium-term outlook, with cross-Directorate transformation opportunities that focus on delivering priority objectives within constrained funding.

Engagement:

- 1.15 We have taken a two-stage approach to engagement in the formulation of this final budget for 2022/23. 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.
- 1.16 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.
- 1.17 Between November 2021 and January 2022, we ran an open consultation with stakeholders, including residents, on the draft budget. 98 people and organisations responded through an online survey and other methods. Reception of the draft budget was mixed among

stakeholders. Support was expressed for additional funding for adult social care, spending on environmental initiatives and mental health. However there were also concerns about a council tax rise coming in conjunction with other cost of living increases.

- 1.18 The Council's ambitions in these areas are set out across the remainder of this report particularly including the Council's priority and transformation investment in empowering communities, £100m capital investment in Your Fund Surrey to bring forward community-led projects, £12m investment across the MTFS specifically for road safety schemes plus £52m on major improvements to the A308 and A320 (additional safety elements are included in the wider Infrastructure Capital Programme), and £125m capital investment for children with special educational needs and disabilities.

Key elements of this report and next steps:

- 1.19 The key elements of this report include:
- The Council's Strategic Framework (Section 2);
 - An update on our Transformation plans and the 'Twin Track' approach (Section 3);
 - Directorate Service Strategies aligned to both of the above (Section 4);
 - The Financial Strategy for 2022/23 (Section 5);
 - The five-year Capital Programme, setting out the Council's ambitious plans to invest in Surrey's infrastructure, economy and create a greener future (Section 6);
 - 2021/22 Financial Performance – revenue and capital (Section 7);
 - The Medium-Term financial outlook to 2026/27 (Section 8);
 - The Schools Budget (Section 9)
 - Our approach to engagement and consultation (Section 10); and
 - Budget Equality Impact Assessment (Section 11) summarising key messages from an equality analysis for the budget, including commentary on the impact of Council Tax increases, in para 11.1.
- 1.20 The final 2022/23 Budget and Medium-Term Financial Strategy to 2026/27 will be presented to Council for approval on the 8th February 2022.

2. Strategic Framework: An outstanding Council, ensuring that no one is left behind
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- 2.1 Our guiding principle as an organisation is to ensure that no one is left behind, and this should run through everything that we do and the decisions that we take. No one left behind is also at the core of the Community Vision for Surrey in 2030 (see figure 3 below), which was developed with residents, communities and partners, and sets out our aspirations for people and places in the county by 2030.



Fig 3: Delivering the Community Vision 2030

- 2.2 It is our responsibility as a Council to support residents and improve the lives of those in need. Our 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. To be a truly outstanding Council and have a meaningful impact on the lives of all residents, we also play a broader role in ensuring Surrey responds to the big challenges and opportunities facing the county.
- 2.3 We focus our activities and resources on a set of strategic priorities. Achieving these strategic priorities requires delivery of good quality and sustainable core services as the foundational building blocks. Progress towards delivering our priorities through our wider activity will also begin to positively affect the lives of those residents who are most in need, helping to reduce demand for many of our core services.
- 2.4 In 2020, the Council agreed a new Organisation Strategy (2021-26), setting out four priority objectives. These reflect where we think we can have the greatest impact on improving outcomes for people living and working in the county, and we are focused on delivering against these priorities over the medium-term. Our core services are the building blocks for these objectives. By collaboratively working across the Council, and with other partners, in delivering these objectives the lives of Surrey residents are improved, demand on services is reduced and better outcomes and opportunities for Surrey residents are achieved.

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

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 net zero targets

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 decisions that will shape Surrey's future.

- 2.5 Continuing to drive the transformation of our organisation and its culture is key to enabling delivery against the four priority objectives. Our Transformation Programme enables us to improve services and manage demand, making the Council more effective and efficient. In short, it helps us deliver better outcomes for residents for less money. Our areas of focus for transformation include driving improvements in customer experience, organisational culture, and use of digital and data. Recognising our commitment to *no one left behind*, we are also delivering a radical agenda for Equality, Diversity, and Inclusion to enable the Council to become more diverse and inclusive, bringing strength through difference.
- 2.6 We cannot stand still. The relationship between delivering our core services and our Transformation Programme is key and represents a continuous cycle of change and improvement with each informing the other.
- 2.7 On 29 June 2021, Cabinet reaffirmed its commitment to the Vision 2030 and Organisation Strategy and set out a high-level delivery programme for the medium term. This will enable the Council to support residents and communities to thrive in the coming months and years as Surrey, and the country as a whole, emerge from the Covid-19 pandemic and we adjust to the effects it has had on our communities, localities and economy.

3. Transformation and the 'Twin Track' approach

Transformation

- 3.1 The progress the Council has made in recent years has been underpinned by an ambitious and effective approach to transformation. Since its inception in 2018/19 the Transformation Programme has improved vital services for residents, introduced innovative new service models, built capacity and competency, and made a significant contribution to stabilising the Council's finances. This includes the forecast achievement of £81m of ongoing transformation-related efficiencies by the end of 2021/22 along with significant cost containment in areas of growing demand, thereby ensuring we can operate within available resources and protect investments in key services.
- 3.2 Any large scale and dynamic change programme must continue to flex and adapt if it is to meet strategic objectives in an ever-changing environment. We therefore review and refresh the Transformation Programme regularly, ensuring we continue to build on and improve outcomes for our residents.

- 3.3 Linked to our commitment that *no-one is left behind*, there are a range of continuing transformation programmes that are specifically focused on improvements within our Children's and Adults' Services. These are already leading to better outcomes for children and young people, residents and service users. These programmes are complex and take time to deliver with many spanning multiple years, and therefore it is imperative that we continue to drive delivery of these programmes through to completion as key priorities for the Council. We are committed to delivering long term, sustainable improvements.

Future Transformation Programme and 'Twin Track' alignment

- 3.4 2021/22 is the 4th year of our original envisaged 5-year transformation journey, the programme continues to deliver a range of service performance and quality improvements together with financial benefits, but transformation should continue to evolve and not be a static approach or set of programmes.
- 3.5 Governance and reporting arrangements are well established with visibility and ownership at senior levels including Cabinet Members & Corporate Leadership Team (CLT); this includes the Transformation Assurance Board which is chaired by the Leader and has regular attendance from Cabinet Portfolio Holders as required depending on agenda items.
- 3.6 The current level of transformation investment equates to approximately 1% of the budget (£10m p/a) annually and is the only current internal mechanism for services to bid against to receive additional funding for change programmes and initiatives. Externally it is possible to bid for grant funding or other Government funding.
- 3.7 The level of requests for transformation funding and planned programmes in 2022/23 has increased compared to previous years. This is mainly due to the addition of significant organisational ambitions together with planned improvements and existing programmes. The Transformation Support Unit (TSU) has worked closely with key stakeholders across the organisation to develop and refine the requests for 2022/23 which has resulted in a strong set of proposed programmes that will enable us to pump prime our strategic priorities along with continuing to drive a range of service quality and performance improvements. The transformation programme will also deliver significant financial benefits in terms of efficiencies and cost containment in 2022/23 See section 3.11 in this report for further details.
- 3.8 2022/23 will start to see a shift in our current portfolio of change with a revised approach to categorisation, planning and funding of transformation activities, creating two streams as follows:
- I. The completion (or transition to BAU) of a number of existing programmes by April 2023;
 - II. A pipeline for future transformation programmes, to be created that will allow appropriate planning and business case development. This will effectively move away from the annual refresh cycle of bidding for funding and resources. This will allow for a more organic and flexible approach to programme setup and delivery

This revised approach will enable twin track initiatives to be incorporated in the transformation pipeline as and when ready.

Strategic Priorities <ol style="list-style-type: none"> 1. Greener Future (inc. natural capital, waste & transport) 2. Enabling Empowered Communities 3. Growing A sustainable Economy 4. Getting to Good (CFL) 5. Workforce of the Future <p>This enables us to:</p> <ul style="list-style-type: none"> • Enact the CDDP and associated programmes • Continue developing our approach to communities • Continue to develop and drive plans for a sustainable economy • Continue the improvement of Children's services • Drive forward our plans for org design and future workforce 	Adult Social Care <ol style="list-style-type: none"> 1. Accommodation with Care & Support 2. Care Pathways 3. Evaluate In House Services 4. Market Management 5. Learning disabilities and autism 6. Mental Health 7. Enabling you with Technology Children, Families and lifelong Learning <ol style="list-style-type: none"> 1. Preparing for Adulthood 2. SEND Transformation 3. CSPA/LSPA phase 2 4. Placement Value and Outcomes 5. Helping Families - Early Intervention 6. Domestic Abuse 7. NSPCC Reunification Project 8. One Front Door/ Plug yourself in 9. Graded Care Profile 10. No Wrong Door CPG <ol style="list-style-type: none"> 1. Community Protection (SFRS & Coroners) 	Communities <ol style="list-style-type: none"> 1. Libraries & Cultural Services 2. Customer Experience Health & Care Integration <ol style="list-style-type: none"> 1. PEOC Frailty 2. Digital Infrastructure 3. First 1000 days 4. Estates 5. Transforming Outcomes for people Cross cutting / enabling programmes <ol style="list-style-type: none"> 1. Land & Property Transformation 2. Digital Programme 3. Digital skills development 4. Data Insights 5. Property Technology 6. Digitisation Records Mgt 7. Becoming More Entrepreneurial 8. Resources Directorate Improvement Programme
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Fig 4. Summary of 2022/23 Transformation initiatives / programmes

3.9 In the medium term it is anticipated transformation will be far more cross cutting and collaborative both internally and with partners. Outcomes from the twin track (track 2) work will significantly influence the shape of the programme from 2023/24 onwards

3.10 To enable a greater flexibility around the timing and level of transformation funding, it is proposed the annual £10m budget is treated as a contribution to a transformation reserve from which programmes would draw down. The reserve will be supplemented by an initial one-off transfer of £15m from the Budget Equalisation Reserve. The rationale for this approach is:

- Managing transformation spend through a reserve would better reflect the nature of programme spending by allowing for peaks and troughs in spending over the years;
- It also allows the TSU to better manage the funding of changes to programme plans, allowing plans to be brought forward or pushed back as and when necessary; and
- This level of contribution to the reserve will be flexed (increased or reduced) over the medium-term based on the level of transformation requirements in any given year and to ensure that reserve levels overall are maintained.

Transformation benefits and efficiencies 2022/23

3.11 By the conclusion of the 2021/22 financial year, transformation will have achieved a total of £81m of ongoing revenue efficiencies. This figure includes efficiencies achieved since the commencement of the programme in 2018/19. In addition, transformation has achieved £55m worth of cost containment during the same period.

3.12 Transformation will continue to drive efficiencies, with an additional £20m of efficiencies in the MTFs for 2022/23 with a further £32m* identified through to 2026/27

**this figure is expected to rise significantly as track 2 opportunities are further developed and business cases approved, including the acceleration of £1.7m into 2022/23 set out in paragraph 3.27.*

- 3.13 The SEND Transformation programme contains some of the most significant cost containment targets. Overall, there is a cost containment target of £28m for 22/23 linked to SEND, with further cost containment needed in future years; whilst this is not all activity directly resulting from the transformation funding, the overall programme plays a key part in their delivery. As the plan has progressed, some areas of activity such as preparation for adulthood and Placement, values and outcomes have developed into their own workstreams with associated cost containment.
- 3.14 The transformation programme is not just about delivering financial benefits, and the broad range of initiatives in 2022/23 will continue to drive service quality and performance improvements that will directly contribute to better outcomes for our residents, services users and businesses in the County. Funding will be invested in initiatives that clearly demonstrate the achievement of improved outcomes, this may entail the use of funding on programmes that do not have financial efficiencies associated with them and therefore the return on investment will be based on non-financial benefits for example; improved independence, faster response times and better coordinated and joined up service provision.
- 3.15 During 2022/23 and in the medium term there will be an increased focus on making significant progress driving forward our strategic priorities with specific programmes focused on; enacting the Climate Change Delivery Plan (CCDP), continued development in empowering and enabling communities, further progress of our plans for a sustainable economy and economic growth and the ongoing improvement of Children's services and associated Ofsted rating.
- 3.16 Our 'Twin Track' approach (Fig. 5 below) refers to the planning and delivery of two budget-setting processes at the same time - preparing the budget for 2022/23 (Track 1) whilst simultaneously developing a new approach to 2023/24 onwards (Track 2). This approach helps us plan overall outcomes, rather than individual budget envelopes year-by-year, and ensures that we stay prepared and equipped to meet future challenges. The approach plans to help keep the Council on a stable financial footing over the medium-term. The 'Twin Track' approach will also help us transition to the next phase of our transformation programme, ensuring we're in the best possible position to deliver our ambition of better outcomes for residents. Opportunities are being developed with a range of stakeholders including staff, Members, partners and residents.



Fig 5: 'Twin Track' approach

- 3.17 To stand the best chance of closing the budget gap and ensuring that constrained funding is targeted most effectively at our priorities, fundamental changes to our budget setting and

delivery approach are required (Track 2). This means accelerating cross-organisational working over delivering efficiencies in silos, focusing on outcomes and collaboration. Working in this way maximises our chances of closing the budget gap, ensuring the Council continues to be a financially resilient and more efficient organisation that works effectively with partners to achieve better outcomes for residents and maximum value for money.

- 3.18 Working towards better outcomes and financial resilience also means we need to continue to transform how we operate as an organisation, to enhance our relationship with residents and embed this into our ways of working. Across the organisation, we need to be focused on early intervention and prevention, strengths-based practice, building capacity and resilience, and empowering residents to do more for themselves. This also includes considering how we make the most of Surrey's assets, take a commissioning and procurement approach that strengthens our economy and embed a business-as-usual approach of cross-organisational and partnership thinking to both service design and delivery.
- 3.19 Some of the areas that we will be progressing under Track 2 are set out below. A number of early activities have been identified and work is ongoing to develop robust business cases.



Fig 6: Track 2 areas of focus

- 3.20 Our strategy puts resident experience, outcomes and communities at the centre of service design, delivery and transformation. To achieve this, greater collaboration across Council directorates and with residents, partners and business will be essential to achieve our priorities. With this mindset, the programme will lead to greater innovation and challenge existing ways of delivering services and budget setting.

What does 'Twin Track' mean for residents, communities and businesses?

- 3.21 A key driver for the Council is to deliver a sustainable future for residents and deliver against the Vision 2030 in the most efficient and sustainable way (fig. 3 above). Developing our approach to the medium-term now provides the time and space to design and develop an organisation that has the financial resilience to ensure that residents who most need us benefit from services that best meet those needs. As a large, diverse county, a one-size-fits-all model of service delivery will not, in many instances, meet the needs of our local people. 'Twin Track' will support and enhance community-based delivery and working, where local people have access to support, information and services they need at the right time and in the right way, and benefit from more community-led action and participation.
- 3.22 Working more closely within localities and developing a greater understanding of local need will enable effective and efficient use of resources to support residents and communities to thrive and realise the best possible outcomes.
- 3.23 As well as improving access to and delivery of universal services in Surrey, 'Twin Track' will support our most vulnerable residents to access specialist services they need within their local communities. This will be achieved by investing in a range of appropriate provision focused on improving outcomes such as increasing the range of Extra Care Housing, SEND provision and supported living within the county.
- 3.24 Our residents' experiences are shaped by the relationships they have with the Council and partners. We will accelerate our work to create a more inclusive relationship with citizens; one where they feel supported, empowered, resilient and engaged. By working with residents so they can take more responsibility for themselves where possible and appropriate, we can provide a more seamless and efficient experience, focussing our resources on residents who need our services most.
- 3.25 We want our county's economy to be strong, and to contribute to a sustainable, greener future for Surrey. Success will mean more jobs in Surrey across a range of sectors, enabling greater opportunities for Surrey's residents from all backgrounds and skill sets. Working closely with and investing in local businesses and key growth sectors, 'Twin Track' will drive inward investment from the Council into local businesses and providers at a faster pace - buying more in Surrey, for Surrey.
- 3.26 By working with partners to put in place effective green infrastructure to connect communities and enable safe, easy and predictable travel, and work with residents to play their part in responding to the climate emergency, 'Twin Track' maintains Surrey's commitment to sustain our local climate and work towards net zero carbon.

Twin Track Acceleration into 2022/23

- 3.27 To support closing the budget gap for 2022/23, we have assessed the potential for accelerating work across the Twin Track transformation opportunities, to generate additional efficiencies for 2022/23. Identification of opportunities was based on key areas as follows:
- Areas where work on an opportunity has begun, but the ambition could be increased and benefits could be realised quicker than originally planned with appropriate resource and attention;

- Areas that are within Surrey County Council's direct control and require lower levels of collaboration, leading to faster implementation; and
- Areas where behaviour change and strengths-based working can reduce incoming and existing demand for high cost services, while improving outcomes.

3.28 Two opportunities have been identified for accelerated development, with the expectation that £1.7m additional efficiencies will be generated for 2022/23. This target is included in the Central Income and Expenditure section of Annex A, until it can be distributed to Directorate budget envelopes:

- **Transport** – Stretching our ambition to support more service users of Home to School Transport to be more independent and lower the costs of transport provision, as well as supporting transport functions across the council to work in a more integrated way.
- **Fees and charges** – Uplifts to fees and charges that are within the Council's gift to influence, including making increases in areas that do not currently align with nationally set charges.

3.29 These early opportunities will support our ambitions to move towards new ways of working that realises better outcomes for residents and maximum value for money. As the business cases are developed, they will be subject to Cabinet approval and due scrutiny where required.

Next steps

3.30 To progress 'Twin Track' and build on existing momentum, we need to continue the work to mature our culture, behaviours and ways of working with partners, residents and businesses.

3.31 A series of business cases outlining identified 'Twin Track' transformation opportunities aligned to the corporate priorities will be developed over the coming months. We commenced the process for Track 2 early to give us the opportunity to identify, test, reiterate, plan and implement ideas with sufficient time. These will define the ambitions of the opportunities and set out key financial and non-financial benefits, setting out more detail on how we plan to close the budget gap and improve outcomes for residents.

3.32 We will continue to engage with residents, businesses and partners to inform our Medium - Term Financial Strategy and delivery of better outcomes for our communities.

4. SERVICE STRATEGIES

ADULT SOCIAL CARE

Context

4.1 Adult Social Care's (ASC) vision is ***"To promote people's independence and wellbeing, through personalised care and support that focuses upon their strengths, the outcomes they want to achieve and enables choice and control"***.

4.2 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. ASC operates in a challenging environment with reductions in Government funding; an ageing population and growing numbers of young people moving into adulthood who need services; an increasingly fragile care market; and radical changes in national policy. Covid-19 has added another level of complexity, with ASC playing a crucial role in SCC's response to save lives, protect the National Health Service (NHS), ensure our residents are protected wherever possible and continue to deliver essential services.

- 4.3 ASC's 2022-27 MTFS seeks to build on and further progress the ambitious transformation programme that the service embarked upon in 2018. At its heart is the implementation of a 'strength-based' framework that focuses on people's strengths as experts in their own lives and recognises their strengths to help them stay connected to their community and independent. This has already enabled SCC to manage demand for ASC more efficiently and effectively and make a substantial contribution towards putting SCC in a more financially sustainable position.
- 4.4 Prior to the pandemic, through the early implementation of its transformation programme and a close focus on budgetary control, ASC was successful in mitigating service pressures and delivering efficiencies to the extent that total net expenditure only grew by £3.1m (0.8%) between 2017/18 – 2019/20. This was £48.9m less than the provisional (but unaffordable) budget for 2019/20 proposed in the 2018-21 MTFS.
- 4.5 The pandemic has had profound impacts on society and the economy, and as part of this there have been significant financial impacts on SCC's ASC service. During 2020/21 the number of people funded by ASC, particularly Older People, sadly reduced due to Covid-19 reaching a low point in September 2020. However, at the same time the cost of care has substantially increased due to increased acuity of care needs and the impact of the Discharge to Assess (D2A) system introduced nationally at the start of the pandemic in March 2020. Average costs of care have increased across all client groups, with the largest rise of almost 13% in the average cost of supporting an Older Person compared to the pre-pandemic position. These increases in cost mean that although the total number of people supported by ASC currently remains lower than the pre-pandemic position, total expenditure on care packages is over 7% higher. With the number of people seeking support continuing to grow in the recovery period, there is increasing pressure on ASC's care package budget.
- 4.6 The integration of NHS and Social Care services continues to be a major priority for the service. The strategic objective is to create a service response where users or patients "cannot see the join" between us. This year we have of course focussed on our response to Covid and working together to ensure people are discharged from hospital, with care package costs charge to a national NHS hospital discharge fund an initial time-limited period post discharge. As part of this focus on hospital discharge and our broader joint working across the county, we have worked very closely together to offer support to social care providers as they responded to challenges through the year. We have also created a number of jointly funded posts to create an integrated approach to strategic commissioning, focussing initially on Learning Disabilities and Autism, Mental Health services and support for carers. There is a similar initiative in Children's services where most of these services are now jointly commissioned. Another key area of focus is Continuing Healthcare Services, where SCC is managing an integrated service reducing the number of disputes and delivering more timely assessments. Continuing to effectively progress health and social care integration to jointly

deliver services at best value is a key enabler to the delivery of ASC's MTFS and also of course the broader financial sustainability of Surrey's health & social care system.

Current 2021/22 budget position

- 4.7 ASC's original budget for 2021/22 was £377.2m. This has been temporarily increased to £380.7m due to the allocation of £3m of Contain Outbreak Management Fund Covid-19 grant funding to mitigate some of the additional care package pressures caused by the pandemic and another £0.5m temporary budget virement. The impacts of the pandemic set out above combined with other service pressures mean that at month 8 an overspend of £3.2m is forecast for ASC's 2021/22 budget. The scale of the pressure is substantially understated in 2021/22 due to a combination of temporary Covid-19 grant funding, some one-off underspends and other benefits this year and the fact that there is only a part year impact of the increase in care package commitments showing in 2021/22. When budget papers were prepared full year care package commitments were £18.1m higher than 2021/22 and this pressure is included and needs to be addressed in the 2022/23 budget. Most of this pressure relates to factors caused by the pandemic, including an estimated pressure of between £7-£10m directly related to the impact of Discharge to Assess system introduced during the pandemic.

Financial pressures

- 4.8 Based on SCC's current expected funding, ASC, like most services, has been asked to develop a financial strategy that mitigates all of its own pressures while also reducing overall spending to contribute towards managing SCC's expected medium-term reduction in funding and increased capital financing requirement. The current budget envelopes set for ASC would represent a reduction in SCC's allocated budgeted resources for ASC of £40m (11%) by 2026/27. In the context of the very significant pressures ASC faces, the service does not consider it feasible to meet this ask unless there is a substantial increase in specific ASC funding.
- 4.9 Total pressures are budgeted at £44.4m in 2022/23, £128.1m for the whole 2022-27 MTFS period. Most of the pressures relate to care package expenditure, which is not surprising given that almost 90% of ASC's gross expenditure relates to supporting people and their carers. Aside from the £18.1m care package carry forward pressure set out above, the biggest pressures are care package price inflation (budgeted at £17.8m in 2022/23, £67.9m for 2022-27), and care package demand (budgeted at £5.7m in 2022/23, £29.6m for 2022-27).
- 4.10 Notwithstanding the serious financial risks that the new ASC reforms recently announced by Government pose and are commented on below, there are some material risks associated with the current budget assumptions. Budgeting for a service as complex as ASC is not an exact science and there will always be a risk that demand or price assumptions could be understated. This risk is higher in the pandemic recovery period when there could be more latent demand for care services. A pressure of £3.5m has currently been included in the MTFS for Liberty Protection Safeguards but depending on if and how the new proposed legislation is implemented, it is thought maximum pressures could exceed £13m per year in the worst-case scenario. A relatively small pressure of £1m is budgeted in 2022/23 relating to Discharge to Assess. This assumes a sustainable approach is implemented when the national funding for D2A comes to an end in March 2022, which will be challenging to achieve. Other risks include

the fact that a £2.4m increase in Better Care Fund income for ASC in 2022/23 has been assumed based on prior year trends, but this has not yet been confirmed by Government.

Financial efficiencies

- 4.11 ASC plans to continue to deliver an ambitious programme of efficiencies to as far as possible mitigate these pressures. The implementation of transformation plans has been delayed because of the pandemic, but there is a renewed focus now to picking up the pace of delivery. These efficiencies are set in the context that despite successfully controlling expenditure in recent years (noting that Surrey is set to have by far the lowest growth in total ASC net expenditure across the period 2017/18 to 2021/22 out of all counties in the South East), Surrey remains a high spender on ASC per head of population compared to its nearest neighbour authorities. £19.4m of efficiencies are currently budgeted in 2022/23 and £48.5m over the whole 2022-27 MTFS period, although ASC continues to consider how the scale of efficiencies could be increased.
- 4.12 The majority of ASC's efficiencies (£13.8m in 2022/23 and £41.8m over the whole 2022-27 MTFS period) are expected to be achieved through delivery of ASC's transformation programmes. These programmes focus on:
- Improving **care pathways**, including a focus on ASC's digital front door, reablement service and community and prevention strategy. This is an enabler to delivery of efficiencies;
 - Developing new care settings in the community to enable a shift away from residential care through the **Accommodation with Care and Support** programme;
 - A strategic shift in models of care to focus on promoting independence through the **Learning Disabilities and Autism** programme;
 - Improving **market management**, including embedding a central brokerage function and commissioning new frameworks for key market sectors;
 - Comprehensively **reviewing all care services delivered in-house by ASC** to determine the best way of delivering these services in the future;
 - Re-shaping service delivery and reviewing organisational structures through the **Mental Health** programme; and
 - Implementing a comprehensive new **Technology Enabled Care services** offer, which will be an essential enabler to the delivery of all the above programmes and their efficiencies, as well as reducing the cost of support for new clients.
- 4.13 SCC's health & social care integration transformation programme which is cross-cutting across ASC, Children, Families & Learning and Public Health services, will also be a key enabler to the delivery of many of ASC's planned efficiencies in the 2022-27 MTFS.
- 4.14 There are £5.6m of further efficiencies proposed in 2022/23 and £6.7m across the whole 2022-27 MTFS period for Older People and Physical and Sensory Disability strength-based reviews, resolution of Continuing Health Care disputes and agreeing a new Continuing Health Care joint funding policy framework that are not directly related to ASC's transformation programmes.

Capital programme

- 4.15 Successful delivery of ASC's transformation programmes, particularly the Accommodation with Care and Support programme, is likely to involve SCC committing significant capital resources, both in terms of use of SCC owned land, that could potentially otherwise be sold or used for alternative purposes, and direct capital expenditure.
- 4.16 Feasibility monies of £1.8m for Extra Care Housing have already been approved by Cabinet and pipeline capital expenditure of £80m for developing new affordable Extra Care provision for Older People and £40m for developing new Independent Living provision for people with Learning Disabilities or Autism has been included in the draft MTFS proposals. This represents the initial estimated capital investment that SCC may be required to contribute towards the development of 725 new affordable units of Extra Care and 500 units of independent living (noting that SCC will not lead on the funding and development of all these units). The pipeline funding will be drawn upon as required based on decisions made by Cabinet about proposed schemes on different sites. Proposals for the development of new Mental Health accommodation services are also being developed and are likely to have a capital requirement. Consideration of the long-term future of the care homes operated in-house by ASC sites and currently subject to public consultation could also have significant capital implications.
- 4.17 Capital investment in ASC services is always based on a thorough analysis of the business case for a proposal to ensure proposals represent value for money for residents. This includes an assessment of the return on investment that the financial benefits of developing new accommodation is expected to generate, particularly in terms of care package savings.

Horizon scanning

- 4.18 It is recognised that changes will not necessarily be welcomed, initially at least, by all. Some of ASC's important stakeholders including people who use services and carers, care providers and NHS partners may challenge aspects of ASC's planned transformational changes. It will be important to remain cognisant of these challenges and respond to them in a considered manner. There is no question though that significant change does need to take place if spending on ASC is to be kept within what SCC can afford.
- 4.19 ASC's current calculated budget requirement is £25m higher than the budget for 2021/22. Based on SCC's expected funding, the gap from projected budget envelopes grows to £113.6m by 2026/27. ASC will continue to prioritise implementation of its transformation programmes and the other actions necessary to reduce care package commitments in the remainder of the year and mitigate pressures next year and beyond.
- 4.20 These 2022-27 MTFS proposals for ASC come against the backdrop of the Government's recently announced reforms for health and social care set out in its Building Back Better publication. SCC welcomes ASC system reform but is concerned at the apparent lack of any additional funding to meet existing ASC pressures, and that the cost of the proposed reforms may exceed the funding allocated to local authorities. This is a particular risk for areas like Surrey where large number of people currently fund their own care, meaning there will be a greater shift to local authority funding of care if the new proposed cap on care costs is introduced. There is currently insufficient detail for SCC to make a sound judgement of the

cost of the proposals, but the reforms will have far reaching impacts on residents, the social care workforce, the care provider market and local authority resource requirements. SCC urges Government to ensure:

- additional funding for existing social care pressures, along with up front funding to plan for implementation of the reforms, is provided in 2022/23;
- there is comprehensive and effective consultation with local authorities so that the burdens of the reforms can be properly understood and fully costed; and
- a fair and transparent methodology is developed for allocating funding for the new reforms, noting that the basis for allocating funding will need to differ significantly from how ASC funding is normally allocated between authorities.

4.21 If this does not happen, then the reforms will simply place additional financial burdens on SCC, and Local Government more broadly, further destabilising the ASC sector rather than enabling a sustainable future.

PUBLIC SERVICE REFORM AND PUBLIC HEALTH

Context

4.22 SCC's Public Health (PH) service improves and protects the health and wellbeing of people living and working in Surrey. It achieves this by:

- Providing public health intelligence and evidence to enable decisions based on people's need and what is effective;
- Providing specialist public health expertise and advice to NHS commissioners to support them in improving the health of their population through prevention and through effective commissioning;
- Improving health through partnership working, policy development, behaviour change and the commissioning of health improvement services for all ages which are targeted to those at risk of health inequalities;
- Working with partners to protect Surrey residents from communicable diseases and environmental hazards; and
- Providing oversight and support in the review, development and delivery of the Surrey Health and Wellbeing (HWB) Strategy.

4.23 The PH service commissions a range of services centred on key PH priorities including:

- Healthy lifestyle services including stop smoking, weight management and mental health;
- 0-19 services including health visitors and school nurses;
- Substance misuse services relating to drugs and alcohol;
- Sexual health services including contraception and genitourinary medicine (GUM); and
- NHS health checks.

4.24 The services commissioned by PH are all preventative in approach and targeted at reducing health inequalities. This is one of SCC's key strategic aims and an overall ambition of Surrey's Health and Wellbeing strategy.

4.25 PH's priority focus since March 2020 has of course been on supporting the containment and management of the Covid-19 pandemic. The PH service has mobilised its resources and expertise to ensure that accurate and up-to-date information about infection rates across the county along with intelligence on the wider impact of the pandemic is provided for decision makers. It has worked closely with SCC's Corporate Leadership Team (CLT) and SCC's key partners to advise on how the virus can be most effectively managed for staff, residents and

the delivery of essential services whilst also enabling the establishment of both local testing and contact tracing capacity.

- 4.26 At the same time, the PH service continues to respond seven-days-a-week to local health protection queries and notifications of outbreaks from across the system whilst also ensuring the delivery of the majority of its core functions and commissioned services that are an integral part of the delivery of the local health and wellbeing strategy. These, it could be argued, are more important than ever, to maintain and improve people's health and wellbeing and focus on the need to reduce health inequalities during these very challenging times.
- 4.27 The wider Public Service Reform Directorate is jointly funded, accountable to both Surrey County Council and Surrey Heartlands Integrated Care System for driving the continuous improvement of a public service model that supports the delivery of our integrated health and social care strategies. Working across Surrey, the PSR teams will aim to:
- Ensure that local health and care partners make best use of data to inform the design of new models of proactive care and make best use of our collective resources to deliver improvements in health and wellbeing;
 - Galvanise people around a shared ambition to address the wider determinants of health (social, economic and environmental) to address health inequalities across Surrey's population, focussing on the improvement of both physical and mental outcomes;
 - Work with the Surrey Office of Data Analytics (SODA) and a wide range of stakeholders to support public sector transformation through data and technology, using design-led approaches and encouraging social innovation;
 - Develop new models for research and intelligence which provide an opportunity to improve outcomes for residents and increase engagement with them, taking a systemwide overview to understand local issues and ensuring research is reliable and robust by developing common principles, standards, methodologies and training; and
 - Ensure that the Surrey Heartlands system maintains the leading edge by underpinning its work with innovation, research and commercial development.

Current 2021/22 budget position

- 4.28 The current Directorate budget is £34.2m, £33.4m of which relates to Public Health and the remaining £0.8m to Public Service Reform functions. A balanced budget outturn is expected for 2021/22.
- 4.29 In addition to its core budget, the PH service is leading on the deployment of four Covid-19 grants:
- Test and Trace to pay for the costs of the county's contact tracing team and Covid-19 related communications to residents, business, schools and other organisations;
 - Contain Outbreak Management Fund (COMF) to cover a wide range of measures to help control the spread of the virus including working in partnership with District and Borough Councils, supporting the homeless and other vulnerable groups, schools and colleges and on functions such as environmental health officers;
 - Targeted Community Testing relating to the management of Surrey's asymptomatic testing programme and community collect system enabling residents to collect lateral flow testing kits; and

- Practical Support for Self-Isolation grant for assisting people who face difficulties with matters such as food due to having to self-isolate. This grant is being transferred to District and Borough Councils who already administer self-isolation support payments to residents.
- 4.30 From the start of the pandemic up until March 2022 total funding of over £40m will have been received and deployed across all these grant funded Covid-19 programmes. This has been essential to enabling Surrey to respond effectively to the pandemic. Some elements of the programmes will need to continue into 2022/23 to ensure the county remains on top of the spread of the virus and is able to respond agilely to any changes in the nature of the pandemic. SCC will ensure these costs are funded from its Covid-19 reserve if there is insufficient current grant funding to carry forward to cover the costs next year or new grant funding is not made available in 2022/23.

Financial pressures

- 4.31 Since transferring to SCC from the NHS in 2013/14, Surrey's PH service has had to operate in a very challenging financial environment. There have been three main financial challenges:
- Firstly, Surrey's PH funding is very low. Surrey's 2021/22 PH grant equated to £32.13 per head of population (the third lowest per head allocation in the country) compared to an England average of £57.82 per head;
 - Secondly, Government has failed to invest adequately in PH services since they transferred to local authorities. Over the first 7 years after transfer of the PH service to SCC up to 2019/20, Surrey's PH grant funding was cut by £3.6m (9%). Although Surrey's grant has been increased by £3m in the last two years, this has come with some new responsibilities and Surrey's total PH grant funding is still £0.6m (1.5%) lower than it was in 2013/14 in cash terms (a much larger reduction in real terms); and
 - Thirdly, like all Council provided services, Surrey's PH service has been impacted by the reductions to broader Central Government funding that SCC has suffered in recent years. An element of the PH grant has been allocated to services delivered or commissioned by other parts of SCC that contribute to meeting PH outcomes. Funding for other services that deliver wider PH outcomes was at its highest level of £6.3m in 2018/19. This was reduced to £5.4m in 2019/20 and this remains the budgeted assumption in 2022/23. This has required the PH service to make reductions to the preventative services it directly commissions in previous years, although if the funding was allocated to PH, this would require reductions in other SCC services.
- 4.32 The combination of the above factors has meant Surrey's PH service has had to significantly reduce expenditure on the services it directly commissions in recent years. PH's current budget of £33.4m is £5.8m less than its starting budget of £39m in 2013/14. This represents a cash reduction of 15%.
- 4.33 PH's latest MTFS proposals include pressures of £0.4m in 2022/23 and £1.1m across the whole 2022-27 MTFS period. These pressures largely relate to pay inflation and the end of grant funding for a £0.4m family resilience service, which PH is working with partners in SCC's Children, Families and Lifelong service to consider options for how to fund. The need to continue to deliver some elements of the Covid-19 programmes that are currently funded by grants in 2022/23, estimated to be in region of £3m, is not included as a pressure on the basis that as set out above this expenditure will be funded out of SCC's Covid reserve if there is insufficient grant funding to cover it.

- 4.34 In addition to budgeted pressures, there are some risks not included as pressures but that could materialise. The most significant is how NHS Agenda for Change pay rises which impact on several services that PH commissions will be funded. Previously SCC has received additional funding to cover the cost of these pay rises for NHS workers, but it is not clear if this will continue.

Financial efficiencies

- 4.35 In recognition of the vital role the PH service continues to perform in providing services to improve and safeguard the wellbeing of residents, address health inequalities and lead in mitigating and managing the impacts of the pandemic, SCC's Cabinet agreed that PH would be protected from any corporate efficiencies in 2022/23. PH does though still need to mitigate its own £0.3m pressures in 2022/23. The service plans to do this through making small adjustments to service delivery to manage within available budget resources.
- 4.36 SCC's current indicative budget envelopes from 2023/24 would require the PH service to contribute towards delivering efficiencies to help manage SCC's expected reduction in corporate funding and increased capital financing requirement. Opportunities for increased value for money and cost efficiency will continue to always be sought as part of re-procuring PH services. However, if there is a requirement to further reduce expenditure on the services that PH commissions in the future then, taking into account the substantial efficiencies already delivered in previous years, it is likely this will mainly have to be achieved by reducing service provision. The outcomes of Track 2 of the MTFS may change the need to do that, but PH has undertaken a prioritisation exercise to rank the efficacy and impact on residents of its services to determine how to limit the negative impact on Surrey's public health of any reductions in PH expenditure that are required in future years. These have not been included as efficiencies in the latest MTFS proposals because of the detrimental impacts the reductions would have and because PH is awaiting the outcomes of Track 2 of the MTFS. As such, a budget gap of £3.4m is currently showing for PH up to 2026/27 based on the current indicative budget envelopes for future years prior to completion of Track 2.
- 4.37 It is important to be clear that any further reduction in PH spending in Surrey could have serious long-term impacts for Surrey residents, other SCC services and key partners such as the NHS. It would also impact on our ability to take forward our ambition to reduce health inequalities as part of the wider system. Therefore, any future changes to Surrey's PH spending once the national funding position is clearer and SCC has progressed Track 2 of the MTFS will require very careful consideration, prioritisation and evidence-based decision making.

Horizon scanning

- 4.38 The PH service is reviewing its priorities for 2022/23 as the longer-term PH impacts of the pandemic are still emerging. This will include a need to consider the extent to which any elements of the programmes currently funded by Covid-19 grants may need to become more permanent service functions and, if so, how these could be funded.
- 4.39 Most of PH's major service contracts are coming up for renewal in the next 2-3 years. A key focus of the service will therefore be ensuring new service specifications take account of the latest health status of Surrey's population and where it is considered service provision needs to be targeted to address health inequalities. The procurement processes will also of course

need to consider how the refreshed services can be commissioned to maximise value for money for residents.

- 4.40 At present the future of the PH grant remains unclear. PH will need to remain responsive to any changes in grant funding. In the meantime, SCC will continue to lobby for increased PH funding to support the delivery of the health and wellbeing priorities for Surrey residents.
- 4.41 Through a focus on research, partnering with academia and industry, and data across the wider Public Service Reform Directorate, the team will be looking at how we drive health and social care devolution to its full potential, lobbying and influencing Government where appropriate on future models of public service that transforms peoples' lives. Working effectively in this space, SCC hopes to be able to influence future public policy, leading to a more sustainable public service model.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

- 4.42 The overall aim of the Children, Families and Lifelong Directorate is to ***root children and families in our hearts and minds***. Our purpose is to ensure that Surrey's children and families have access to a range of services that tackle inequalities, support independence and enhance lives. We support families and enable children and young people to be safe and feel safe, be healthy and make good choices about their wellbeing.
- 4.43 Since being judged as 'inadequate' by Ofsted in May 2018, Surrey's Children's Services has taken determined and continued action to deliver an ambitious improvement plan. The service is committed to tackling areas for development highlighted by Ofsted and subsequent monitoring visits have illustrated the positive improvement journey across our services for children, young people and families, which is particularly encouraging given the additional challenges of the last year during the Covid-19 pandemic.
- 4.44 These factors have significantly impacted the financial position of the directorate and will continue to do so in the future. This is both in short term financial costs in responding to the Ofsted judgement and then the Covid-19 pandemic, but also in fundamental changes to the level of demand and type of support required for children, young people and families. Further pressures have arisen from international events leading to an increase in refugees and asylum seekers arriving via Home Office schemes and unofficial routes.
- 4.45 For Children's Social Care placements, lack of sufficient local supply is a key area looking to be addressed. This is both from the perspective of being able to increase the number of children placed in Surrey-based provision, but also ensure the appropriateness of supply to meet need. Expanding capacity of maintained specialist provision for SEND children is also key to reducing financial pressures within the DSG High Needs Block.
- 4.46 While capacity is increased within Surrey, other external factors such as current rates of increased demand and inflation are causing added financial pressures which need to be managed.

Financial pressures

- 4.47 Key pressures are impacting the 2021/22 financial position within CFL, which then cause pressures in future years requiring ongoing mitigation. Total pressures for CFL, excluding the DSG High Needs Block, are budgeted at £18.4m in 2022/23, £52.3m for the whole 2022-27 MTFS period. The pressures within CFL are focused on a number of key areas:
- Placement levels and costs in Looked After Children and Children with Disabilities - There has been an increase in Looked After Children (LAC) numbers during 2021/22 and these have been in the more expensive categories of placements such as residential, where one placement can be up to £0.25m;
 - Staffing overspends within Children's Social Care due to the level of agency staff needed to cover crucial vacant posts; and
 - SEND (due to the numbers of children and the cost of support, with many children supported in more expensive independent schools).
- 4.48 In 2021/22 Children's Social Care staffing and placement costs have a projected overspend of £6m and there is a focused effort to address and mitigate the costs.
- 4.49 The other significant area of ongoing financial pressure is within Special Educational Needs and Disabilities (SEND). This is funded through the Dedicated Schools Grant (DSG) High Needs Block (HNB), however this has seen a significant deficit position since 2018/19. Whilst, not able to directly finance the deficit with General Fund (GF) sources, the Council has taken the decision to establish an offsetting reserve which tracks the HNB deficit in order to ensure balance sheet stability. At the end of 2020/21 this reserve balance was £84m (equivalent to the HNB deficit) and projected to increase to £115m by the end of 2021/22. In the 2022/23, the HNB deficit is expected to be approximately £142m, so in the MTFS the projected contribution to the offsetting reserve in 2022/23 is £27m.
- 4.50 Achieving the improvement in children's services is not seen as mutually exclusive to the need for financial rigour. Whilst projecting budgetary effects of supporting children in CFL is complex, our financial strategy is to:
- Focus on those children requiring support through our Family Safeguarding model and No Wrong Door, whilst ensuring the safety of children and complying with statutory responsibilities;
 - Reduce the unit cost of provision or move children from high-cost provision into other suitable placements (where appropriate);
 - Review the level of provision on offer;
 - Enable children to live closer to home to promote better outcomes but also to reduce costs; and
 - Promote budget accountability, including reducing the need for costly agency staffing through improvements in recruitment and retention.

Financial efficiencies

- 4.51 In order to mitigate the pressures, a number of options for reducing the Directorate's budget requirement to meet available funding were considered, with those included in the Budget totalling £13.8m in 2022/23 and £26.9m over the whole 2022-27 MTFS period. Within CFL, the pressures occur in the areas of most significant expenditure (staffing and placements), which means that the scope for offsetting costs through efficiencies in less pressured areas is difficult.

4.52 Reducing costs for Looked After Children (LAC) placements is focused around the following areas;

- Reducing the level of demand through new practice models which enable early intervention;
- Provide more in county and in-house provision at lower cost to support those requiring placements;
- Increase the use of foster carers which are lower cost than residential placements and also deliver improved outcomes; and
- Reduce unit costs through increased block purchasing and collaborative commissioning systems.

4.53 Managing pressures on staffing expenditure is the other key area. This is being approached through the increased rollout of the retention and recruitment programme, which is incentivising a higher percentage of staff to move to permanent contracts. This reduces the additional costs incurred when filling posts through agency/locum staff. Bringing down the cost of the agency workers we employ is targeted through consideration of joining the South East memorandum of understanding on agency rates, as well as the move to a combined agency worker framework with Kent CC.

SEND

4.54 SEND efficiencies are focused on increasing internal capacity in Surrey maintained schools through phases 1-4 of the SEND capital programme of £125m as well as reducing demand through early intervention and support. The overall wider strategy ambitions are set out as follows:

- **Early joined up identification, response and provision**
As children's needs are identified and met at the earliest possible stage, children should have access to the right provision to reach their potential and demand for long term statutory support reduces.
- **Children thriving in their local communities**
With most children attending their local mainstream school with the right help and support and enough special maintained provision for those who need it, children should be able to live at home with their family.
- **Better experiences for children and families**
By providing children and families with the right information and advice and making the system easier for them, children and families should receive a consistently good quality service.
- **Financial sustainability and better use of resources**
Our focus on improving outcomes and value for money, joint commissioning and decision-making should ensure that the high needs grant funding available will be sufficient to meet children's needs within 5 years.

DSG High Needs Block Trajectory

4.55 The SEND Transformation is a holistic and far-reaching programme, and it incorporates activity across the Local Area SEND system alongside the activity necessary to discharge our SEND

Accelerated Progress Plan. The programme, and associated cost containment activity, is structured in a thematic way to aid delivery and encompasses four key areas of focus:

- Inclusion in local maintained schools: Increasing the proportion of children able to thrive in a mainstream or specialist-maintained provision closer to home along with their peers and siblings;
- Sufficiency, outcomes, and value of school places: Ensuring that the school estate provides sufficient, suitable places for children with Special Education Needs and Disability within the county, improving the value of independent places that are used through partnership and market management and reviewing the school funding model within maintained provision to ensure funds are allocated efficiently and effectively as possible;
- Preparation for Adulthood: Supporting post 16 children in preparing for adulthood through more and better educational pathways and support for independence; and
- Partnership Accountability: Ensuring all partners across the local area, including Council departments and local providers are working effectively together to support improvements in outcome, experience, and sustainability of the SEND system in Surrey.

- 4.56 The financial pressures on the DSG and High Needs Block (HNB) continue to be a key focus of the Council and are being addressed through the SEND Transformation programme. At the end of 2020/21, following an overspend of £34.5m, the cumulative deficit on the HNB stood at £84m. DSG is made up of 4 blocks of funding: Schools, HNB (SEND), Early Years and Schools Central Services. In total, the overall DSG deficit balance stood at £63.7m at the end of 2020/21 (due to surpluses in other blocks).
- 4.57 The 2021/22 budget contains an assumed overspend of £23.8m which is matched by a General Fund contribution to the offsetting reserve. Previous assumptions within the MTFS were that this annual deficit would begin to reduce by £5.3m per annum to achieve a balanced in-year budget within 5 years. Following further work in conjunction with IMPOWER, a revised trajectory model was developed to reflect the current position of the programme. The current forecast for 2021/22 outturn is an overspend of £8.8m on the budgeted position, so an overall overspend of £32.6m.
- 4.58 The revised trajectory, supported by the IMPOWER model, is that the position over five years is still on track to deliver a balanced position. However, this is not delivered evenly over that period and would see a £9m pressure in 2022/23 reducing to £7m in 2023/24 before coming back more in line with previous expectations. The IMPOWER model will support the Council's 'Twin Track' approach to financial planning and will enable us to review the planning assumption with greater certainty as delivery progresses.
- 4.59 There is also a risk that SEND demand continues to increase post Covid leading to further spend, this, along with other financial impacts, is monitored at fortnightly meetings along with plans to mitigate the growth wherever possible through earlier intervention. The Department for Education SEND Review has been postponed and it is not yet known how this may impact the ability for the local authority to develop a financially sustainable system.

Other Capital budgets

- 4.60 In addition to the SEND Capital programme, a number of other capital projects impact directly within CFL. A number of these are managed through Land and Property (L&P) but the service

benefits or costs would be seen within CFL budgets. The largest in 2022/23 relate to schools. As well as the SEND strategy referenced above, there is £25.5m for the Schools Basic Need programme (grant funded) and £9m recurring Capital Maintenance in schools. Similar to SEND, there is an ongoing review of LAC sufficiency supported by a £5.m capital budget in 2022/23 and £37m up to 2026/27.

- 4.61 Development of the Surrey Outdoor Learning and Development (SOLD) site at Thames Young Mariners is designed to increase residential capacity at the site which will in term allow additional income generation through both the type of provision and time during the year over which courses can be run.

Horizon scanning

- 4.62 The circumstances in which CFL is currently operating have led to significant additional cost pressures in the past three years. This, combined with the longer-term uncertainty around the impact of the Covid-19 pandemic, make long term projections more difficult. Core pressures within social care staffing and placement costs, as well as SEND, look set to continue and also be the major risks to achieving a balanced position in the future. For all of these areas resolving the base pressures and overspends will go a long way to enabling future strategies to align to available funding resources.

ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE

Context

- 4.63 ETI is a future-focused Directorate which aims to shape places, improving the environment and reaching sustainability and climate change targets. 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 of household waste and operation of community recycling centres;
 - Highway maintenance and street lighting;
 - Public transport;
 - Countryside;
 - Planning & Development; and
 - Supporting the county’s and Council’s response to climate change and carbon reduction
- 4.64 Over the period of the MTFs, ETI’s key priorities are to:
- Continue to build upon our new Directorate organisation design - implementing and embedding the new Highways structure, coupled with further reviews of our Waste, Greener Futures and Planning functions;
 - Strengthen our financial sustainability to provide value for money to communities by leveraging available funding opportunities, identifying new commercial opportunities, opportunities for partnership working, innovating service delivery and developing our Greener Futures Finance Strategy;
 - Mobilise Ringway as 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;

- Strengthen engagement with customers and communities, through delivery of our Customer Enquiry Improvement Plan and establishing the cross cutting Greener Futures Engagement and Behaviour Change Working Group;
- Working with key partners and members, finalise the design of our future waste services, and progress the re-procurement. Conclude the Eco Park dispute;
- Deliver the Council and county's carbon emission reduction targets in line with our Climate Change Delivery Plan. With 46% of Surrey's emissions resulting from Transport, a key part of delivering these targets will be supported by adoption of the Surrey Transport Plan, EV network rollout and Bus Back Better plans;
- Deliver the £30m of capital schemes identified in phase 1 of the Surrey Infrastructure Programme, and develop the pipeline of phase 2 schemes; and
- Implement a new governance model to better support delivery of the Climate Change Delivery Plan and Surrey Infrastructure Plan.

Services and spend: revenue budgets

- 4.65 ETI's current annual revenue budget is £141m. 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 where socially necessary and operating the concessionary travel scheme for elderly and the disabled, and management of the countryside including providing visitor services.
- 4.66 A significant proportion of the Directorate's budget is linked to contracts, and ETI therefore recognises the need to work in close partnership with providers and markets to explore opportunities for efficiencies.

Services and spend: capital budgets

- 4.67 In addition, ETI 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. ETI's 5 year capital programme is £0.9bn, and includes structural maintenance of roads and bridges, the River Thames flood alleviation scheme, highways and transport improvement schemes (e.g. Farnham, A320) and Greener Futures, the Council's ambitious carbon reduction plan.

Financial pressures

- 4.68 The ETI 2022/23 revenue budget includes pressures of £7.4m, £21m for the whole 2022-27 MTFS period; including:
- Inflation: significant spend within ETI 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. Inflation is currently high and while future forecasts are currently volatile the ETI revenue budget includes non-pay inflation of £4.3m in 2022/23;

- Bus contracts: bus passenger numbers have reduced due to the Covid-19 pandemic, and although recovering they remain below pre-pandemic levels, and consequently fare income is reduced. While the Government has been providing financial support to the bus industry throughout the pandemic, this is expected to stop in 2022/23. The 2021/22 ETI budget includes growth of £1.7m to reflect the need for ongoing support to sustain contracted bus services, which increases to £2.1m in 2022/23, although this will be reviewed as passenger numbers increase; and
- Supporting ETI services: other growth includes additional resources to deliver Council priorities including Greener Futures and waste contract reprocurement, investment in managing the countryside including maintenance of public rights of way, and making provision for responding to the impact of severe weather (e.g. flooding) and ecological threats (e.g. ash dieback disease).

Financial Efficiencies

- 4.69 The ETI 2022/23 revenue budget includes efficiencies totalling £6.5m, including the following:
- Waste prices: while the volume of domestic waste has increased as a result of working and lifestyle changes following the pandemic, the cost of dealing with dry mixed recyclable materials has reduced this year. Waste materials (e.g. paper) are a commodity and prices are influenced by supply and demand within a global market. At least in the short term this trend is expected to continue, providing a net benefit of £2m;
 - Street lighting: the Council continues to convert its streetlights to LED resulting in reduced energy consumption, which provides both a carbon reduction and a financial efficiency of £1.1m; and
 - Other efficiencies include use of one-off grant funding and other income, highway contract efficiencies, enforcement (e.g. of bus lanes and utility companies) and seeking to make services self-funding where appropriate.

Horizon scanning

- 4.70 In future years further opportunities are anticipated in a number of areas.
- 4.71 Following an extensive procurement process the Council has appointed a new highways contractor, Ringway, to deliver maintenance and improvement works. The Council and its contractor will work in partnership to explore further efficiencies, for example innovations in working practices and use of improved materials.
- 4.72 The Council's current waste management contract is due to expire in 2024, and work is ongoing to define future requirements and to explore efficiencies, both through new contractual arrangements and also through closer working with waste collection authorities as well as giving consideration to development of infrastructure.
- 4.73 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 in ETI's budget over the MTFS period and beyond.

COMMUNITY PROTECTION GROUP

Context

- 4.74 The Community Protection Group includes responsibility for Trading Standards, Emergency Management, Health and Safety, Coronial Services, Armed Forces and Community Resilience and the Surrey Fire and Rescue Service (SFRS). These are mainly statutory and regulatory services all brought together with the vision to make Surrey a safer place to live, work, travel and do business.
- 4.75 To support the 2030 Vision and Organisation Strategy we will focus on the areas of People, Places, Products and Premises. We will work with partners, SCC services, communities and businesses to protect residents from harm both physically and financially through: our prevention and protection work, ensuring that SCC can effectively prepare for, respond to and recover from emergencies, tackling rogue traders and deceptive, unsafe, and illegal practices and products.
- 4.76 The Group is also on a transformation journey. SFRS, in response to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, has put in place a major improvement programme which is set out in the Making Surrey Safer Plan 2020-24. A big part of the plan is about changing and investing in how we deliver better prevention and protection activities. This will help prevent emergencies from happening in the first place. The Coroners Service is also transforming with care and support for the bereaved and dignity and respect for the deceased, at the core of how it operates.
- 4.77 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. We also aim to work better with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy. The role Trading Standards play in this is important particularly with digitalisation leading to more Scams directed at vulnerable people and businesses.

Services and spend

- 4.78 The Community Protection Group has an annual revenue budget of £40m, primarily the Fire and Rescue service, and a Capital Programme of £23m across 2022-27 which includes replacement of Fire vehicles and equipment.

Pressure and efficiencies

- 4.79 The Group's Medium Term Financial Strategy reflects expected growth through pay inflation, including anticipated growth from nationally agreed firefighters pay awards. Other pressures include Coroners operating costs, including the establishment of a new mortuary facility.
- 4.80 Total pressures are budgeted at £2.4m in 2022/23, £6.7m for the whole 2022-27 MTFS period.
- 4.81 Following significant transformation and modernisation of the Fire service across 2019-21, which included investment in prevention and protection activities alongside a more efficient

operating model, efficiencies in future years are focussed on optimising spend through continual improvement and consideration of alternative funding.

PROSPERITY, PARTNERSHIPS AND GROWTH

- 4.82 The Directorate plays a key leadership role in convening and developing lasting and effective relationships and partnerships with key organisations locally, regionally and nationally and in driving forward the Council's ambitions and Economic Growth Strategy for Surrey through innovative, targeted delivery programmes.
- 4.83 Relationships and partnership work with Government departments and officials, national agencies, national and regional representative bodies, District and Borough Councils, other authorities, County organisations and local bodies contribute to the achievement of the Community Vision 2030 and all four of the Council's strategic priorities. This is most obviously manifested in the proactive planning, preparation, positioning and activity in relation to Government policy and programmes, such as the forthcoming Levelling Up White Paper and potential to secure a County Deal in a subsequent round.
- 4.84 'Surrey's Economic Future: Our 2030 Strategy Statement,' (agreed by Cabinet in December 2020) and the delivery programme that supports it, directly contribute to the Council strategic priority of 'growing a sustainable economy so everyone can benefit'. They also contribute to the 'reducing health inequalities', 'enabling a greener future' and 'empowering communities' priorities.
- 4.85 They set out the path to economic recovery and prosperity, identifying four main themes/opportunities for the County's post Covid-19 resilience and growth, including:
- Delivery of Surrey's Inward Investment Programme and promotion of the Surrey Story;
 - Convening and place leadership to reimagine Surrey's High Streets for the future;
 - Skills for growth: maximising opportunities through skills development for the future; and
 - Delivery of key Infrastructure across Surrey, including gigabit capability, highways and transport, and business networks and partnerships.
- 4.86 Specific interventions are already being taken forward to drive a more innovative, inclusive, and productive economy. This includes the launch of a new Surrey-specific approach to inward investment, a strategic, community-led approach to placemaking and a programme of work to improve full fibre digital connectivity in Surrey.
- 4.87 The Prosperity, Partnership and Growth Directorate has a total budget of c£1.5m, which is materially targeted at the Economic Growth Team and associated costs. For 2022/23 there is a requirement to strengthen the team further to develop a Growth Plan to drive business engagement, the economic place agenda, attract new business and skills, strengthen partnerships and understand infrastructure needs.

CUSTOMER AND COMMUNITIES

Context

- 4.88 The Directorate includes the following services:
- Community Partnerships and Engagement;
 - Customer Services and Customer Experience; and
 - Libraries, Arts, Heritage and Registration Services

- 4.89 Customer and Communities delivers critical day-to-day services and operations, while also shaping and driving several connected key strategies and transformation programmes that are central to the successful achievement of the Surrey County Council (SCC) Organisation Strategy, 2030 Community Vision and Surrey Health and Wellbeing Strategy.
- 4.90 Although a newly formed Directorate, all areas have undergone (or are undergoing) significant improvement & cost reduction. The Net budget for the Directorate for 2021/22 amounts to c£11m. This includes significant income budgets in excess of £10m, primarily across Cultural Services (Libraries, Surrey Arts & Registrations), although there is also income within Customer Services from Blue badges fees. Income to Cultural Services comes primarily from weddings (from providing registrars services at both registry offices and licenced venues), income from music lessons provided by Surrey Arts in schools and income from archaeology services and fines and reservation charges in libraries.
- 4.91 All areas have undergone significant improvements over the last 3 years and significant cost reduction e.g., libraries net budget has reduced by 30%; Customer Services budget reduced by over £400k. The ambition is not only to ensure the sustainability and quality of service delivery, but to think creatively about how services are delivered.

Delivering key strategies and transformation programmes

- 4.92 The Directorate is at the forefront of shaping and delivering the Council's priority ambition of empowering communities. Supporting the development of thriving communities is essential to delivering a greener future, driving a sustainable local economy, and tackling health inequalities - and strong and active communities are a crucial ingredient in supporting more people to live independently for longer.
- 4.93 The Covid-19 pandemic has seen the communities that we live and work in change overnight and has required the Council and partners to work better together alongside and with our communities. Customers and Communities were able to respond proactively to the pandemic, and these responses in turn have set the direction for further transformation – for example:
- Library services rose to the challenge of Covid-19 and adapted successfully having been recognised by the Government as an essential service in supporting residents with learning, digital inclusion and health and wellbeing during an unprecedented time - the vital role played by libraries both through digital platforms and local settings has informed the next phase of library transformation plans;
 - Customer Services established at pace the Covid-19 Community Helpline and Local Contact Tracing operation which is now being woven into daily operational activity in the most proportionate and effective way; and
 - Based on learning from the community welfare response, the Directorate has embedded and supported the development of more community-focussed ways of working (including developing a community network approach and setting up and delivering Your Fund Surrey).
- 4.94 The Directorate is driving forward key transformation programmes to continue to adapt and improve services to meet the changing needs to our residents and ensure financial sustainability:
- **Customer Experience** - Making people's experience of dealing with the Council quicker, easier, and better by shaping a new relationship with our customers, managing their enquiries in a more efficient, proactive, and connected way and increasing our use of digital self-serve technologies;

- **Libraries and Culture Transformation** - delivering a modern and efficient set of services across Libraries, Arts and Heritage reducing net cost and increasing impact for communities in Surrey; and
- **Enabling empowered communities** - Providing the foundations, delivery arm and a learning approach to 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.

Financial position

- 4.95 The Directorate relies on significant income generation. Key services within closed as a result of COVID-19 restrictions, having a significant impact on achievable income levels over the past two years. While the latter half of 2021/22 has seen income levels increase, particularly in relation to weddings, there remains a pressure on income budgets in the current financial year.
- 4.96 From 2022/23 the budget planning assumption is that income levels return to pre-COVID rates. This requires significant activity to take place to ensure targets are achieved and that the Directorate can continue to manage emerging pressures from within the existing available budget envelope.
- 4.97 In addition to working to ensure that income levels return to pre-COVID levels, the Directorate has identified additional budget pressures relating to inflation and also to the non-achievement of the vacancy factor in the libraries service for 2021/22, this is not felt to be achievable in future years either and so results in an increase to the existing budget being required. The Directorate have had to identify a range of options to offset emerging pressures. Specifically:
- Continuing to drive further staffing and operational efficiencies through the libraries and cultural services transformation programme;
 - Other identified efficiencies from within the wider Cultural Services area including contract reviews, income generation strategies, charging and service reviews; and
 - Efficiencies from within community partnership team to support new ways of working.

Capital

- 4.98 The Directorate has significant pipeline capital investment plans in development to transform the libraries estate and review the assets linked to Registrars.
- 4.99 The Capital Pipeline contains £34m 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.

RESOURCES

- 4.100 As the Council continues to drive forward its ambitious transformation programme to improve the services we provide to residents and its commitment to the Community Vision for Surrey 2030, the Directorate is focused on ensuring that corporate support and enabling services are of the highest calibre.

- 4.101 Covid-19 has shown how teams are responsive, adaptable and collaborative in tackling extreme challenges. The Resources Directorate wants to build on this, to provide the Council with a more joined up approach to support from back office functions, generating opportunities to realise better customer experience and efficiency through digital innovation and creating 'teams around a service/project.' This is intended to help deliver a step change in the effectiveness of our services, and to meet aspirations to be best in class with regard to the support we provide to our service directorates. The skills and behaviours that this demands of Resources colleagues will be consistent with, and reflective of, those required from front line services that are more focused on place, communities and individual choice.
- 4.102 The Resources Directorate improvement programme aims to ensure the consistent delivery of high quality, trusted advice and services, performing to their full potential and in a collaborative way, as a key enabler for the County Council to achieve the best outcomes for local residents. In addition to a number of individual service improvement plans, there are the following cross cutting areas of focus within the programme:
- Business Partnering;
 - Performance Management;
 - Leadership Development;
 - Value Tracking;
 - Agile Organisation; and
 - Digital Business Insights and Digital Transformation
- 4.103 Through this improvement programme, the Directorate are looking to provide efficient services without reducing the service offer. 2022/23 begins the process of identifying efficiencies following progress in stabilising and raising the quality of services provided. These efficiencies are driven through a number of areas and initiatives, the two largest contributions coming from:
- The implementation of the new ERP solution (MySurrey) through automation, more efficient processes and improved self-service; and
 - Land and Property through a variety of measures including asset rationalisation, the agile office programme, improved supply chain management and a review of income generation.
- 4.104 The Directorate is seeing a number of financial pressures emerging, the largest being in relation to increased costs of Microsoft licences and loss of income from contracts relating to both the Data Centre and the provision of school meals. In addition, there is an identified need to strengthen the capacity in some services in order to meet the organisational ambitions. Total pressures are budgeted at £4.9m in 2022/23, £15.9m for the whole 2022-27 MTFS period.
- 4.105 Efficiencies have been identified to offset emerging pressures. These relate to:
- The implementation of the new Unit4 ERP solution to help drive more streamlined and automated processes;
 - The Agile Office Estate Strategy realising efficiencies in the management of the Council's office estate;
 - A renewed focus for estate rationalisation to reduce revenue costs and increased impetus on using our asset base to generate sustained income;

- A review of the Orbis partnership, resulting in a reversion of the Business Operations Service to sovereign Councils and the resulting requirement to review the partners contributions to the Joint Operating Budget;
- Transformation projects in Pensions Administration, Twelve15, Land and Property and Business Operations (Shared Services);
- Medium term opportunities presented by looking for commercial opportunities within Twelve15, Pensions Administration, Business Operations and other back office activities; and
- Changes in culture and working practices, through adopting a Business Partnering Approach, to ensure that we work effectively across the organisation as trusted and insightful partners, enabling more efficient delivery of services while optimising our impact and generating better working relationships and outcomes within the services we support.

- 4.106 The Directorate now contains the Transformation Support Unit, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation programme whilst ensuring a uniform and consistent approach to transformation and therefore making a significant contribution to achieving the financial sustainability required, so that the Council can deliver priorities, resulting in better outcomes for Surrey residents.
- 4.107 The Directorate also now delivers corporate strategy and policy functions, to design innovative solutions to the challenges facing Surrey and to support the council to be focused on the right strategic priorities that will deliver the Vision 2030 ambitions for residents. A key priority for the service is further developing the Council's partnership with the voluntary, community and faith sector and continuing to invest in services that support a robust and thriving third sector in the county while maximising the reach of council funding by working with the Community Foundation Surrey to match fund through donations.
- 4.108 In addition, the Directorate has significant capital investment and delivery plans relating to the Council's Land and Property (£414m) and IT&D (£23m) services, over the MTFS period. These investment plans are developed in close consultation with front line services to ensure that 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.

PEOPLE AND CHANGE

- 4.109 The Directorate plays a central role in building and sustaining a positive organisational culture and ensuring that we are resourced and trained effectively now and in the future so the organisation is enabled to deliver the best for the residents of Surrey.
- 4.110 A key part of the Council's strategic agenda, 'Our People 2021' is our plan for the workforce of SCC (current and future). Our staff are our ambassadors and are crucial to successful delivery of the Organisational Strategy and consequently, achievement of the ambitions for Surrey as set out in the 2030 Vision. Our People 2021 sets out how we will develop the capacity and capability of our workforce to achieve our priority strategic outcomes for Surrey residents, ensure the effectiveness and efficiency of the Council, create a high performance culture and drive wholesale transformational change. It sets out the following strategic themes:

- Pay and Reward;
- Organisational Redesign and Strategic Workforce Planning;
- Leadership and Line Management Capability;
- Talent and Succession;
- Employee Engagement, Wellbeing and Inclusion;
- Performance, Achievement and Innovation;
- People Management Policies; and
- Individual and Organisational Resilience and Wellbeing

4.111 The People and Change Directorate operates within an existing budget of £6.6m and manages pressures within this envelope. For 2022/23 onwards the Directorate is proposing to deliver budget efficiencies from the following activities:

- Opportunities enabled by the implementation of the new ERP system which drives improved data and more efficient processes
- Activities to drive increased trading of HR&OD services with schools, generating increased income.

COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS
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4.112 The Communications, Engagement and Public Affairs service is responsible for developing a Communications Strategy for Surrey County Council, mapping out a high-level narrative based on organisational priorities, underpinned by 'super campaigns' and ongoing resident and stakeholder communications.

4.113 The Directorate:

- Through a clear and consistent narrative, ensures residents understand the Council's challenges and its transformation achievements;
- Delivers a public affairs strategy which focuses the Council's political activities and makes clear the Surrey offer to key national Government stakeholders;
- Is responsible for developing an internal engagement plan that cultivates a culture of inclusion, nurtures talent, promotes diversity and creates connected employee communities;
- Ensures the organisation is prepared to respond to high profile media interest, protecting the Council's reputation, particularly in the areas where we are making critical service improvements; and
- Ensures the Council is prepared to deal with reputational challenges by being able to provide crisis management and support, ensuring that the bigger picture and a clear direction is connecting with stakeholders and partners.

4.114 The COVID-19 pandemic has required a significant increase in the level of activities required to communicate effectively to staff, residents and wider Surrey stakeholders. Limitations and the absence of traditional means of communications created by the pandemic, has also resulted in the team having to create new and innovative ways of reaching key audiences in a more targeted way. Supporting in the delivery of the Local Outbreak Control Plan, and the vaccination rollout, has also generated additional demands. The service has led the system-wide response for Surrey, leading and developing key public information campaigns, to residents, businesses and staff.

- 4.115 There is an ongoing requirement for the service to maintain good, clear, consistent communication in support of the County's recovery from the pandemic including providing enhanced communications relating to the medium-term impacts of the pandemic, such as mental health, domestic abuse and financial hardship.
- 4.116 The Directorate operates within an overall budget of less than £2m, managing demand pressures within existing financial resources wherever possible. Two years ago a significant restructure was implemented to ensure efficiencies were realised and to ensure the service was resourced appropriately to support the needs of the organisation.
- 4.117 For 2022/23 a requirement for a dedicated team has been identified for the Community Protection Group (CPG). The CPG Directorate continues to lead on a number of high priority areas for the Council, including Surrey Fire and Rescue Service, Trading Standards, Emergency Planning, Coroners and Armed Forces/Veterans - all of which will require ongoing, high quality internal and external communications support, but has not previously had a permanent communications resource. This has created a small pressure on the Directorate budget envelope.

5. FINANCIAL STRATEGY AND FINAL BUDGET 2022/23

- 5.1 This section sets out our approach to developing a Budget and Medium-Term Financial Strategy. As part of our Finance Improvement Programme (FIP) we worked with an External Assurance Panel who suggested that we commit 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
The budget has a Medium-Term focus which supports the Strategic Plan	<ul style="list-style-type: none"> The budget process has been coordinated across Directorate Leadership Teams, Strategy, Transformation and Finance; the integrated approach ensures that the budget is focussed on delivering Corporate priorities Despite significant uncertainty in the financial planning environment and the unprecedented impact of Covid-19, 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 Council has launched a 'Twin Track' approach to ensure that dedicated focus, resource and adequate time is dedicated to solving the medium-term budget gap (estimated at £150m)
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> The budget is based on clear integration with Organisation Strategy, the Transformation Plan and corporate priorities; developed in partnership across the

	<p>organisation through the Strategic and Integrated Planning Group</p> <ul style="list-style-type: none"> • The budget has been subject to numerous iterations through Cabinet and Corporate Leadership Team over the last four months to narrow the gap and clarify assumptions • The budget is based on the comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery • The assessment led to the development of Core Planning Assumptions to provide a consistent framework for planning
Budget not driven by short-term fixes and maintains financial stability	<ul style="list-style-type: none"> • The 'Twin Track' approach, integrated with transformation and with a focus on opportunities required over the medium-term ensures that we are taking action 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 • For the past three years we have not used General Fund reserves to support the budget and will continue to do so over the medium-term • We aim to continue to build general fund reserves to meet general risks and specific pressures to ensure that our resilience as an organisation grows despite an increasingly volatile and uncertain external environment • Our reserves exceed the 5%-10% range recommended by Grant Thornton in their document 'Lessons from recent Public Interest Reports'
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> • The Budget Task Group and Select Committees have been involved early in the budget process to set out the approach, covering the Core Planning Assumptions, the 'Twin Track' Approach and funding projections. These continue throughout the budget setting process
The budget is integrated with the Capital Programme	<ul style="list-style-type: none"> • Section 6 sets out the Capital Programme • The Programme is developed alongside the revenue budget by Capital Programme Panel. We will continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with 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

	<ul style="list-style-type: none"> • 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, in summary; • We have engaged with residents over the summer to understand their priorities for our spending and to gauge their reaction to a number of proposals • During December 2021, we engaged further with stakeholders to understand their views about the draft budget and whether we are prioritising our resources in the right places

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 been reaffirmed for the 2022/23 budget.

5.3 The principles are:

- An 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 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;
- Budgets agreed and acknowledged by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes;
- Robust efficiency plans which are owned, tracked and monitored;
- Managers accountable for their budgets;
- Scenario planning across pessimistic, optimistic and likely assumptions to set realistic boundaries on the likely operating environment; and
- Working with partners to create best value for residents.

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, (to be developed further through the 'Twin Track' approach);
- Evidence bases used to underpin all efficiency proposals;
- Assurance that all efficiencies, pressures and growth are owned by Executive Directors with clear governance throughout the organisation;
- Pay and contract inflation allocated to Directorates to be managed within budget envelopes;
- A corporate transformation fund held centrally;
- A corporate risk provision/contingency held centrally; and

- A corporate redundancy provision held centrally.

Revenue Budget Headlines

- 5.4 The revenue budget has been developed during a period of significant uncertainty; with the impact of inflation forecasts, funding beyond 2022/23, Covid-19 and likely demand for services in future all very unclear. This uncertainty has been managed through the development and costing of a range of Core Planning Assumptions which looked at likely financial scenarios to set realistic limits on the range of potential outcomes.
- 5.5 The potential scenarios for service delivery and budget planning were initially modelled using themes developed around well-established 'PESTLE+' framework to build an expectation of future conditions by reference to the following factors:
- Political
 - Economic
 - Social
 - Technological
 - Legislative
 - Environmental; plus
 - Health
- 5.6 An assessment of likely outcomes against each of the scenarios of this framework was used to develop the Core Planning Assumptions, against which the service strategies and the Final Budget and 5-year MTFS were developed.
- 5.7 Throughout the planning process, we have followed the budget envelope principle where Directorates are challenged with producing a budget that matches available funding. This entailed Directorates identifying efficiencies to offset pressures from demographic growth, inflation and new responsibilities.
- 5.8 Directorate growth pressures and efficiencies have been subject to a number of iterations; culminating in the final budget, with the following main changes from 2021/22:
- **An increased budget of £37.3m**
 - Total pressures of **£83.8m**, comprising
 - Staffing pressures of **£16.4m**
 - Contract and Price Inflation of **£29.7m**
 - Demand and other pressures of **£29.2m**;
 - Capital financing costs of **£8.5m**; and
 - Efficiencies of **£46.6m**, similar in scale to the £41.2m target for 2021/22.
- 5.9 In setting the budget; pay, contract and price inflation has been calculated by Directorates, informed by Corporate assumptions. **These total £46.1m**. Pay inflation at 2% been calculated and allocated to Directorates, in addition to other pay and recruitment pressures. The pay award for 2022/23 will be decided by People, Performance and Development Committee and any further pressure or reduction from 2% will be dealt with in-year. Contract and price

inflation has been set based on a blended assumption of RRI and CPI of 4%, with variations for specific contracts where appropriate. Inflation has been included in Directorate envelopes.

5.10 The revenue budget envelopes for Directorates, Central Income and Expenditure and Funding are summarised in the table below. Overall, net expenditure has grown by £37.3m (3.7%):

- Pressures and Efficiencies are set out in further detail in **Annex A**.
- A breakdown of the 2022/23 budget by Directorates and Services in **Annex B**.

Table 2: Summary Final Budget Position for 2022/23

Directorate	Budget 2021/22 (Revised) £m	Pay Pressures £m	Contract Inflation £m	Pressures £m	Efficiencies and Funding £m	Total Movement £m	Budget 2022/23 £m
Adult Social Care	377.2	4.0	17.8	22.6	(19.4)	24.9	402.1
Public Service Reform and Public Health	34.3	0.3	0.0	0.2	(0.4)	0.0	34.3
Children, Families and Lifelong Learning	219.8	8.2	5.2	5.0	(13.8)	4.6	224.4
CFL - DSG High Needs Block	23.8	0.0	0.0	3.4	0.0	3.4	27.2
Environment, Transport and Infrastructure	140.4	0.7	4.3	2.5	(6.5)	0.9	141.3
Community Protection Group	37.7	1.4	0.2	0.8	(0.2)	2.2	39.9
Customer and Communities	11.2	0.6	0.0	0.2	(0.8)	0.0	11.2
Prosperity, Partnerships and Growth	1.3	0.0	0.0	0.2	0.0	0.2	1.6
Comms, Public Affairs and Engagement	1.7	0.0	0.0	0.2	0.0	0.2	1.9
People and Change	6.6	0.1	0.0	0.1	(0.2)	0.1	6.7
Resources	69.0	1.1	2.3	1.6	(3.7)	1.2	70.2
Subtotal Directorate Envelopes	922.9	16.4	29.7	36.6	(44.9)	37.9	960.8
Central Income & Expenditure	82.1			1.1	(1.7)	(0.6)	81.5
Total Net Expenditure	1,004.7	16.4	29.7	37.7	(46.6)	37.3	1,042.0
Business Rates (inc. related grants)	(110.3)				0.7	0.7	(109.6)
Grants (excl. Business Rates)	(148.4)				42.0	42.0	(106.4)
General Council Tax	(708.1)				(27.0)	(27.0)	(735.1)
Adult Social Care Precept	(69.8)				(24.8)	(24.8)	(94.6)
Collection Fund (Surplus) / Deficit*	31.9				(28.2)	(28.2)	3.7
Total Funding	(1,004.7)	0.0	0.0	0.0	(37.3)	(37.3)	(1,042.0)

*Consisting of (£1.6m) for Council Tax and £5.3m for Business Rates

National Funding Context

Spending Review and Local Government Finance Settlement

5.11 One 7th September 2021, the Chancellor launched the Spending Review 2021 (SR21) which concluded on 27th October 2021 alongside an Autumn Budget, stating; “The three-year review will set UK Government departments’ resource and capital budgets for 2022/23 to 2024/25”. The Spending Review was followed on the 16th December by the provisional Local Government Finance Settlement (LGFS). Despite DLUHC receiving a three-year allocation in the Spending Review, only a single-year settlement has been passed on to local authorities, pending further consideration of distribution formula for 2023/24.

5.12 The Spending Review and LGFS Headlines for Surrey County Council are as follows:

Revenue

- The Spending Review announced an average 3.8% per annum rise in spending for Government departments; a cash increase of £150bn by 2024/25 (£90bn real terms);

- As a result, Local Government overall saw an increase in Government grants of £1.6bn per year for each of the next three years - a total of £4.8bn;
- At the Draft Budget, Surrey expected to see £16m of the additional £1.6bn. The final allocations were £18.8m, a £2.8m improvement. The £18.8m consists of:
 - £9.3m increased Social Care Grant;
 - £7.9m new 'Services Grant' (allocated as a one-off grant for 2022/23); and
 - £1.6m increase to New Homes Bonus and other minor changes.
- An additional £2.7m was also allocated through a "Market Sustainability and Fair Cost of Care" fund, however this has been ringfenced within the budget to meet the cost of recently announced Adult Social Care reform;
- No new funding has been announced for ongoing Covid-19 pressures;
- It is expected that the 'Fair Funding Review' of the allocation of Government Grant will commence in 2022 calendar year and take effect from 2023/24;
- The core Council Tax referendum threshold remains at 2% per year;
- The Adult Social Care Precept limit is set at 1% per year, plus flexibility to carry forward unused amounts from 2021/22;
- For Surrey County Council, added to last year's 2.5% flexibility, a total of 3.5% is therefore available for 2022/23, with each 1% generating c.£7.9m. Of this 3.5%, the final budget assumes that 3% will be used.

Capital

- Nationally, £2.6 billion of SEND capital investment was announced over three years – tripling current SEND capital funding to over £900m by 2024/25;
- Using previous allocation methods, Surrey County Council's share of the additional SEND funding could be up to £20.7m - an additional c£14m over the next three years, however this is not guaranteed and was not announced in the LGFS. The Capital Programme includes a comprehensive SEND investment programme so any additional grant will reduce our need to borrow to fund the required investment;
- A further £370m was announced in the Spending Review to reform children's care, improve access and provide more residential care for children who need it. Potentially this will allow Local Authorities to bid for funding to establish innovative approaches to reduce the number of children needing care over time. Individual Local Authority allocations were not announced in the LGFS.
- Additional investment was announced to tackle climate change; including active travel, decarbonisation and tree planting. The amount available for Local Government, and the mechanism for awarding to individual authorities is yet to be confirmed.

The impact of Covid-19

- 5.13 The budget for 2021/22 was approved by Full Council on 9th February 2021, with net revenue funding of £1,003.6m (later adjusted to £1,004.7m to reflect an increase grant funding, including Public Health). Within the budget, Covid-19 caused a reduction in the Council Tax Base of 0.9%, suppressing the Council's funding by at least £7m; (mainly through increased Local Council Tax Support and reduced collection rates). Underlying Business Rates income reduced by £6m. The Collection Fund deficit (based on the impact of Covid-19 in 2020/21) reduced funding by a further £32m.

- 5.14 The 2021/22 budget included £54m of one-off Covid-19 funding, itemised in Table 3 below. £20m of this consisted of additional Covid-19 Emergency funding (confirmed in the LGFS 2021/22) for Directorate expenditure and a further £34m to partly mitigate the impact of reduced funding set out above. Covid-19 continues to significantly affect the budget, both in terms of the in-year overspend (set out in section 7), the level of ring-fenced grant used to deliver the Covid-19 response in 2021/22 and the impact of funding falling away in 2022/23. The impact of Covid-19 (particularly on Adult and Children's Social Care) continues well into the medium-term and is expected to exceed £20m for 2022/23. In the absence of Government funding, 2022/23's budget (for the first time) includes an unfunded Covid-19 pressure.

Table 3: One-off Covid-19 Grant Funding

Covid-19 grants provided on a one-off basis in 2021/22	£m
Emergency funding	20.0
Business Rates S31 in year reliefs and exemptions	2.7
Business Rates S31 extended retail discount	19.2
Local Council Tax Support Grant	8.6
Local Tax Income Guarantee scheme	3.4
Total	54.0

- 5.15 The total financial cost of Covid-19 for 2020/21 consisted of unexpected spend, lost income and delayed efficiency programmes of £137m; 14% of our original budget for the year. This was offset in part by specific grants from Government of £81m, leaving a net of £56m to be met from emergency funding. Total emergency funding for expenditure and lost income for 2020/21 amounted to £62m. Of this amount, £6.2m was held in reserve to meet ongoing pressures. Of the £20m additional Covid-19 received in 2021/22, £15.1 was allocated to Directorate budgets with the remaining £4.9m held in contingency. The total contingency for the year currently sits at £11.1m.
- 5.16 Specific funding for Directorates in 2021/22 include the Contain Outbreak Management fund (£27.6m) and Test and Trace grant (£1.7m), both held by the Public Health team and allocations for Infection Control funding of £18.3m (£35m was previously awarded in 2020/21) and the Rapid Testing Fund grant of £11.1m (£4.7m was previously awarded in 2020/21) in Adult Social Care. Funding was also provided to Council to help those self-isolating with practical support, with additional payments announced recently.
- 5.17 With the ongoing pandemic and uncertainty around aspects such as Omicron and other Variants of Concern, the situation will continue to be monitored closely. It is expected the impact will continue to be felt in medium-term financial planning which will be significantly more challenging than would have been the case prior to the emergence of the virus.

Final Funding for 2022/23

- 5.18 The most significant influence on the Council's funding is the long-planned implementation of fundamental Government funding reform; the Review of Relative Needs and Resources, alternatively referred to as the Fair Funding Review. Reform is likely to see Surrey's funding drop significantly over the medium-term. Our initial planning assumptions assumed that reform was to be implemented for 2022/23 however we now know that this is not the case. The LGFS confirmed that 2022/23 is based on a roll-forward of most grants, with the distribution of additional funding from the DLUHC £1.6bn allocation.

5.19 Total funding for 2022/23 for Surrey County Council is set out in the sections below.

Council tax funding £831.3m (Council tax £829.7m plus collection fund surplus £1.6m)

5.20 The Provisional LGFS confirmed there will be a referendum principle of up to 2% for core council tax. For the ASC Precept, the Government is proposing an additional 1% on top of the core element, with the option to use the remaining flexibility from 2021/22's 3% allocation (2.5% remains for SCC).

5.21 In setting the budget the Council has built in a 1.99% increase in the core council tax. A 3% increase in the ASC precept is also proposed, which will be directed to ASC pressures. Taking these factors into account it is proposed to increase the council tax by 4.99% in 2022/23. This equates to an increase of £1.48 per Band D Property per week. The increase will be allocated as follows:

- 0.99% increase to fund the increased cost of delivering services
- 3.00% increase to fund additional spend in adult and children's social care
- 1.00% increase to fund additional investment in mental health.

5.22 In setting the tax base for future years the District and Borough councils make allowances for growth in new properties, increases to reliefs, irrecoverable amounts and appeals. Going into next year, anticipated growth in base is slightly higher than the other adjustments discussed above, resulting in a 1.6% increase to the tax base.

5.23 **Full details of the Council Tax Requirement and a breakdown of the tax base by Districts and Borough can be found in Annex E**

5.24 The Council also needs to consider the potential surplus or deficit relating to actual collection of council tax when setting the budget. This is the difference between the estimated council tax collectable each year, and that collected. The Government announced that repayment of collection fund deficits arising in 2020/21 will be spread over the next three years rather than the usual period of a year. The budget assumes that the 2021/22 council tax surplus will be £1.6m. The underlying surplus for 2022/23 is £2.8m with the £1.2m difference being transferred to reserves to fund the Council's Empty Property scheme, which allows District and Borough Councils to benefit from additional Council tax generated from a reduction in Empty Properties.

Table 4: Council Tax Requirement

Council Tax	2021/22 £m	Change £m	2022/23 £m
Core council tax	707.8	27.3	735.1
ASC Precept	69.8	24.8	94.6
Council tax requirement	777.6	52.2	829.7
Collection Fund surplus/deficit (-)	(3.9)	6.7	2.8
Transfer to (-)/from reserves	(5.0)	3.8	(1.2)
Council tax budget	768.7	62.7	831.3

Business Rates funding £104.3m (Business rates £109.6m less collection fund deficit £5.3m)

- 5.25 As part of the Spending Review, the Government confirmed there would be a freeze to the business rates multiplier to support businesses in the near-term, with compensation to local authorities for the freeze added to the grant for under-indexing the business rate multiplier. As such the business rates 'top-up' remains at the same level as 2021/22, £63.1m. The element of rates retained locally is budgeted at £46.5m; 1.6% lower than the budget for 2021/22 (£47.3m). The reduction from 2021/22 actuals takes into consideration the continuing impact of Covid-19 on business rates stability.
- 5.26 As with council tax, the Council also needs to consider the potential surplus or deficit relating to the actual collection of business rates when setting the budget. The business rates collection fund deficit comprises of:
- An estimate of the 2021/22 deficit (£3.9m); and
 - One third of the 2020/21 'spreadable' deficit (£1.4m).

In total, the business rates deficit is expected to be £5.3m.

- 5.27 Some reliefs are compensated for by Central Government, and a corresponding amount has been built in to grant funding to offset that element of the collection fund deficit. The expected deficit has improved by £17.4m from 2021/22. The improvement relates to a reduction in the expected impact of Covid-19 on collection fund and is offset by a reduction in Government compensation.

Table 5: Business rates funding

Business Rates	2021/22 £m	Change £m	2022/23 £m
Business Rates income	110.3	(0.7)	109.6
Collection Fund surplus/deficit (-)	(22.7)	17.4	(5.3)
Business rates budget	87.6	16.7	104.3

Grant funding £106.4m

- 5.28 All grant assumptions have been updated to reflect the information provided through the provisional LGFS as well as other proposals and publications.

5.29 In total **grants have decreased by £42m** from 2021/22. The decrease is broadly driven by:

- Removal of one-off Covid-19 funding, **(£54m)**;
- Pause in DEFRA PFI credits pending completion of the Eco Park **(£10m)**; **offset by**
- Additional funding allocated in the LGFS (see para 5.12) **£18.8m**; **and**
- Additional DLUHC Business Rates Multiplier freeze compensation **£3.5m**.

5.30 The **total £106.4m grant funding included in the budget** includes the following main elements:

- Public Health Grant - £38.6m (to be confirmed)
- Social Care Grant - £31.3m
- Dedicated Schools Grant funding for Council services - £8.0m
- Services Grant - £7.9m
- Business rates compensation grants £12.0m
- PFI credits funding for Streetlighting £6.0m
- New Homes Bonus and other minor grants £2.6m

Overall Funding

5.31 The funding picture set out above results in overall funding as follows; with 2022/23 funding being £37.3m higher in total than 2021/22:

Table 6: Projected Funding over the Medium-Term

Likely Funding Breakdown	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
Council Tax	777.6	829.7	851.7	875.2	899.3	926.4
Business Rates	110.3	109.6	156.0	120.6	85.3	49.9
Grant Funding	148.4	106.4	17.1	16.9	16.8	16.7
Funding before collection fund	1,036.3	1,045.8	1,024.8	1,012.8	1,001.4	993.0
CT collection fund	(8.9)	1.6	1.4	3.9	3.9	3.9
BR collection fund	(22.7)	(5.3)	(3.3)	(2.4)	(2.4)	(2.4)
Total funding	1,004.7	1,042.0	1,023.0	1,014.2	1,002.8	994.4

Section 8 sets out the main factors influencing medium-term funding projections.

2022/23 Reserves and Risk Mitigation Strategy

5.32 The Council is required to maintain an adequate level of reserves to deal with future forecast or unexpected pressures. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of reserves to meet estimated future spend when calculating the budget requirement.

5.33 Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds (earmarked reserves) to meet known or predicted liabilities.

A summary of earmarked reserves and the forecast of reserves and balances can be found in **Annex D**.

5.34 The budget proposes the following principles for the management of reserves:

- Reserves should only be used to fund one-off or time-limited investment that will drive out efficiencies, deliver the capital programme or improve the delivery of services and council priorities;
- Reserves cannot be used as a substitute for permanent efficiencies to meet permanent spending pressures;
- Budgets such as the Transformation Fund (£10m) and Capital Feasibility Fund (£5m) should be seen as contributions to reserves, with any use drawn-down from the reserve when needed;
- Reserve contributions should be reviewed annually to ensure contributions are equal to planned use over the medium-term;
- Over the medium-term, reserves should stay flat or ideally increase – as financial uncertainty, the efficiency requirement and the investment ambition will remain high across the MTFS period;
- Currently, General Fund and Earmarked reserves (excluding technical balances such as PFI sinking funds) stand at approximately £150m / 15% of the net budget.
- Reserves should not drop below 10% of the net budget. This aligns with a recommendation from Grant Thornton that reserves should be between 5% and 10%. (Source Grant Thornton: Lessons from recent Public Interest Reports 2021)
- It is proposed to implement a 2% buffer over the 10% threshold, with remedial action taken if reserves are used for unforeseen financial shocks. This would establish the following three levels:
 - **Minimum** – reserves do not drop below 10% and, if they do, are rebuilt as soon as possible in the following years' budget
 - **Basic** – reserves do not drop below 12% (10% + 2% buffer) and, if they do, are rebuilt to at least 12% over medium-term
 - **Enhanced** – reserves stay flat or grow from the current c15%
- To avoid a programmed reduction in reserves, the use of reserves to support Transformation or other investment should be less in any given year than the planned budget contingency.

5.35 Given the reduction in funding that the Council has experienced over recent years, retention of the Council's reserves will be essential in order to mitigate risk, including future funding uncertainties, non-delivery of the Transformation Programme or other planned budget efficiencies.

5.36 The Council has traditionally maintained a low General Fund balance. Although there is no generally recognised official guidance on the level to be held, the level should be justifiable in the context of local and external economic factors, and that taxpayers' money should not be tied up unnecessarily. The Council's external auditor comments on the level of reserves as part of the annual audit of the Council's Accounts.

- 5.37 In recent years a General Fund balance of between 2.0% to 2.8% (£20m to £28m) of net budget has been maintained. The General Fund balance is low by comparison to other authorities and we have ambition to increase it over time. However, in building resilience to address the level of risk we have focussed on building our earmarked reserves and contingencies.
- 5.38 As at 1st April 2021, £28.0m of General Fund was brought forward. This included a £3.9m increase approved as part of 2020/21 outturn. No application is planned to support the 2021/22 budget. The 2022/23 budget also assumes no use of reserves.
- 5.39 For 2022/23, in addition to the £28m General Fund balance, we have also allowed for a £20m contingency as part of budget setting. It is expected that the £38m of contingency brought forward from 2020/21 will not be required, giving a total contingency of £58m for 2023/23. The General Fund balance, in combination with the contingency (for general purpose use), will mean that there is £86m (8.3%) of cover to mitigate against future risk and uncertainties.
- 5.40 On the basis of the above the Section 151 Officer considers the 2022/23 Budget to be robust.

CIPFA Resilience Index Update

- 5.41 The 2021/22 Budget and Medium-Term Financial Strategy to 2025/26 report to Council in February provided an update on the Council's performance in the CIPFA resilience index, based on provisional 2019/20 data. CIPFA have now released the final data for 2019/20 which confirmed the finding in February's report, in particular showing improvements in the level and direction of travel on reserves. The data for 2020/21 has not yet been released but will be analysed for the final budget report for Council in February 2022, if it is available.
- 5.42 Whilst the 2020/21 Resilience Index data is not yet available, we would again expect it to show a further improvement in resilience, particularly in respect of retained reserves which now as a result of the 2020/21 outturn position slightly exceed the upper end of the 5%-10% range recommended by our external auditors, Grant Thornton. The reserves position is set out in Annex D with commentary in the covering report.

CIPFA FM Code of Practice

- 5.43 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.'
- 5.44 In preparation to adopt the Code, officers have reviewed the guidance to determine where the Council meets the required standards. This review has concluded that:
- the Council can demonstrate overall compliance with the standards;
 - evidence could be strengthened for a small number of indicators; and
 - there are several areas where, as a result of various changes over the past two years including the Finance Improvement Programme and the Finance Academy, the Council's arrangements exceed the standards

- 5.45 A wide-ranging review in collaboration with fellow County Councils is underway and planned to continue over remainder of 2021/22 to review areas where further development or improvement would be beneficial. The results of the initial assessment are set out in Annex J.

6. CAPITAL PROGRAMME 2022/23 TO 2026/27

Overview

- 6.1 This section provides an update on the development of the Capital Programme for 2022/23 to 2026/27, taking into account work that has been carried out by officers and Cabinet Members over the last six months.
- 6.2 Over the last two years the Council's capital ambition and delivery has grown significantly. We continue to invest in the County, aligned to the corporate priorities of the Council and in the areas of most importance to our residents. Aligned to this, the Council declared a Climate Emergency as it recognises that environmental sustainability has to be at the core of what we do especially when delivering a Capital Programme of this size. Our aspirations in this space are high and we are continuing to work with external partners for innovative ways to deliver our green agenda, in a way which is affordable for our residents. We are also investing in other equally important priorities such as school places including for children with special educational needs and disabilities, infrastructure and Adult Social Care accommodation with care and support.
- 6.3 The Capital Programme planning process began in June 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.
- 6.4 During 2021/22, the officer-led Capital Programme Panel (CPP), ensured 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:
- Growing a sustainable economy so everyone can benefit;
 - Tackling health inequality;
 - Enabling a greener future; and
 - Empowering Communities.
- 6.5 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.
- 6.6 CPP provides additional assurance that capital plans fit in with corporate priorities and that deliverability and benefits can be achieved. In collaboration with Finance, 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.

6.7 Officers work closely with Cabinet to shape the development of the Capital Programme. Cabinet approve the addition of new schemes, as well as transfers from the capital pipeline into budget, following the rigorous business case process. Assurance on the delivery of high priority schemes is also provided through the Major Projects Board as well as specific project boards for individual major schemes.

6.8 Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability. This includes internal audit, external reviews and work led by CPP and SCGs in collaboration with Finance.

6.9 In 2021/22, there has been increased focus on deliverability and benefits realisation of the Capital Programme (particularly those programmes or projects whose investment deliver a revenue stream), aligning with the corporate approach to benefits delivery. The work has been driven through CPP as part of an action plan to improve capital governance and provide better value for money. As a result of this ongoing work, there have been a number of improvements:

- The development of a new business case template (based on the Treasury's Five Case/Green Book Model) to improve understanding of the benefits of the Capital Programme across individual projects and across the programme as a whole;
- Clear benefit governance, with benefit profiles identified at the inception of a project and benefit owners identified;
- An updated financial model to ensure accurate data is captured for self-financing projects;
- Reporting into Benefits Board, driving benefit aggregation and realisation across the Council.

CPP will work in collaboration with SCGs, the Benefits Board and benefit owners (such as specific services) to ensure that the Capital Programme delivers the intended benefits.

6.10 Due to the growing size of the Capital Programme, considerable additional work has been undertaken to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. As a result of this work the following have been used as the foundations for establishing the Capital Programme:

- Clear identification and prioritisation of schemes that will be self-funded, with borrowing costs directly met from the operating model through income and efficiencies. These schemes are not a burden on the revenue budget;
- Establishing a borrowing limit for schemes that will be funded centrally and setting out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with "unfunded" borrowing, to prioritise those that provide the best value for money;
- An updated business cases format for CPP to capture in more detail whether individual schemes are self-funded with a focus on how borrowing costs will be covered; and
- An updated financial modelling tool, supporting business case approval to provide additional detail around timing of project delivery, benefits realisation and borrowing cost implications for individual schemes.

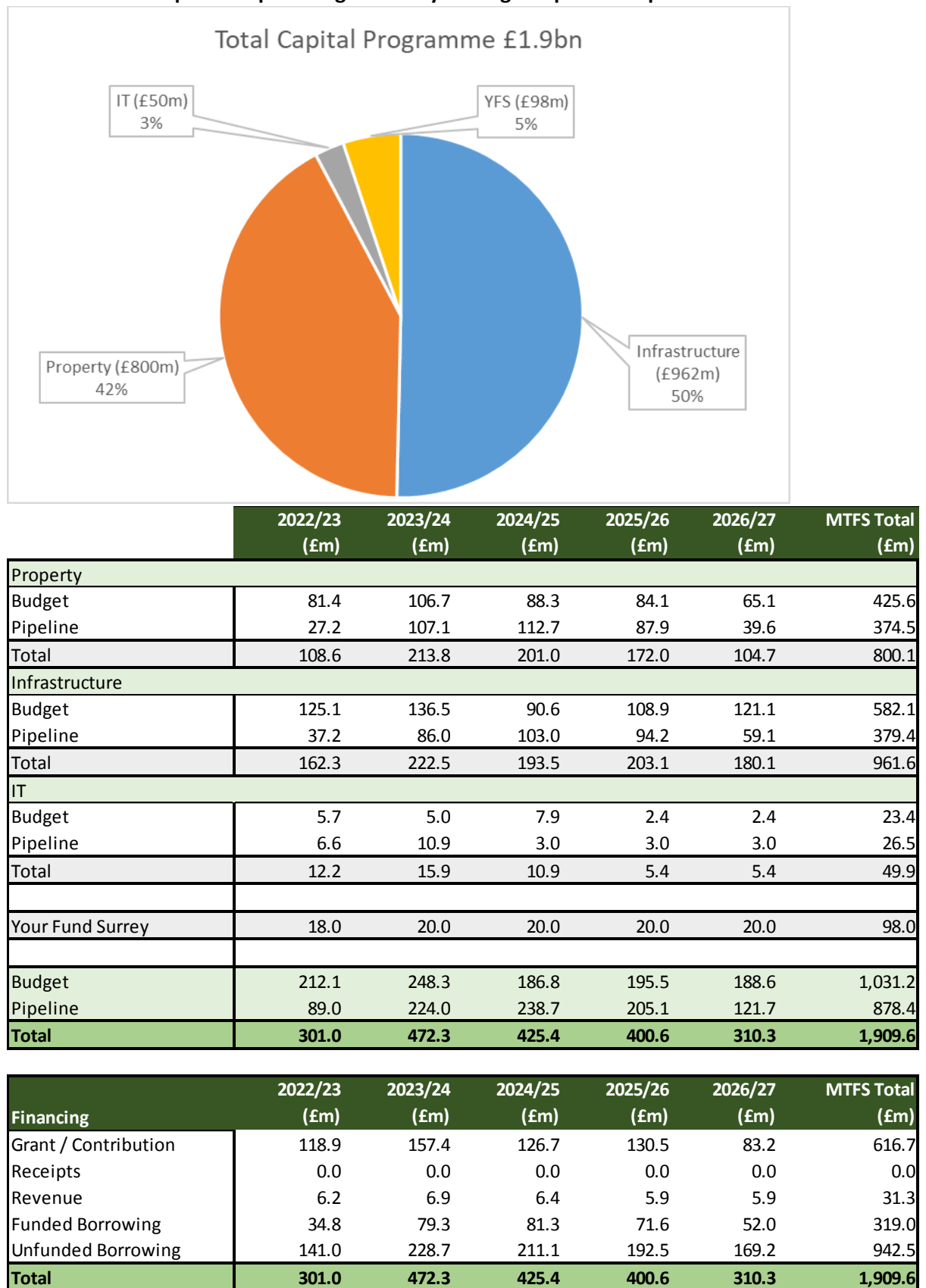
- 6.11 In addition to the above, Infrastructure and Property SCGs have set up Project Management Offices (PMOs) to further develop project management capacity and improve timely production of robust business cases for pipeline projects and accelerate the conversion of approved business cases to project delivery. The PMOs will also be key in benefit realisation and post completion reviews and will work collaboratively with the Benefits Board.
- 6.12 The above measures have strengthened governance in the Capital Programme at all levels, with regular updates taken to CPP. Further work is required to embed new processes and to develop further measures to continue to address findings of previous governance reviews.
- 6.13 The changes in structure, governance and processes from the prior year regarding capital budget setting, monitoring and delivery have been embedded as business as usual. These modifications have led to cultural change and new processes as the Council seeks to continually improve governance and financial management.
- 6.14 For commercial capital investments, the Strategic Investment Board (SIB) monitors the Council's investment properties and subsidiary companies to ensure satisfactory performance and effective risk management. The financial returns delivered by trading and investment help to ensure that we continue to deliver quality services to our residents.
- 6.15 SIB provides effective oversight, ensuring alignment with the strategic objectives and values of the Council. SIB safeguards the Council's interests and takes decisions in matters that require the approval of the Council as owner or as a shareholder of a company. We are currently undertaking a health-check of governance and oversight of the Council's subsidiary companies, drawing on lessons from elsewhere. Initial findings are that governance and oversight is good, although improvements will be made to further safeguard the Council.
- 6.16 The Capital Programme is split between approved budget and capital pipeline. The pipeline allows the Council to reflect on ambitious spending plans providing a vision of the future to assess against emerging priorities and estimate potential impacts on the revenue budget, in particular borrowing costs. Pipeline schemes act as a placeholder for schemes in early stage of development which are moved into the approved budget only when their benefits and deliverability are adequately demonstrated to CPP and Cabinet.
- 6.17 Over the Summer, spending plans have been iterated and the SCGs have come forward with a refreshed set of proposals, which have been adapted to reflect priorities and available financial and operational resources. Each month CPP scrutinises the latest iteration with particular focus on deliverability (both in the programme itself and against the pipeline), benefits and funding assumptions, with particular focus on overall borrowing levels and borrowing costs. The latest iteration of the Capital Programme is set out in the sections below.

Capital Programme – MTFS Budget and Pipeline Summary

- 6.18 The Capital Programme is set out in more detail in **Annex C**. SCGs and CPP have reviewed budget allocations over the MTFS and challenged delivery plans, expenditure profiles and benefits of schemes. The Final Budget Report presents the outcome of this work.

- 6.19 The Capital Programme over the five-year MTFS is £1.9bn, unchanged from the £1.9bn in the MTFS approved by Council in February 2021, the composition by SCG is shown below in Table 7.
- 6.20 The revised Capital Programme is split between a budget of £1,031m, pipeline of £878m including a £98m allocation for Your Fund Surrey (YFS) (the latter assuming that £2m of YFS grants are made in 2021/22). A breakdown of the Capital Programme is provided below. A detailed project breakdown is provided in **Annex C**.

Table 7: MTFS Proposed Capital Programme by Strategic Capital Group:



6.21 As the Capital Programme has increased in size from £1.4bn three years ago to £1.9bn for the last two years, planned borrowing has increased considerably. The Council has carried out detailed modelling on the impact of the MTFS on borrowing costs and borrowing limits. This

modelling has led to a limit of new borrowing on schemes that have “unfunded borrowing”, where efficiencies are already factored into the revenue budgets in the MTFS and therefore borrowing costs will be paid for centrally.

- 6.22 The borrowing limit has been established from 2026/27 onwards, after the delivery of the current Capital Programme and maintains the revenue cost of borrowing at the level approved in the previous Medium-Term Financial Strategy. The indicative limit for 2026/27 is £40m of new borrowing, excluding self-funded schemes.
- 6.23 Self-funded schemes do not count towards the limit on borrowing as they pay for their own borrowing costs through efficiencies or income generated within the operating model. These schemes will be scrutinised in detail at business case stage and be assessed during implementation and completion to provide assurance that benefits are realised and borrowing costs covered. When there is deviation, a governance framework exists to escalate accordingly and take action.
- 6.24 Borrowing for the Capital Programme is an essential tool to enable the Council to meet its objectives in the medium to long term. Many schemes that have unfunded borrowing receive considerable match funding and are critical to improving infrastructure in the county, enabling the continuation of providing statutory services, improving services and tackling emerging priorities such as climate change.
- 6.25 Capital spending plans will lead to an increase in borrowing costs over the MTFS period from £47m in 2022/23 (funding existing borrowing) to £83m by 2026/27.

MTFS Capital Budget 2022/23 to 2026/27

- 6.26 A total of **£1,031m of schemes are included in the proposed approved capital budget over the MTFS (excluding pipeline)**. Business cases for these well-developed schemes have been prepared and subjected to appropriate testing and scrutiny before being approved. 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 8 below shows a breakdown of budget schemes into the three SCGs over the MTFS period:

Table 8: MTFS Draft Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	582
Property	426
IT	23
Total Budget	1,031

- 6.27 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 79% of the total estimated budget:

TOP 10 BUDGET SCHEMES (OVER 5 YEAR MTFS)

Infrastructure

£200m
Highway Maintenance
Improvements to roads and footways



£100m
Surrey Flood Alleviation
River Thames Scheme



£51m
Bridge/Structures Maintenance
Improvements and safety maintenance



£44m
A320 North of Woking and Junction 11 of M25
Road and junction improvements



£27m
Ultra Low Emission Vehicles (Buses)
Investment in low emission buses across Surrey

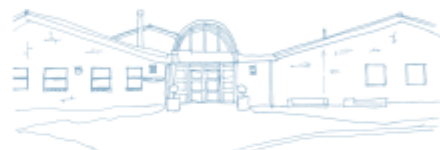


Property

£139m
Schools Basic Need
Increasing school places and building schools



£82m
Schools Maintenance
Maintaining existing school buildings



£64m
SEND Strategy (Phases 1-3)
Increasing provision for special education needs and disability in schools



£56m
Property Maintenance
Maintenance of community facilities, buildings and offices



£34m
Looked After Children Schemes
Increasing capacity and quality of residential homes for children



Fig 7 - Capital Budget - Top 10 Schemes

Your Fund Surrey (YFS)

- 6.28 'Your Fund Surrey' is a capital fund announced by the Council in its 2020/21 Budget which will run from 2021/22 to 2026/27 and allocate £100m over the period. The MTFS assumes that £2m will be awarded during 2021/22 leaving £98m for the remainder of the MTFS. The overall total will remain at £100m. The fund aims to bring community-led place-making or place-improving projects to life at a scale to make a significant impact and deliver a real legacy in communities. YFS is a key part of the Capital Programme, enabling the Council to achieve the priority objective of empowering communities to be able to tackle local issues and support one another.
- 6.29 The scheme is fully operational, awarding the first funds in October 2021 following considerable interest from communities in Surrey for a diverse breadth of projects. Successful projects which gain funding will be monitored to ensure delivery against agreed outcomes.
- 6.30 Decision making and governance includes scalable measures that reflect the scope of the bids to ensure a streamlined process. The YFS Panel will provide recommendations to a two-tier delegated authority to approve bids and transfer appropriate amounts to the approved capital budget for successful applicants. The Your Fund Surrey Advisory Panel will advise on and inform final officer recommendations to the appropriate decision maker on the proposed funding awards to be made. All financial decisions will then be taken within the County Council's formal decision-making process. The proposed delegated authority is as follows:
- Projects up to £100,000 – delegated to the Executive Director with direct responsibility for the delivery of Your Fund Surrey;
 - Projects between £100,000 and £500,000 – delegated to the lead Cabinet Member;
 - Projects over £500,000 – decision taken by Cabinet.

2022/23 Capital Budget (excluding pipeline)

- 6.31 £212m is included in the capital Budget for 2022/23 as set out in the table, below. This will need to be thoroughly tested for deliverability prior to the final budget being approved but is consistent with the scale of forecast delivery for 2021/22:

Table 9: 2022/23 Proposed Capital Budget by Strategic Capital Group:

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	125
Property	81
IT	6
Total Budget	212

- 6.32 Successful delivery of the 2022/23 budget is a key part of ensuring the Capital Programme overall remains on course. The focus of the 2022/23 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for c.£143m, or 67% of the 2022/23 budget:

Infrastructure

- £40m - Highway Maintenance – improvements to roads and footways across the County
- £16m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements
- £10m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £6m - Ultra Low Emission Vehicles - Bus Companies
- £5m - Street Lighting LED Conversion – County wide LED replacement street lighting programme contributing to carbon reduction

Property

- £27m - Schools Basic Need – increasing school places and building schools across the County
- £17m - SEND Strategy (Phases 1-3) – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £9m - Recurring Capital Maintenance Schools – County wide schools maintenance programme
- £8m - Recurring Capital Maintenance Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £5m – Looked After Children (LAC) Schemes - capital investment across our residential estate to increase capacity in Surrey

MTFS Pipeline Schemes 2022/23 to 2026/27

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

Table 10: MTFS Proposed Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	379
Property	375
IT	27
Your Fund Surrey	98
Total Pipeline	878

6.34 The pipeline is key to the Council achieving its long-term objectives especially with regard to meeting climate change targets and to create a greener future for residents. 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 the new PMOs in Property and Infrastructure is a direct response to increase pipeline conversion and deliver priorities.

6.35 The Council is committed to continue working with partners to unlock opportunities across the County, including large scale infrastructure projects to significantly improve transport

links, unlock housing development for District and Borough partners and to regenerate towns and local economies. The top 10 pipeline schemes based on estimated spend over the MTFS period are shown below:

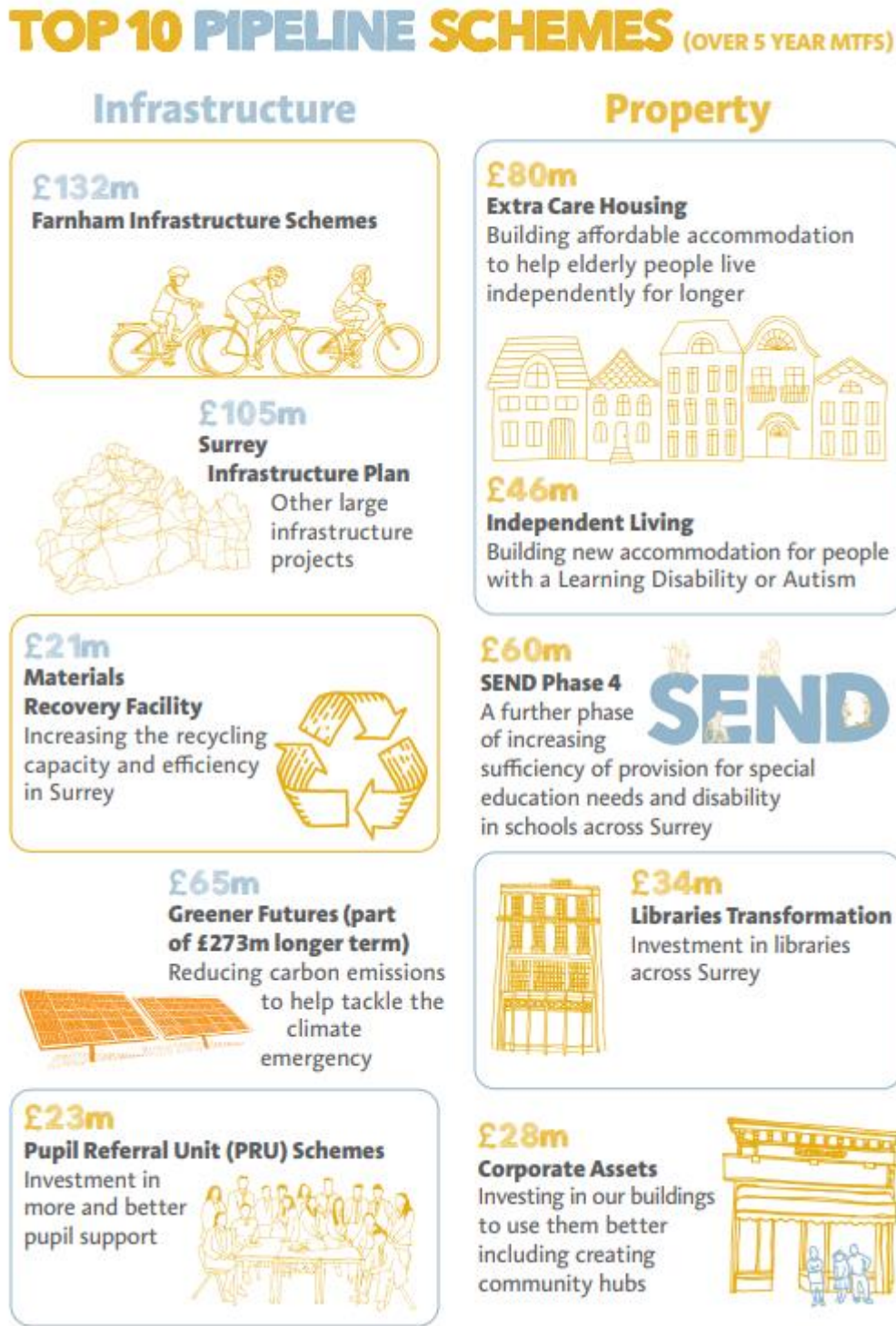


Fig 8 - Capital Pipeline Top 10 Schemes

6.36 Of the total pipeline allocation in the MTFS, c.£273m or 31% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future

for residents. A further £197m is included in the capital budget, bringing the total to c.£470m. The Council has brought in expertise to better understand and report on carbon impacts of the Capital Programme and to set established processes for assessing capital plans and capturing necessary information for business case scrutiny and benefits realisation. The Capital Pipeline includes £3m of additional road safety capital funding that will be drawn down and approved by Capital Programme Panel for schemes individually less than £1m in value.

- 6.37 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.
- 6.38 Successful delivery of the MTFS as a whole includes the considered conversion of 2022/23 pipeline schemes, subject to the proper governance and approvals process. The below schemes make up 76% of the 2022/23 pipeline proposal and will be key for SCGs to convert:
- £21m - Infrastructure Schemes
 - £11m - Greener Futures
 - £8m - Priority School Building Programme and SEND Phase 4
 - £8m - Agile Asset Strategy and Libraries
 - £5m - Adult Social Care Accommodation Schemes
 - £3m - Digital Infrastructure (Economic Growth)
- 6.39 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.

7. FINANCIAL PERFORMANCE 2021/22

- 7.1 The Month 8 Finance Update report is reported to the same Cabinet on 25th January. Headline performance is set out below.
- 7.2 **Revenue:** As at November 2021 (M8) Directorates are projecting a full year £8.0m deficit. The 2021/22 budget includes General contingencies of £20m and a contingency for Covid-19 costs of £11.2m, and so a balanced outturn overall is anticipated. However, it is still the expectation that Directorates make efforts to manage the overspend within their budget envelopes to maintain overall budget resilience and reduce the pressure on 2022/23 and future years.
- 7.3 The Directorate position is considerably more challenging than at the same point last year, leading to a significant roll-over of pressures into the 2022/23 budget. Within the £8.0m deficit, the main variances are in Adult Social Care and Children, Families and Lifelong Learning:
- **Adult Social Care:** A £3.2m forecast overspend (including £3m one-off use of Contain Outbreak Management Fund Grant): The average cost of care packages has increased substantially compared to pre-pandemic levels, due to increased needs and in part the impact of the discharge to assess system from hospitals.
 - **Children, Families and Lifelong Learning:** A £7.0m forecast overspend, mainly due to placement and staffing pressures within Children's Social Care.

- 7.4 There are also increased pressures on the **DSG High Needs** Block where an £8.8m forecast overspend, due to cost containment measures currently being insufficient to hold the contribution to the deficit offsetting reserve to the planned £23.8m, has been met by a release from the £9m contingency held for DSG HNB.

Capital: The Council approved a capital budget for 2021/22 of £184.9m in February 2021. During the year, this was reset to £202m to reflect subsequent Cabinet approvals and a reprofiling of schemes based on Quarter 1 forecasts. The forecast at M8 is for full year spend of £184.9m. The reduced forecast mainly relates to an in-depth review of the Property programme, identifying risks in delivering planned projects in the financial year, coupled with changes to the expected profile of spend in projects in Infrastructure and IT. To establish a stable and deliverable baseline for assessment at full year outturn, the budget for the year will be reset based on M9 forecasts.

- 7.5 The 2021/22 expected outturn for both revenue and capital give us confidence that the underlying budget, overall, is realistic and deliverable however there are a number of challenges in Directorates (particularly in Adult Social Care and Children, Families and Lifelong Learning) which significantly escalate the efficiency requirement in 2022/23. Where Directorate variances are forecast to have an ongoing effect, these are built into the starting point for 2022/23 and included in the gap.

8. MEDIUM TERM FINANCIAL OUTLOOK AND STRATEGY 2022/23 TO 2026/27

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 2026/27, the Council will need to close a gap of c.£151m.

This is driven by:

- Growth pressures: including demand and inflation: c£226m;
- Increased borrowing costs of the capital programme: £45m;
- Plus, expected reduction in funding: £13m;
- Less efficiencies identified to date: c£133m.

- 8.2 Although our immediate priority has understandably been to close the gap and set a balanced budget for 2022/23; our medium-term focus means that transformation and service delivery plans are developing now (through our 'Twin Track' process), which already go a significant way to improving our medium-term financial outlook. These future plans will iterate as funding projections gain more certainty.

Table 11: MTFS Gap to 2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Brought forward budget	1,004.7	1,042.0	1,057.3	1,073.5	1,106.6	
Directorate Pressures	75.4	39.5	37.7	38.0	35.5	226.0
Increased borrowing costs of Capital Programme	8.5	7.2	8.8	10.9	9.4	44.8
Identified Efficiencies	(46.6)	(31.4)	(30.3)	(15.8)	(9.1)	(133.1)
Total Budget Requirement (after other measures)	1,042.0	1,057.3	1,073.5	1,106.6	1,142.4	
Change in net budget requirement	37.3	15.4	16.2	33.0	35.9	137.7
Opening funding	1,004.7	1,042.0	1,023.0	1,014.2	1,002.8	
Funding (reduction) / increase	37.3	(19.0)	(9.6)	(12.2)	(9.3)	(12.8)
Funding for Year	1,042.0	1,023.0	1,014.2	1,002.8	994.4	
Overall Reductions still to find	0.0	34.3	59.3	103.7	148.0	
Year on Year - Reductions still to find (at 1.99%)	0.0	34.3	25.8	45.2	45.2	150.5

Council Tax

- 8.3 The neutral Medium-Term scenario, considered to be most likely, is that Core Council Tax continues to increase within a referendum limit of 1.99% beyond 2022/23, with future decisions needed on the level of Adult Social Care Precept.
- 8.4 For the final budget, Council Tax base recovered to slightly above pre-Covid19 levels in 2022/23, an increase of 1.8%; from 2021/22, thereafter 0.5%, 0.75%, 0.75%, 1% is expected. The increases from 2023/24 onwards are in line with annual increases pre-Covid-19.
- 8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 80% of net revenue expenditure. The impact of the actions taken to reduce the spread of Covid-19 and the subsequent financial impacts make this area particularly hard to predict with certainty.

Local Government Reform (Fair Funding Review, Review of Relative Needs and Resources, Business Rates Reset and Social Care Reform)

- 8.6 The review of Local Government funding distribution, the Review of Relative Needs and Resources or Fair Funding Review (FFR), and a review of the Business Rates Retention system has been delayed again. The Local Government Finance Settlement indicated that they will take effect for 2023/24, although this has already been pushed back a number of times.
- 8.7 Confirmation over the timing of the reform is crucial to planning, not least because we anticipate the results will reduce our overall funding in the medium-term. We assume transitional arrangements will be put in place, so the pace of reduction is phased/more manageable. Under normal circumstances officers would review technical working group papers as a highly effective means of keeping informed about the potential direction of reform. However, working groups which were previously developing the new system have been suspended and so the ability to gather any new and robust intelligence has been somewhat reduced. In addition, previous formulas and workings from FFR relied heavily on 2011/12 data including on populations, which will be critically out of date if it is used without being updated.

8.8 Health and Social Care reform has moved on considerably with the announcement of the Health and Social Care Levy in September 2021. We will incur additional costs from the reform proposals in two ways:

- Firstly the implementation of a cap of £86,000, which is the maximum that individuals will pay towards their care (excluding accommodation costs). The capital limits will also increase from £23,250 to £100,000. The net effect is that Councils will need to fund a greater share of the care costs that are currently paid for by self-funders; and
- Secondly in the form of market equalisation on care costs. Self-funders in future will be able to “ask their local authority to arrange their care for them so that they can find better value care.” At the moment self-funders usually pay higher rates than their local authority and so there could be market equalisation of costs, whereby care costs in general rise to meet this.

8.9 The Government have set out £5.4bn Social Care funding over the next 3 years, of which £500m will be allocated for workforce reform. However, this level of funding falls well below what is anticipated is needed across the sector. Although the Council has been allocated £2.7m in 2022/23 to meet the initial costs, it is not clear that this is sufficient. The overall allocation method has also yet to be confirmed.

Business Rates

8.10 As set out in paragraph 8.6, the timing of Business Rates reform remains uncertain. Once implemented the Council is likely to see an initial increase to Business Rate retention and a decrease to grant income as grants (such as Public Health) will be ‘rolled-in’ to the Business Rates formula, along with the Business Rates Multiplier and Social Care grants. 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.

8.11 Despite the lack of fundamental Business Rates reform, the Government did undertake a consultation in the Summer of 2021 on a package of reforms to support the delivery of a three-yearly valuations cycle. Revaluations have previously been implemented in 1995, 2000, 2005, 2010 and 2017. Legislation had been introduced to bring the next Business Rates revaluation forward by one year from 2022 to 2021 but has now been postponed ‘to ensure businesses have more certainty during this difficult time.’ However, it is anticipated that this will be implemented in 2022 and there will be a move to 3-yearly valuations hence forth.

Grant income

8.12 Looking forward, the economic outlook is somewhat more positive than previously predicted, although has slowed recently. In the Spending Review, the Chancellor confirmed “day to day spending is set to rise by 2.1% per year in real terms”. Because DLUHC did not pass on a 3-year settlement to individual authorities, it remains to be seen how the departmental increases translates into funding for the Council.

8.13 The grants that we do not expect to be subsumed into overall funding reform are:

- New Homes Bonus (NHB) – legacy payments continued for 2022/23 and a new tranche of allocations were announced. The Government is still considering options for the future of NHB and so medium-term uncertainty remains;
- Services Grant – this was announced as a one-off for 2022/23 and so we expect it to be discontinued in 2023/24. The quantum of funding may be used to implement transitional arrangements for authorities who lose funding through funding reform;
- Dedicated Schools Grant, expected to continue over the MTF5; and
- Private Finance Initiative – continues over the duration of the MTF5 however the element relating to Waste ends in 2023/24 at which point only Street Lighting credits remain.

9. DEDICATED SCHOOLS GRANT

- 9.1 The Council is required by law formally to approve the Total Schools Budget, which comprises: Dedicated Schools Grant funding and post 16 grant funding. This budget is used to fund schools' delegated and devolved expenditure and other maintained schools' expenditure, nursery education provided by state schools and private providers plus expenditure on a range of school support services specified in legislation. The Total Schools Budget as presented here is shown both before and after subtracting funding allocated to individual academy schools which is deducted from the Council's Dedicated Schools Grant and paid directly to the academies by the government but is based on the funding formula and number of funded SEN places agreed by the Council.
- 9.2 The Total Schools Budget is a significant element of the proposed total budget for the CFLC Directorate. Table 12 outlines the proposed Total Schools Budget for 2022/23 of £1,053.7m, including a planned overspend of £27.2m and £6.3m Education and Skills Funding Agency sixth form grant for school sixth forms. From this, £478.5m is paid directly by DfE to academies, leaving a net schools budget of £575.2m which is included within the Council's overall budget.

Table 12 - Analysis of Total Schools Budget for 2022/23

	Schools' and nurseries delegated budgets £m	Centrally managed budgets £m	Total £m
Gross DSG allocated to Surrey in 2022/23	852.6	167.6	1,020.2
ESFA sixth form grant	6.3		6.3
Planned overspend		27.2	27.2
Total Schools Budget including funding allocated directly to academies	858.9	194.8	1,053.7
less paid directly by DfE to academies and colleges (est)	(478.5)		(478.5)
Net Schools Budget	380.4	194.8	575.2

- 9.3 For this purpose centrally managed services include the costs of:
- Placements for pupils with special educational needs in non-maintained special schools and independent schools;
 - Funding of state maintained special schools and SEN centres, other than place funding already agreed;
 - Part of the cost of alternative education (including part of the cost of pupil referral units);
 - Additional support to pupils with special educational needs; and
 - A range of other support services including school admissions. Funding for private nursery providers counts as delegated.
- 9.4 Schools are funded through a formula based on pupil numbers and ages with weightings for special educational needs and deprivation. Cabinet considered and agreed a detailed report on the 2022/23 school funding formula on 30 November 2021. The funding rates for schools for 2022/23 will be subject to amendment by the Cabinet Member and Director of Education, Lifelong learning and Culture, to ensure affordability when all funding data for schools is known. A proposal to transfer funding from schools to high needs block, considered by Cabinet on 30 November, was not agreed by Schools Forum and thus cannot now be taken forward in 2022/23.
- 9.5 Schools will also receive pupil premium funding, based on the number of:
- Pupils receiving free school meals at some time in the past six years;
 - Looked after children;
 - Children adopted from care; and
 - Pupils from service families (or who qualified as service children within the last six years, or in receipt of a war pension).
- 9.6 In 2022/23 Surrey mainstream schools and academies will also receive a new schools supplementary grant estimated at £22m which will be allocated directly to individual schools based on a formula set by DfE. In 2021/22 Schools also received a range of other grants for example to support infant free school meals and physical education and sport in primary schools. These grants had yet to be confirmed for 2022/23 at the end of December 2021.

High Needs Block (HNB)

- 9.7 The HNB is an element of DSG used to support children with additional needs. Since changes in legislation around Local Authorities responsibilities were made in 2014, the rate of increase in demand has significantly outstripped increases in funding causing significant financial pressures in this area. The current position is set out in section 4.55.
- 9.8 During 2020/21 further legislative changes prevented deficits within the DSG HNB to be funded directly from the General Fund. However, the deficit must still be held as a negative reserve on the Council's balance sheet. This therefore needs to be considered alongside the Council's longer-term financial stability.
- 9.9 In order to best mitigate this liability, since 2019/20 the Council has been making a contribution from the General Fund to a separate off-setting reserve which matches the deficit on the HNB and ensures stability in the balance sheet. The planned £27.2m overspend in 2022/23 will be matched by a contribution of £27.2m to the reserve from the General Fund.

- 9.10 The Council is continuing its transformation programme to reduce the financial pressure in this area but also is lobbying in conjunction with other authorities across the country that greater funding is required in this area.

10. ENGAGEMENT AND CONSULTATION

Resident engagement and consultation

- 10.1 Through September and October, the Council commissioned Lake Market Research to carry out research into Surrey residents' priorities for our budget. The aims of the exercise were to:
- Raise awareness with residents of the context we are working in, including local budget pressures, their views on the need to transform services and new approaches to service delivery;
 - Identify residents' informed spending preferences; and
 - Test spontaneous and informed attitudes towards service changes and residents' roles in supporting change – what would be acceptable, and what wouldn't be acceptable.
- 10.2 A mixture of research methods was used as part of this approach to engage with residents:
- Two qualitative online workshops with 73 residents using deliberative techniques to understand 'informed' views on specific issues. Residents were broadly representative by age, sex, ethnicity, disability, working status and geographical location;
 - A quantitative survey amongst 1,087 residents across Surrey who are statistically representative of the Surrey adult population (aged 16 and over). Online and telephone surveying was adopted to ensure representation amongst the residents interviewed by age, gender, ethnicity, rural / non-rural geography and socio-economic group; and
 - A final deliberative online workshop with 35 residents were invited back from the first workshops for a second time to explore attitudes towards resident involvement and ways in which the Council could continue to engage moving forward.
- 10.3 When presented with information about the Council's financial context, residents expressed their surprise at the size of the savings required, and found it challenging to comprehend what the impact would be on residents if all departments were required to find savings.
- 10.4 The services residents most wanted to protect from funding reductions was older people social care for those aged 65 and over; followed by waste services, children's social care, education services, fire and rescue and social support services (such as services to support unpaid carers).
- 10.5 When residents were asked directly if they would agree with a 2% increase in Council Tax, over half (54%) thought it should not be increased and the £80 million required savings, on top of the £200 million already required over the medium-term, should come from somewhere else. However, when asked if they would support an increase to protect the most vulnerable, 67% of respondents agreed with an increase under those circumstances.
- 10.6 When asked if they would support an increase in the Adult Social Care Levy to spend more on the care of the most vulnerable adults and older people, 57% said they would support this if the Council decided to take up the option. Support is higher amongst residents aged 65 and over and residents with a disability.

- 10.7 Other themes emerging from the research were:
- Residents wanted the Council to prioritise making efficiencies through better use of land and assets and by supporting local communities to be more involved in delivery;
 - Residents strongly supported investment in early intervention and prevention;
 - They expect services to join up more effectively throughout planning and delivery to strengthen the chances of improved outcomes;
 - They want the Council to put residents most at risk of being left behind in Surrey at the heart of decision-making, such as people who are digitally excluded;
 - Residents are demanding a greater role in decision-making and delivery in their localities, accompanied with more community engagement;
 - They also want more practical guidance from authorities on changes they could make in their lives to make a difference to their local places and communities;
 - They want the Council to lobby central government for further support to enable the county to achieve net zero by 2050.
- 10.8 For further information, Annex H includes coverage of the key findings from the research programme, including more detail on residents' views on budget setting priorities and principles and insight on specific areas the Council could explore as new approaches to service delivery for the following areas: public health, adult social care, foster care, public bus network, greener measures, customer services, engagement / working together with residents, local economic development, dry recycling and libraries and registration services.
- 10.9 To ensure all stakeholders had an opportunity to share their views on the draft budget proposals, we ran a consultation exercise with residents and other stakeholders on the draft budget between 30 November 2021 and 7 January 2022. We asked stakeholders how they thought the budget proposals would benefit them and the county, what concerns they had, if any, and the impact the proposals would have.
- 10.10 The consultation was run as an online survey, with alternative formats, such as hard copy and screen-reader compatible versions, made available for people who needed to use them. We invited residents, partners, businesses, elected representatives and Surrey County Council staff to respond to the exercise. The survey was promoted through the Surrey Matters newsletter, which reaches 176,000 residents, as well as through social media posts across Facebook, Instagram and Twitter, which led to 2,600 click throughs to the survey webpage. Elected Members and partner organisations were also encouraged to contribute their views.
- 10.11 98 stakeholders responded to the consultation, with 90% of them being Surrey residents. Because of the self-selecting nature of the exercise, the results can only be interpreted as indicative of residents' views rather than representative of the views of the wider population.
- 10.12 Reception of the draft budget was mixed among stakeholders. Support was expressed for additional funding for adult social care, spending on environmental initiatives and mental health. However, there were also concerns about a council tax rise coming in conjunction with other cost of living increases.

Other stakeholder engagement

- 10.13 Over the Summer and early Autumn, we have also engaged Members to get their views to shape this Draft Budget including the Member Budget Task Group an all -Member briefing and early engagement with Select Committees during week commencing 18 October.
- 10.14 We have also been speaking to our staff about the current budget context and other strategic challenges. For example, the Leader and Chief Executive have been discussing this in their staff roadshows in October and have encouraged officers to share ideas and collaborate to help close the budget gap.
- 10.15 We are also talking to partners to share our financial context and explore opportunities for collaboration to improve outcomes and achieve efficiencies. For example, we are holding discussions with Surrey Heartlands CCG to explore opportunities for joint working on issues such as developing a shared approach to early intervention and prevention.

11. EQUALITY, DIVERSITY AND INCLUSION

- 11.1 A high level Equality Impact Assessment (EIA) of the revenue efficiencies proposals and increase to council tax and adult social care precept has been undertaken and set out in Annex I. Full EIAs relating to specific efficiency proposals are signposted to on the Council's website through this document, reflecting their advanced stage of development. Further EIAs will be undertaken where appropriate before individual efficiency proposals are implemented. Members must read the full EIAs and take their findings into consideration when determining these proposals.
- 11.2 In this report, Members are being asked to agree the package of efficiency proposals to include in the final budget to enable closure of the 2022/23 budget gap, and at this stage are not being asked to agree to implementation of specific efficiency proposals before details, including EIAs, are finalised and presented for a final decision and scrutiny by the relevant Members and senior officers.
- 11.3 In considering the proposals in this report, Members are required to have 'due regard' to the objectives set out in section 149 of the Equality Act 2010, i.e, the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it (Public Sector Equality Duty).
- 11.4 The protected characteristics as set out in the Equality Act 2010 are:
- Age
 - Disability
 - Gender reassignment
 - Pregnancy/maternity
 - Race
 - Religion or belief

- Sex
- Sexual orientation
- Marriage and civil partnerships

11.5 Having due regard does not necessarily require the achievement of all the aims set out in section 149 of the Equality Act. Instead, it requires that Cabinet understand the consequences of the decision for those with the relevant protected characteristics and consider these alongside other relevant factors when making the decision to pursue one course of action rather than alternative that may have different consequences. The regard which is necessary will depend upon the circumstances of the decision in question and should be proportionate.

11.6 A review of the available EIAs, as well as potential impacts identified by officers as efficiencies are developed, shows groups with the potential to be affected by multiple changes by efficiencies in the 2022/23 budget are:

- Children and young people, including those with special educational needs and disabilities, and their families
- Older adults and their carers
- Adults of all ages with physical, mental and learning disabilities and their carers
- Women who work for the Council, particularly those who work in areas where they make up most of the workforce.

11.7 Mitigation strategies are in place to minimise the impact of efficiency projects on these groups. We will also ensure the effects of decisions and policies linked to this budget will be monitored as they are formulated and implemented.

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