

SCRUTINY OF 2023/24 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY TO 2027/28

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

Introduction:

1. Attached is a summary of the 2023/24 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Resources, Customer & Communities and Communications, Public Affairs & Engagement Directorates, including summary budget positions for all Directorates.
2. The [2023/24 Draft Budget and MTFS to 2027/28](#) was presented to Cabinet on 29 November 2022. The Final Budget for 2023/24 will be approved by Cabinet in January 2023 and full Council in February 2023. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included. There will be no movements in the Draft Budget position until the provisional Local Government Finance Settlement is published, which is expected later in December, and the implications are considered.
3. The production of the 2023/24 budget has been developed through an integrated approach across Directorates, Corporate Strategy and Policy, the Twin Track programme, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and the corporate priorities of the organisation.

Context:

4. 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. Funding for 2023/24 is not yet clear, although the Autumn Statement provides the first official indications of this. The anticipated consultation on changes to local government funding over the summer did not occur due to the prime ministerial leadership contest. Through the fiscal event/mini budget on 23 September 2022, government also made us aware that there will not be a

new spending review which could have taken into account the vastly different levels of inflation experienced compared to what was assumed when the current one was announced last year. On 17 November 2022, the Chancellor of the Exchequer made further fiscal announcements through his Autumn Statement. A number of these were of direct relevance to our services and financial strategy, including the delay to the implementation of Adult Social Care Reforms, additional funding for schools and social care and changes to the levels of Council Tax rises that are allowable before a referendum, all of which have an impact on the Council's budget position. This provided important pointers to what we might see in the Local Government Finance Settlement, and assumptions have been updated based on estimates of the impact, however the first opportunity to understand in detail the direct impact of funding arrangements for the Council will be with the provisional Settlement itself, which is expected in late December 2022, with a final settlement in January 2023. Until this is available, significant uncertainty on funding remains.

5. The overall outlook for 2023/24 is one of significant challenge, with budget envelopes remaining relatively static in the face of substantial increases in the cost of maintaining current service provision and increased demand. Despite a small increase in the projected levels of funding, pressures anticipated for 2023/24 are significantly higher than in recent financial years. These pressures relate to a number of factors culminating simultaneously, namely high levels of inflation, Europe's energy crisis, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. The Council continues to see large increase in demand for services, particularly within Adults and Childrens' social care and the impact of the cost of living crisis on residents is expected to further increase demand for key services.
6. Although good progress has been made over the last few months, there remains a provisional budget gap for 2023/24 of £14.4 million, driven primarily by significant inflation, policy changes and the need to maintain the delivery of priority services experiencing significant demand pressures. 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 adopt measures that postpone the achievement of our ambitions. The extent to which further efficiencies 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.
7. As well as a focus on closing the gap for 2023/24, we need to be prepared for what will continue to be a difficult financial environment over the next few years. Tackling this gap will require a fundamentally different approach, given the level of efficiencies required, to avoid adversely impacting services from 2024/25 onwards. Work has already begun, with cross-Directorate transformation opportunities being identified that focus on delivering priority objectives within constrained funding.

Engagement:

8. In 2021, we carried out in-depth research with residents to understand their priorities for how the council should spend its money. 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.
9. These results continue to provide a robust foundation from which to shape budget decision-making and, in 2022, have been complemented by a lighter touch approach to engagement. In May 2022, we held three virtual focus groups exploring themes including factors that make a good place to live and what local area improvements residents would like to see irrespective of who is responsible for their delivery. The groups also discussed services particularly important to resident households and in need of more support from Surrey County Council. They highlighted:
 - Making sure people get access to the services they need
 - Helping people cope with the rising cost of living
 - Community safety / managing crime / anti-social behaviour
10. Additionally, in August 2022, a cost-of-living survey was asked of the Surrey Health and Wellbeing Panel which looked at areas including the challenges they have faced in the previous three months (1 May – 31 July) and if they had had to alter their behaviours. This survey will be repeated in winter to see if there has been any further change.
11. We have also engaged closely with members, staff and partners to shape this Draft Budget and plan to continue engagement until early into the new year as the budget is finalised. This includes launching an open survey in November seeking views on the Draft Budget, how resources are proposed to be spent and the impact on our communities.
12. Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services' own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey, we consider impacts not just on the nine protected characteristics, but

also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing homelessness, and so on. An overview of impacts of efficiencies pertinent to the areas covered by this committee are included in Annex 1.

Budget Scrutiny

13. Annex 1 sets out the budget proposals, including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorates, exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
14. Members should consider how the 2023/24 Draft Budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks with options on investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Committee to consider how successful the budget is in achieving this.

Conclusions:

15. The provisional Local Government Finance Settlement in December, to be finalised in January 2023, will clarify the funding position for the Council. Once funding is clear, Directorate pressures, efficiency requirements, the level of Council Tax and the Capital Programme will be finalised.

Recommendations:

16. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be reflected in the Final Budget Report to Cabinet in January 2023.

Next steps:

17. Between now and February 2023, when the budget is approved by full council, officers and Cabinet Members will work closely together to close the current budget gap; challenge and refine assumptions and finalise the development of the Capital Programme.
18. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting on 31 January 2023.

Report contact

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Annexes:

Annex 1: 2023/24 Draft Budget Report and Medium-Term Financial Strategy to 2027/28

Sources/background papers

- 2023/24 Draft budget and medium-term financial strategy report to Cabinet 29 November 2022

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