

SURREY COUNTY COUNCIL**CABINET****DATE: 29 NOVEMBER 2022****REPORT OF: TIM OLIVER, LEADER OF THE COUNCIL****LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF RESOURCES****SUBJECT: 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING COMMUNITIES****Purpose of Report:**

The Council has a statutory duty to set a balanced budget in advance of each financial year. The Final Budget for 2023/24 will be approved by Cabinet in January 2023 and full Council in February 2023.

This report and the attached 2023/24 Draft Budget and Medium-Term Financial Strategy to 2027/28 sets out progress towards delivering a balanced budget. It is good practice as far as possible, to set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included.

Key Messages:

The Council has worked hard over recent years to improve its financial resilience and the financial management capabilities across the organisation. This has strengthened our position, compared to where we were in 2018.

Through our hard work and diligent financial management, we have built a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, ambitious investment and built back depleted reserves. We have continued to be responsible with taxpayer's money; minimising increases in Council Tax and delivering services in a more effective and efficient way, providing a stable platform to invest in the county's future, as well as enabling us to manage challenges and uncertainties, as evidenced throughout the pandemic

From this strengthened position, we were anticipating now being the time we could push our ambition forward and implement innovative change. However, the cost of living crisis, global financial uncertainty and government policy changes, mean we are facing some severe challenges to our financial position in the coming years.

Our focus will need to be on protecting service delivery and a continuation of the need to be forward looking to the medium term, as well as the delivery of significant efficiencies required each year in order to achieve a balanced budget position. We are however confident that our improved financial position and focus on budget accountability, provides a solid foundation for us to achieve this. We will focus on protecting our critical services to ensure our objective that no one in Surrey is left behind, can be fulfilled.

We remain an ambitious and forward looking organisation and we are optimistic in our ability to overcome these financial challenges. The Council has established a strong track record in recent years of delivering efficiencies and transformation and a total focus on our financial management responsibilities.

The production of the 2023/24 budget has been developed through an integrated approach across Corporate Strategy, Transformation and Finance, ensuring 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 2023/24 and the medium-term are completely aligned provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the cost of living crisis, the medium term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

Although good progress has been made over the last few months in identifying efficiencies and opportunities there remains a provisional budget gap for 2023/24 of £14.4m, driven primarily by significant inflation, policy changes and ongoing demand pressures within priority services.

The gap will require further actions to close, which will be extremely challenging, given the level of pressure forecast, and may require the Council to further review the timing of the rollout of some of our transformation programmes. The extent to which further efficiencies or other measures to close the budget will need to be identified, will be dependent upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.

The gap is expected to continue to grow over the medium term financial strategy period. The Council recognised that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing not only on the short term pressures in 2023/24, but simultaneously looking to address the medium-term horizon. Cross-cutting Directorate transformation opportunities contribute to the efficiencies already identified in this Draft Budget and work continues to identify additional areas of focus, including a planned organisational review.

Recommendations:

It is recommended that:

1. Cabinet note the 2023/24 Draft Budget and Medium-Term Financial Strategy to 2027/28, including progress to date in setting out spending pressures and efficiencies, as set out in Annex A.
2. Cabinet note the provisional budget gap of £14.4m for 2023/24 and the next steps required to close the gap.
3. Cabinet note the proposed Capital Programme for 2023/24 to 2027/28 of £1.9bn set out in Section 6 and Annex B
4. Cabinet note the Executive Summary of Resident Engagement and next steps set out in Section 9.

Reason for Recommendations:

In January 2023, Cabinet will be asked to recommend a Final Budget for 2023/24 to full Council for approval in February. The draft budget sets out proposals to direct available resources to support the achievement of the Council's corporate priorities, balanced against a challenging financial environment, giving Cabinet the opportunity to comment on the proposals and next steps.

The draft budget also provides an update on the continuing transformational programme, including identified cross cutting opportunities which are required to ensure that the Council can continue prioritising outcomes for residents, while managing growing demand for services and safeguarding future financial resilience and sustainability.

Details:

1. The Draft 2023/24 Final Budget Report and Medium-Term Financial Strategy to 2027/28 and supporting Annexes set out the context (both internal and external), approach and assumptions underpinning the development of the budget.

Consultation:

2. Section 9 of the Draft Budget sets out the consultation undertaken to date and the plans for further consultation between now and approval of the Final Budget.

Risk Management and Implications:

3. The attached report and annexes have been prepared with a view to risk management from a financial, operational and reputational perspective. The financial risk implications are set out throughout Section 5 (Financial Strategy and Draft Budget 2023/24) of the attached document and exemplified in the S151 commentary below.

Financial and Value for Money Implications:

4. The attached report considers financial and value for money implications throughout and future budget reports will continue this focus.

Section 151 Officer Commentary:

5. Although significant progress has been made to improve the Council's financial position, the financial environment remains challenging. The UK is experiencing the highest levels of inflation for decades, putting significant pressure on the cost of delivering our services. Coupled with continued increasing demand and fixed Government funding this requires an increased focus on financial management to ensure we can continue to deliver services within available funding. In addition to these immediate challenges, the medium-term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
6. The Council has a duty to ensure its expenditure does not exceed the resources available. The Section 151 Officer confirms that the Draft Budget has been based on reasonable assumptions, taking into account all material, financial and business issues and risks at the time of preparation.

Legal Implications – Monitoring Officer

7. The draft budget does not constitute final approval of policies or sums of money to be saved under the service proposals. The proposed draft revenue budget and capital programme in the report do not commit the Council to implement any specific efficiency proposal.

8. If the Cabinet is required to consider making specific decisions on efficiencies, , focussed consultations and the full equality implications of implementation will be considered in appropriate detail. If it is considered necessary, in light of equality or other considerations, it will be open to those taking the decisions to spend more on one activity and less on another within the overall resources available to the Council.

Equalities and Diversity

9. Where appropriate, Equality Impact Assessments will be undertaken to assess the efficiency proposals set out in budget, along with any further measures that emerge as part of closing the draft budget gap. Proposals will only be implemented once Members have actively paid due regard and considered all possible actions and mitigations to achieve the aims of the Public Sector Equality Duty, namely the need to:
- Eliminate discrimination, harassment, victimisation or any other conduct prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. A report on the cumulative equality implications of the efficiency proposals to identify multiple impacts on the same groups, as well as individual Impact Assessments for proposals that need them, will be presented to Cabinet in January.

What Happens Next:

11. Section 10 of the report sets out detailed next steps; in summary they are:
- a) Review income and funding assumptions - particularly in light of the Local Government Finance Settlement;
 - b) Ensure that contingencies in the 2023/24 budget are set at the right level to deal with continuing uncertainty around the economy, inflation and the impact of the cost of living crisis on demand for services, recognising the Council's improved reserve resilience alongside the high risk operating environment;
 - c) Review Directorate budget envelopes for further efficiencies; and
 - d) Continue to review opportunities and drive further cross cutting efficiencies.

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Consulted:

Cabinet, Executive Directors, Heads of Service

Annex:

Annex A – Draft Directorate Pressures and Efficiencies

Annex B – Draft Capital Programme