THE SURREY WAY

SURREY COUNTY COUNCIL

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2024/25 Budget & Medium-Term Financial Strategy to 2028/29

1. EXECUTIVE SUMMARY

DELIVERING PRIORITIES, ENSURING *NO ONE IS LEFT BEHIND*

1.1 This Council is determined that the Community Vision for Surrey 2030 continues to be delivered to ensure the county is a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where no one is left behind.

1.2 Our Organisation Strategy sets out our contribution to the 2030 Vision. Within it, the Council's four priority objectives and guiding principle that no one is left behind remain the central areas of focus as we deliver high-quality and sustainable services for all.

1.3 The purpose of the Budget and Medium-Term Financial Strategy is to set out how the Council will use its funding to deliver its priority objectives and core services. These priority objectives sit at the core of the budget process, leading our approach to allocating resources and developing investment plans.

1.4 The Council's purpose and approach to improving the lives of residents across the four priority objectives, as well as ensuring that no one is left behind, is set out in The Surrey Way (section 2) and reflected throughout this budget report.

1.5 The period covered in the report, represents a challenging time for local authority finances, with inherent uncertainty in the planning process and significant pressures identified in relation to both ongoing forecast increases in demand for key services and the impact of the high levels of inflation being experienced nationally. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19 and mitigate its impact on business and individuals, successive increases to interest rates and slow national economic growth. Public finances look to be extremely challenging over the medium term, with Local Government unlikely to be spared the impact. There has been an increase recently in the number of local authorities suggesting they are struggling to meet the statutory requirement to set a balanced budget. It is therefore even more important that the Council continues to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.

1.6 One specific aspect of the current context, which we monitor, is how the current financial climate is impacting residents and the implications of that on the budget. Increased cost of living continues to impact household finances and the Council's ability to deliver vital services. High inflation, combined with high interest rates, mean households are making difficult decisions to restrict spending. The rising cost of fuel, energy, food and housing costs means goods and services for households and businesses are less affordable. Impacts from these are being felt most acutely by low income households who spend a greater proportion of their income on basic needs. It is also impacting residents' physical and mental health. Crisis support services are also seeing rising demand. 8

1.7 The Council is working with partners to support residents and staff through this, including opening 86 'Warm Welcome' spaces across libraries and community centres this winter. These are meeting spaces for clubs or groups, provide a warm area for children to play in and for the Council and community groups to hand out provisions such as thermal socks and gloves, electric blankets and flasks. Through distribution of over £26m since 2021/22 via the Household Support Fund, the Council have also been working with the voluntary, community and faith sector and district and borough councils to fund projects to support the most vulnerable. Eligible residents are also able to access Local Council Tax Support Schemes from their district or borough council.

Developing the Budget and Medium-Term Financial Strategy

1.8 The 2024/25 Budget Report and Medium-Term Financial Strategy to 2028/29 delivers a balanced budget for 2024/25 and outlines the continuation of ambitious, sustainable and resilient medium-term financial plans, balanced alongside an uncertain political and economic national environment.

1.9 As in previous years, the production of the 2024/25 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 external context 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 2024/25 and the medium-term are aligned, provides a stable foundation for delivering services to Surrey residents in the face of challenges presented by the increased cost-of-living, ongoing high inflation, continued increasing demand for vital services, the medium-term ongoing impacts of the Covid-19 pandemic and wider local government policy pressures.

1.10 A strong focus on financial accountability has enabled the Council to improve its financial resilience and the financial management capabilities across the organisation. This has provided a strengthened position, enabling the Council to be ambitious and look to continue to drive improvements and investment in our services. However, we recognise that this financial year and the next 2-3 are likely to represent an extremely challenging period and our focus will need to be on protecting service delivery in the first instance. During this period of uncertainty and financial challenge, this stability will not enable us to avoid difficult decisions but will allow us the time and space to make them in a considered and measured way.

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Being realistic about our ambitions, underpinned by an earned confidence in our ability to deliver efficiencies, will enable us to continue to deliver the Council's priorities.

The financial outlook

1.11 Local Government funding remains highly uncertain, with a number of factors likely to result in changes to our funding position over the medium-term (as set out in section 5).

1.12 The national economic environment influences the level of funding available to Local Authorities. Public Sector borrowing has been put under substantial pressure by events over recent years, including government spending to combat Covid-19 and mitigate its impact on business and individuals. This coupled with successive increases to interest rates and slow national economic growth, has impacted the UK economy.

1.13 The Provisional Local Government Financial Settlement (LGFS) was released on the 18th December 2023, by the Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP, with a final settlement due in January 2024. In the context of a series of S114 announcements, publicised issues with local government funding and extensive lobbying to the Treasury, it was hoped that there would be some good news within the provisional LGFS. The policy statement, issued in early December suggested there would be no new funding for the sector, however, intensive lobbying leading up to the announcements provided positive indications that there would be some additional support. This proved to not be the case and the provisional settlement is considered disappointing across the local government sector.

1.14 The majority of the 6.7% increase in Surrey's core spending power relates to an assumption of full utilisation of the council tax and adults social care precept levels, rather than additional funding from Government. The provisional settlement does not go far enough in addressing the financial challenges local authorities continue to face.

1.15 The overall outlook for 2024/25 is a challenging one. While budget envelopes are increasing, substantial increases in the cost of maintaining current service provision and increased demand, result in pressures increasing at a significantly higher rate than forecast funding. These pressures relate to multiple factors occurring simultaneously, namely continued high levels of inflation, workforce and labour shortages, high interest rates and the ongoing impact of the pandemic. In addition, the Council continues to see increases in demand for services, particularly within Adults' and Children's social care and the ongoing impact of increased cost-of-living on residents is expected to further increase demand for key services. There is a national lack of sufficiency in children's social care places which results in extremely high costs. Material uncertainty also remains over the impact of the future Adult Social Care Reform proposals. If implemented in the currently proposed way, they are anticipated to put additional financial pressures on the Council over the medium term, well in excess of the funding being made available.

1.16 Many local authorities are highlighting difficulties in balancing the increasing cost of providing services against undefined and limited funding streams. Funding remains unclear beyond 2024/25, with the LGFS published on a one-year basis, many decisions are being postponed past the current parliament and uncertainly highly likely to remain until at least after the next General Election.

1.17 The final budget for 2024/25 proposes total funding of £1,197.1m; an increase of £94.9m from 2023/24. In order to achieve a balanced position, the budget includes the following recommendations to full Council on Council Tax and the Adults Social Care Precept;

- 2.99% increase in core Council Tax
- 2% increase in the Adults Social Care Precept

The increase in the total bill for a Band D property will equate to £1.61 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 pressures on household finance, particularly during times of high cost of living.

1.18 The gap is expected to continue to grow over the medium term, based on current projections, to the order of £271m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach. We are focusing not only on 2024/25, but simultaneously looking to address the medium-term horizon. The Council's SWITCh (Surrey Way Innovation, Transformation & Change) Programme is looking at opportunities in a number of key areas:

- Aligning our skills and core functions in more effective ways
- Redesigning the customer journeys and entry points in our demand-led services
- Implementing improved ways of organising our commissioning activity and market shaping to better manage increasing market costs.

1.19 While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking our financial management responsibilities seriously.

Engagement

1.20 The Council has undertaken comprehensive consultation and engagement with residents and other stakeholders, such as partner organisations and Members, to shape this budget. The approach taken in 2023 was divided into two phases:

- The first phase took place in the summer of 2023. The objectives of this phase were to gather insight on what the most important priority outcomes were for stakeholders, their views on how the Council allocated its financial resources, approaches to balancing the budget and circumstances under which a council tax increase would be supported.
- The second phase was a consultation on the Council's draft budget. This phase sought to gauge support or opposition to the draft proposals for investment and closing the draft budget gap of £13.5m for 2024/25. It was an opportunity for the Council to be transparent about its plans and source as much feedback from as many Surrey stakeholders as possible.

1.21 Over 2,700 stakeholders gave their views across both phases. The key insights were:

- Residents wanted the Council to prioritise services that supported improved roads and pavements, made communities safer, provided care for adults and children, improved public transport and responded to the climate emergency.
- Residents broadly agreed that the draft budget for 2024/25 and Medium-Term Financial Strategy to 2028/29 supported these priorities. There was some division on investment to respond to the climate emergency, with some residents feeling that the Council should be directing investment towards other priorities.
- Residents also wanted the Council to allocate resources to services that benefited most residents across all places in Surrey. They also preferred for the organisation to collaborate more closely with residents and to support communities to help themselves to help balance the budget. They opposed increases to fees and charges.
- Residents were most likely to support a council tax increase if it was intended to protect services for the most vulnerable residents. They were least likely to support an increase as an alternative to increasing fees and charges.
- Nearly two-thirds of respondents to the draft budget consultation supported the measures the Council was proposing to close the residual £13.5m draft budget gap identified in the November 2023 Cabinet report. They recognised the need for effective financial management in challenging economic circumstances.
- Stakeholders who opposed the measures felt the Council should be doing more to find efficiencies or were concerned about the potential impacts of any service reductions on Surrey's most vulnerable residents.

1.22 Members were also engaged extensively through the budget development process. This included formal and informal briefings of Select Committees, meetings of the Budget Task Group, all Member briefings and briefings for each of the political groups. Points raised by Members included:

- Assurance that the impacts of the proposed budget, such as equality and environmental impacts, have been identified and sufficient mitigations and monitoring is in place.
- Concerns about any service reductions on the quality of service provided.
- Questions on the affordability of the capital programme.
- Additional activity to accelerate returns on investment in assets, as well as disposal of surplus assets.
- Assurance on how any re-procurement and commissioning activity would lead to better value for money.
- Seeking confidence on how pressures on high demand services will be managed and mitigated.

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1.23 More detail on the consultation and engagement activity that has informed this budget can be read in Annex H.

Key Elements of this Report and next steps

1.24 The key elements of this report include:

- The Council's Strategic Framework (Section 2);
- An update on our Innovation, Transformation & Change approach (Section 3);
- Directorate Service Strategies aligned to both of the above (Section 4);
- The Financial Strategy for 2024/25 (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, including 10-year Capital Strategies for each key area of capital investment (Section 6);
- 2023/24 Financial Performance – revenue and capital (Section 7);
- The Medium-Term financial outlook to 2028/29 (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.

1.25 The final 2024/25 Budget and Medium-Term Financial Strategy to 2028/29 will be presented to Council for approval on the 6th February 2024.

2 THE SURREY WAY: A HIGH PERFORMING COUNCIL, ENSURING THAT NO ONE IS LEFT BEHIND

2.1 The Community Vision for Surrey 2030, which was created with residents, communities and partners on behalf of the whole county, sets out how we all want Surrey to be by 2030. Together, we are all working to deliver a uniquely special place where everyone has a great start to life, people live healthy and fulfilling lives, are enabled to achieve their full potential and contribute to their community, and where *no one is left behind*. The Council plays a big part in the joint effort to realise this vision.

2.2 Our purpose as a council is to tackle inequality and make sure that no one is left behind; reinforcing the aims of the Community Vision for Surrey 2030. It is our responsibility as a council to support those in need and deliver everyday improvements to residents in all walks of life.

2.3 We focus on a small number of organisational priorities that will let us create the conditions for Surrey to thrive. Our Organisation Strategy (2021-26), sets out four priority objectives which reflect where we think we can have the greatest impact on tackling inequality and improving outcomes for people living and working in the county:

2.4 Our main duty as a council is to deliver high-quality services, and these services are the building blocks for meeting our four priority objectives. 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.

2.5 We also want to go beyond what we're required to do, to be a truly outstanding council. We are playing a wider strategic role in ensuring Surrey is ready to engage the big challenges and opportunities now and in the future. By working collaboratively across the county to mobilise around these key emergent issues, the lives of Surrey residents are improved, demand on services is reduced, and better outcomes and opportunities for Surrey residents are achieved.

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2.6 To achieve excellence in services and ensure Surrey can meet our priority objectives, we are transforming how our organisation operates and the culture and behaviours our people embody. Outcomes within this transformation will enable us to plan our activities and measure progress in each of the four priority objectives. Progress here will help the council become more resilient, add more value, make greater impact, and reduce demand on services as residents become more empowered and resilient.

2.7 In order to achieve our purpose, this transformation around how **Our Organisation** operates has four design principles which guide us:

OUR ORGANISATION

- We organise ourselves around outcomes and make it easy for others across Surrey to collaborate with us.
- We help people and communities to help themselves and devolve decisions and service design as close to them as we can.
- We maximise the potential of digital and data to transform the way we work and improve accessibility.
- We seek out preventative, commercial and efficient approaches to help us be financially sustainable.

2.8 To support our purpose, the transformation around the culture and behaviours **Our People** embody also has four commitments about how we work:

OUR PEOPLE

- An inclusive and compassionate place where we value diversity and can be ourselves at work.
- A collaborative and inviting place where we are open, trust each other, and work as one.
- An ambitious and outcomes-focused place where we are passionate about our purpose and take accountability for delivering great results.
- An inventive and dynamic place where we promote a learning mindset and adapt to new insights and opportunities.

2.9 Key to this strategic framework and contributing to the 2030 Vision will be a commitment to monitor how we make decisions, operate, and perform against these principles and commitments. This will include measurement of performance on priority objectives, core service delivery, and organisational effectiveness, and will directly inform primary council functions like the budget process.

3 INNOVATION, TRANSFORMATION & CHANGE

3.1 The Council has been on a transformation journey since 2018, delivering significant financial efficiencies and improving services for residents. Due to the ongoing financial challenges and requirement for change, the Council has recognised a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy. This approach needed to be rooted in the outcomes we were seeking for Surrey's residents and businesses and enable a financially sustainable footing over the medium-term.

3.2 Revised governance arrangements have been implemented with a new Strategic Transformation, Improvement and Assurance Board (STIAB) to oversee and assure our key top level transformation programmes, chaired by the Leader, alongside four thematic boards focussed on Place & Communities, Adults Wellbeing and Health Partnerships, Children, Families and Lifelong Learning and a Cross Cutting Board that oversees organisational wide programmes of change.

3.3 The Design and Transformation Service now incorporates our Data and Insight teams along with the Transformation Support Unit (TSU) and Strategic Commissioning Teams. Work continues in order to develop and mature our approach to a design that will ensure a more inclusive and user centred approach for change and improvement work, whilst we continue to strengthen our approach for effective programme delivery.

3.4 The Councils top priority programmes and initiatives have been identified and categorised into those programme already in delivery and those still at an early stage of discover and/or design:

Transformation - Delivery

1. SEND/Additional Needs and Disabilities (inc. EHCP Recovery)
2. Children Social Care Transformation
3. Environment Infrastructure and Growth Redesign
4. Fire and Rescue Inspection Improvement Plan
5. Adults Wellbeing & Health Partnerships transformation (which includes workforce)
6. Children's health and care redesign (joint with Heartlands)
7. Mental Health (joint with Heartlands)
8. Older people/Frailty (joint with Heartlands)

Transformation – Future Operating Model

9. Core function redesign (how we organise core services)
10. Customer Service transformation
11. Market shaping
12. Data, digital, technology (inc Artificial Intelligence)
13. People and Change (People Strategy - inc. workforce, people strategy)
14. Agile working/operations
15. Towns Model

Transformation - Policy Models

16. Level 2 County Deal
17. Enabling inclusive and sustainable economic prosperity

3.5 A key component of our future operating model is the work being undertaken under the 'SWITCh' (Surrey Way, Innovation, Transformation and Change) umbrella, which is a medium to long term portfolio of redesign and transformational change that will enable the Council to meet the social, financial and environmental challenges it faces over the next five years.

3.6 The portfolio will focus on activity that is cross-cutting in nature and that emphasises the need for services across the council to work together to improve outcomes for Surrey residents whilst reducing costs and ensuring a more efficient and modern organisation. With an emphasis on designing prevention-based services and supporting residents at the earliest possible stage of their customer journey, SWITCh will eventually reduce demand in our critical services.

3.7 Collaboration across directorates with residents, businesses and other partners will be essential to supporting council priorities, facilitating greater innovation, and challenging existing ways of delivering services and budget setting. SWITCh will deliver against the organisational ambitions set out in The Surrey Way.

3.8 Work has commenced on three workstreams to identify opportunities for the above ambitions and start to model out projected financial efficiencies:

Aligning our skills and core functions in more effective ways

3.9 The Council's senior leadership (officers and Members) have recognised that the Council needs to take its next steps towards ensuring we are a financially sustainable organisation that is set up in the best possible way for our residents through a new operating model. The Council is made up of many diverse functions and roles and at any one time significant amounts of activity and transformation are taking place. It is essential that all our functions appropriately align and are designed to be as efficient and effective as possible.

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3.10 Central to this overall operating model are our enabling functions (such as such as people & change, finance, administration, transformation, strategy, communications, IT, data, performance and digital). Centrally these roles sit within the Resources Directorate, however analysis has shown that other directorates also contain these functions. Through this workstream these functions (central and devolved) will be reviewed to ensure they are as effective and efficient as possible and fully aligned to our ambition as set out in the Surrey Way.

3.11 There will be a phased approach to this work that will see a design-led approach applied to shorter-term (tactical) solutions, aligned to the creation of a new Council operating model – they will inform each other. The work on tactical solutions will feed directly into the strategic solutions and development of a Council Operating Model, building momentum and credibility to the success of this approach.

Redesigning the customer journeys and entry points in our demand-led services

3.12 A corporate transformation programme has been initiated to drive forward the required step change in our ambitions to be a customer-centric organisation and bring the significant change that is needed in Customer Services for the Council, our partners, and our residents.

3.13 Through this work we will look at the most innovative examples in both the public and private sector for inspiration and best practice and ensure that our residents and customers have a better, more streamlined technology led experience when they contact us.

3.14 In designing the future operating model for our customer service functions we aim to take full advantage of innovative technology and AI (Artificial Intelligence) functionality to support our workforce to deliver as effective and efficient a service as possible. We will continue to streamline processes so that as many queries as possible can be answered from the first point of contact, to free up capacity for those residents who really need specialist advice and support.

3.15 This dovetails with the work on our refreshed Customer Promise, and our Customer Champions Network, made up of representatives from across all Directorates.

Implementing improved ways of organising our commissioning activity and market shaping to better manage increasing market costs

3.16 A strong organisational commissioning function is central to the Council's ability to respond to the significant challenges we are facing and manage cost and demand. Demand for placements is rising, and the Council and our partners need to ensure we are fully utilising our purchasing power to shape the market and leverage opportunities to deliver the best services for our residents and improve outcomes. As part of this work, we will:

- Complete an in-depth analysis / diagnostic of the commissioning activity across the council.
- Determine an optimised and futureproofed commissioning model.
- Co-design a series of market position statements and market activity that will enable the Council to make best use of its position and power within the external provider and supplier market.

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3.17 As our key portfolio of change, the SWITCh programme will be a major contributor to closing our medium-term budget gap from 2025/26. We are anticipating c£10m of efficiencies to be driven through the core function re-design and a further £20m-£40m through customer transformation and demand management work. These programmes are in the process of being robustly designed and structured to better understand the level of efficiencies achievable and the timescales for delivery, whilst simultaneously expanding scope and increasing our change activity.

4 SERVICE STRATEGIES

ADULTS, WELLBEING & HEALTH PARTNERSHIPS

Context

4.1 The Directorate's overarching vision is **supporting people to live their best life**, by connecting to their communities, embracing supportive technology, and accessing joined-up support and care when needed, which delivers what matters to them.

Adult Social Care (ASC)

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.

4.3 ASC operates in an incredibly challenging environment with pressures significantly exceeding government funding; an ageing population with increasing acuity of care needs and growing numbers of young people moving into adulthood who need services; an increasingly fragile care market; and radical changes in national policy. This is all in the context of the ongoing impacts of the Covid-19 pandemic and the increased cost of living, which are having profound effects on Surrey's residents, social care providers and our health and third sector partners.

4.4 ASC has eight priorities to achieve the overarching vision, these are to focus upon developing a high-quality **prevention** approach, transforming Surrey's **reablement** offer, improving **mental health outcomes** and delivering **accommodation models** to enable people to live as independently as possible. They also emphasise working as an effective and financially sustainable system with our **place-based partners,** improving outcomes for **young people in transition to adulthood**, delivering consistent **strengths-based approaches** and creating the environment for our **staff** to develop, progress their careers and thrive in a diverse and inclusive workplace.

4.5 **The Council is committed to integrating health and social care** in Surrey to improve outcomes for residents, with an emphasis on enhancing preventative services in the community. **Key areas of focus** include **effective joint management of hospital discharge** through robust **discharge to assess** models across Surrey's five acute hospitals, and working with health partners **to improve mental health services** across the county.

Public Health

4.6 The 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
- 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 & commissioning of health improvement services for all ages, targeted to those at risk of health inequalities.
- working with partners to protect residents from communicable diseases and environmental hazards.
- providing oversight and support in the review, development and delivery of the Surrey Health and Wellbeing (HWB) Strategy

4.7 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).
- NHS health checks.

4.8 The services commissioned by PH are all preventative in approach and targeted at reducing health inequalities, one of the Council's key strategic aims and an overall ambition of Surrey's Health and Wellbeing Strategy.

Current 2023/24 budget position

4.9 At month 8 the Directorate is forecasting an overspend of £1.1m against a budget of £474.8m. There is an underlying £7.2m overspend forecast on the total care package budget due to demand growth in year and increased costs of care, which is being mitigated by additional grant funding and some underspends outside of the care package budget.

4.10 Growing care package demand is creating pressures that will carry forward into 2024/25. At the end of November, full year care package commitments (the annual cost of all active care packages) were £16.3m above the 2023/24 budget. The 2024/25 budget assumes that this pressure can be reduced to £13.5m on a full year basis through delivery of efficiencies and other mitigations in the remainder of the year. Achieving this reduction in spending and then holding commitments will be challenging in the context of significant demand pressures.

4.11 In addition to its core budget, the Adults, Wellbeing and Health Partnerships directorate has continued to manage two other important areas of funding:

- The PH service has continued to manage deployment of the remaining £7.4m Contain Management Outbreak Fund (COMF) monies carried forward from 2022/23. This funding continues to be spent on activities to support the recovery from the Covid-19 pandemic, with remaining funds fully spent by 2024/25.
- The directorate has the lead for the deployment of the Mental Health Investment Fund (MHIF), to enable the delivery of the outcomes in Priority Two of Surrey's Health and Wellbeing Strategy. This priority area is focused on prevention, removing barriers, and supporting people to become proactive in improving their emotional health and wellbeing. The total MHIF is £10.5m, comprising £6.5m from SCC and £4m from Surrey Heartlands ICB. To date £8.5m of the funding has been committed on investment approved through agreed MHIF governance, with £2m remaining to be committed.

Financial pressures

4.12 The Directorate's Budget position includes £49.5m of pressures in 2024/25 relating to Adult Social Care, £252.4m across the MTFS period. These pressures relate to:

- Price inflation for care packages and wider support services of £33.3m in 2024/25, £137.4m across the MTFS. This is the biggest budgeted pressure for ASC. Budgeted inflationary uplifts take account of the expected increase to the National Living Wage and wider inflationary pressures. This represents the budgeted price inflation pressure before consideration of any price or inflation related efficiencies.
- A budgeted carry forward care package pressure from 2023/24 of £13.5m as set out above.
- Increased demand for care packages in future years across all client groups of £5.3m in 2024/25, £61.1m across the MTFS, including young people who will transition from children's services. This represents the net budgeted demand pressures including expected increases in ASC care package income before consideration of demand management efficiencies.
- ASC's share of the cost of estimated increased demand for community equipment of £0.3m in 2024/25, £2.2m across the MTFS period.
- The creation of a £2m budget for ASC assessed charges bad debt in the context of a significant increase (c. £12m) in billed ASC assessed charges compared to the current 2023/24 budget.
- Pay inflation and other staffing related pressures of £7.2m in 2024/25, £15.2m across the MTFS.
- Budgeted increased Better Care Fund (BCF) income for ASC of £3m in 2024/25 based on 2 year BCF plan approved by Surrey's Health & Wellbeing Board for the period 2023/24 to 2024/25.
- Increased ASC Market Sustainability and Improvement grant funding of £8.1m in 2024/25 which is being used in full towards the cost of budgeted price inflation for ASC providers in 2024/25.
- Increased ASC Discharge grant funding of £1.1m in 2024/25 to support hospital discharge. This funding has to be pooled in Surrey's Better Care Fund alongside discharge funding allocated to Surrey's Integrated Care Boards, and will be used to help fund Discharge to Assess models across Surrey's five acute hospitals.
- Changes to other ASC grants of £0.2m in 2024/25.
- The latest estimated mid-point funding gap for the ASC charging reforms of £14m in 2025/26 rising to £33m in 2026/27 calculated prior to the delayed implementation date of October 2025. This remains a high level estimate pending further direction from government about the implementation of the reforms. There is a substantial risk that the pressure could be higher. This is dependent on timing and funding allocations.

4.13 In addition, Surrey's Public Health services continue to operate in a very challenging financial environment. Surrey continues to receive a very low level of PH funding – the fifth lowest allocation per head of population in the country and more than 40% below the national average allocation. Although Surrey's PH grant has increased modestly in recent years, this has come with new responsibilities and has failed to make-up for cuts to PH funding that the government mandated in earlier years after the responsibility for PH transferred to councils in 2013/14.

4.14 The Council's PH grant in 2023/24 is £40.9m. £35.7m of this is allocated to fund preventative services commissioned by the PH service and the remaining £5.2m is allocated to services delivered or commissioned by other parts of the council, that contribute to meeting PH outcomes with the remit of the grant criteria. SCC's PH grant is increasing to £41.5m in 2024/25, an increase of only 1.5%.

4.15 PH's latest MTFS proposals include pressures of £1m in 2024/25 and £4.1m across the MTFS period. These pressures relate to pay and non-pay inflation for PH contracts. There is a risk that PH contract inflation could be higher than currently budgeted, most notably in relation to NHS Agenda for Change pay rises which impact on several services that PH commission. In recent years the government has provided temporary funding to cover additional in year pressures for NHS Agenda for Change pay rises, but it is unclear if this will continue. As PH grant funding typically increases at a lower rate than the NHS inflator,

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this leads to ongoing funding gaps for PH services that are subject to NHS inflation. PH leaders continue to lobby government to increase PH funding in line with the NHS inflator.

Financial efficiencies

4.16 The Budget position includes efficiencies of £22.3m in 2024/25 relating to Adults Social Care (ASC), £47m over the MTFS. The main areas of focus for delivery of efficiencies are:

- Strengths based practice and demand management efficiencies of £1m in 2024/25, £18.3m across the MTFS, including redesigning ASC's "front door," maximising digital opportunities including technology enabled care services, maximising the benefit of reablement services and strengths based reviews of people's care. Demand management efficiencies are risk rated "Red" due to the current high level of demand.
- £1.7m in 2024/25, £5.7m across the MTFS driven by moving away from institutionalised models of care to promote people's independence. This includes remodelling learning disability and autism (LD&A) day support services and associated transport, supporting people with LD&A to move from residential care to supported independent living, the expansion of extra care housing, primarily for older people, and efficiencies targeted for out of county care packages.
- Efficiencies of £10.8m in 2024/25, £13m across the MTFS, relating to the effective purchasing of older people nursing and residential placements and home based services across all client groups, and seeking to mitigate a third of the gross budgeted price inflation for care packages and contracts in 2024/25. Based on the confirmed increase to the National Living Wage (NLW) from April 2024 and other budgeted inflationary pressures, this inflation mitigation efficiency is necessary to ensure ASC's budget remains within available funding. It remains subject to discussion and collaborative working with the provider market including reviewing models of care and costs of service delivery.
- Efficiencies of £7.4m in 2024/25 associated with changes to ASC in-house services, including the completion of the closure of 8 older people residential care homes, the ceasing of ASC in-house staffing provision in 5 extra care housing settings and the final element of efficiencies relating to the conversion of LD&A in-house services from residential care to supported independent living.
- Efficiencies of £1m in 2024/25, £2m across the MTFS through delivery of a workforce redesign programme to reshape the workforce, maximise productivity and improve service delivery.
- Removal of budgets for discretionary services where there is not clear evidence that they are preventing care package demand, equating to £0.4m in 2024/25.

4.17 The Budget also includes £0.4m of efficiencies in 2024/25 relating to Public Health. These all relate to the management of PH contract inflation to ensure that total PH expenditure remains within PH's budget envelope. This will involve limiting or avoiding inflationary uplifts where they are not a fixed contractually or changing service delivery outside of fixed contracts to mitigate inflation pressures.

4.18 Efficiencies are not budgeted for future years beyond 2024/25, pending government direction about the future of the current ringfenced PH grant.

Capital programme

4.19 The Directorate has a small capital budget of £1.6m per year managed directly by the service. This largely relates to the capitalisation of community equipment.

4.20 Adult Social Care's Accommodation with Care & Support programme is developed alongside the Land & Property Service and involves capital investment across the following areas:

- The development of 725 new units of affordable Extra Care Housing (ECH), primarily to support older people with care needs. Total capital expenditure across the whole ECH programme is estimated at up to £47m. The borrowing cost of this capital expenditure is modelled to be fully funded through ASC care package savings included in ASC's revenue budget through utilising the new extra care housing settings to provide more affordable care than alternative care settings.

- The creation of 500 new units of Supported Independent Living (SIL) for people with a learning disability and/or autism, with a target for SCC to lead on the development of c. 110 of these units. Total capital expenditure on LD&A SIL accommodation is estimated at up to £69m. The borrowing cost of this capital expenditure is modelled to be fully funded through ASC care package savings included in ASC's revenue budget and rental income from residents on the assumption these schemes are developed on a direct delivery basis.
- The development of two specialist short breaks respite accommodation schemes for people with LD&A essential to fill a significant gap in provision. Development of these two schemes is budgeted to require just under £12m of capital expenditure. Just over half of the borrowing cost of this capital expenditure is expected to be funded by ASC care package savings, with the remaining unfunded borrowing included in the corporate unfunded borrowing limit set to ensure affordability across the MTFS.
- The potential development of specialist accommodation for people with mental health needs, which would be focused on either supporting people to recover from a mental health episode or a place to call home to enable people to manage their mental health and develop greater independence in the long term. Work continues to identify an affordable basis for developing these schemes before they can be fully incorporated into SCC's capital programme.

Horizon scanning

4.21 The adult social care system both nationally and in Surrey is under incredible strain. Rising demand, significant inflationary and broader cost pressures, increasing acuity of care needs, severe workforce challenges both for local authorities and the wider ASC sector, increasingly fragile care markets and significant pressures across the NHS, all set against a backdrop of the wider cost of living challenges and some of the ongoing impacts of the Covid-19 pandemic create something of a perfect storm. Increased government funding for social care over the period 2023/24 – 2024/25 through the Social Care grant and Market Sustainability & Improvement Fund (MSIF) has been welcome, but these funding sources only represent a contribution towards existing demand and inflationary pressures. The new CQC assurance regime presents opportunities for cross sector learning and improvement, but also places increased burdens on local authorities at a time of acute financial and operational challenges.

4.22 Surrey has made significant progress in recent years through transformation in areas such as commissioning, brokerage and market management, strength-based practice, promoting people's independence and wellbeing, and shifting away from institutionalised models of care. There remain opportunities to improve service delivery and achieve savings which are reflected in the efficiencies included in the MTFS, along with areas that continue to be explored beyond this. However, the scale of efficiencies and cost control measures that are achievable without reducing the service offer to residents is diminishing. Increases in ASC expenditure are required year on year to meet demand and cost pressures and maintain market sustainability. The Council will continue to robustly engage with government about the funding required for ASC. Based on current estimated funding in future years, it is likely that very difficult decisions will need to be made about how to fund ASC within available resources in the medium term.

4.23 At present the future of the Public Health grant remains unclear. It was expected that the ringfence would be removed as part of wider local government funding reform, but this remains uncertain. The service will need to remain responsive to any changes in grant funding. In the meantime, the council will continue to lobby for increased public health funding to support the delivery of the health and wellbeing priorities for Surrey residents.

4.24 Most of public health's major service contracts are coming up for renewal in the next few 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 targeting service provision to address health inequalities. The procurement processes will consider how refreshed services can be commissioned to maximise value for money for residents.

4.25 Through a focus on research, partnering with academia and industry, and collaboration across the whole system the directorate will be looking at how to 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, the council hopes to be able to influence future public policy, leading to a more sustainable public service model.

CHILDREN, FAMILIES AND LIFELONG LEARNING

Context

4.26 The Children, Families and Lifelong Learning (CFLL) directorate's purpose is to ensure children are seen and heard, feel safe and can grow, and everyone benefits from education in Surrey.

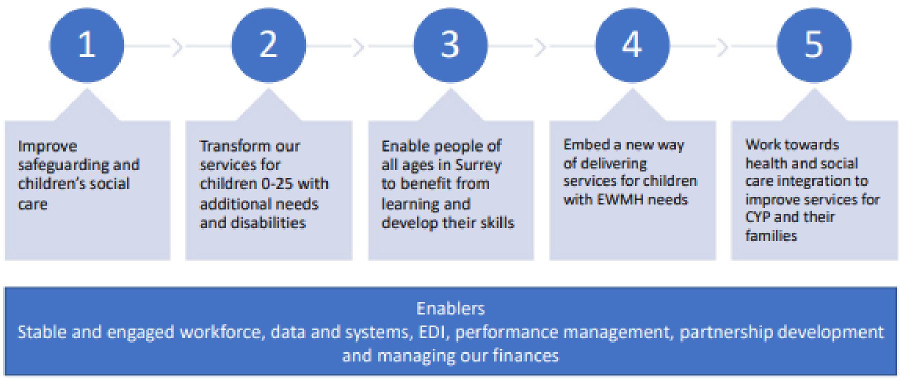
4.27 CFLL deliver services to children, young people and their families with a statutory responsibility for ages 0-25; providing and commissioning early help, targeted help, social care, education and health services. There are 4.5k children and young people known to social services (including care leavers), 1k children looked after and 159k Surrey pupils in state funded primary and secondary schools (reception through to year 14, including Academies, Special Schools, Pupil Referral Units).

4.28 CFLL operate in an extremely challenging context, which is shared by many local authorities up and down the country. National and local challenges include difficulties recruiting and retaining sufficient qualified social workers to meet the demand for social care, resulting in greater reliance on an interim market, at greater cost and less consistency of practice.

4.29 Post- pandemic, falling foster carer numbers across the UK along with increasing complexity of needs presenting have driven up demand for residential placements. Insufficient in-house places result in greater reliance on external providers in a dysfunctional market, driving up the costs of care. This has been further impacted by rising inflation.

4.30 Growing numbers of children with additional needs and disabilities place greater demands on the high needs block of the dedicated schools grant at the same time as driving up demand for home to school travel assistance and increasing rates with driver shortages, inflationary rises and a drive to be greener.

4.31 CFLL's strategic priorities and enablers are shown below;



Current 2023/24 budget position

4.32 CFLL's position as at period 8 is an adverse position of £20.5m against the net budget of £257.1m, representing a 8.0% variance.

4.33 Placement spend accounts for £14.9m of the forecast adverse variance. Although the number of looked after children has remained broadly stable, rising numbers in external residential placements along with significant price rises in external residential and supported accommodation provision account for the majority of the placement pressures. Rises in child allowances rates for special guardianship orders to match fostering rates are also adding to the pressures.

4.34 Home to school travel assistance is reporting a £4.7m adverse position to budget with a further £1.2m identified at risk, even though overall demand is largely in line with budgeted assumptions and initiatives to move pupils from solo taxis to personal budgets have outperformed budget assumptions. Unit rates for travel have far exceeded budgeted assumptions and more than offset the good news delivered through the personal budget promotion. Unit rate rises are a result of a number of factors including higher than planned inflation, driver shortages in the market leading to alternate transport arrangements and the drive towards greener transport.

4.35 Continued growth in demand for services and support to children with a disability is adding to the pressures in-year.

4.36 Pressures arising from the increase in agency staff in the system against the budgeted assumptions is offset by vacancies in established posts. This is seen as short term respite against the pressures and although it is welcome from a financial point of view, it creates significant performance risk in the service because the currently vacant posts are essential to the delivery of services. They are therefore being recruited to or restructured to drive improvements in practice to improve the overall quality of children and families' experiences and outcomes, and can't be held vacant to offset pressures elsewhere. 8

Financial pressures

4.37 CFLL budget includes £46.1m of pressures for 2024/25, with a total of £96.6m across the MTFS period, the pressures relate to;

- Contract inflation including placements, home to school travel assistance and other contracts £10.5m based on 5% inflation for 2024/25.
- Pay inflation of 4% across all staffing in the directorate including those on teaching pay scales, totalling an estimated £5.9m for 2024/25.
- Investment in recruitment and retention initiatives aimed at increasing the permanent rates of social work staff to 85% accounting for £2.4m investment in 2024/25.
- Increase in establishment budgets to meet rising demands across the service seen through 2023/24 and required ongoing £1.1m.
- Investment in preventative services including targeted early help and reunification of children back to their parental homes where safe to do so £1.6m in 2024/25.
- Growth in placements budgets resulting from a change in mix of placement type with greater reliance on external provisions in 2023/24. Placement budget pressures also arising from price rises in excess of budgeted values, partially offset with increases expected in health contributions and increased funding for unaccompanied asylum seeking children (UASCs) resulting in a net growth ask of £13.9m.
- Growth in demand and prices of H2STA arrangements through 2023/24 going into 2024/25 of £8.4m.
- Growth in demand for support and care for children with disability in 2023/24 going into 2024/25 £1.5m.
- Unachievable contract initiatives built into the 2023/24 budget which were not started, adding to the budgetary pressures for 2024/25 £0.8m

Financial Efficiencies

4.38 CFLL's budget for 2024/25 includes projected efficiencies of £8.8m, 3.5% of the 2023/24 budget, with £40.6m projected over the period of the MTFS. These are challenging targets to be delivered to help partially offset the pressures above.

4.39 CFLL is looking to manage demand into the service through a number of initiatives including reunification, an intensive family support service (IFSS), the development of adolescence services and continued work to develop and place more children within local provision in Surrey. The initiatives are targeted to deliver efficiencies of £1.5m

4.40 CFLL is looking to manage the market through capital investment in in-house residential development and group living arrangements for care leavers. This is alongside targeting improved performance of in-house provisions for both residential and fostering services. The team are looking to drive more permanent arrangements, where these meet children's needs, through adoption and special guardianship orders. Commissioning services are looking to develop strategic relations with providers, develop a dynamic purchasing system for new placements and manage inflation requests to improve on market rates. These initiatives are looking to deliver against the targeted efficiencies of £2.6m.

4.41 CFLL are looking to continue the successes of promoting personal budgets for H2STA arrangements, along with reviews of policies for travel in conjunction with the Freedom to Travel programme, looking to achieve efficiencies of £2.6m.

4.42 Other contract negotiations for contracts due for procurement through 2024/25 are expected to target efficiencies of £1.4m .

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4.43 CFLL's investment in IFSS above is expected to be able to maximise the Supporting Families payment by results claims along with reducing demand on social care and social workers targeting efficiencies of £0.5m

4.44 CFLL have set targets of £0.2m for increases in fees and charges.

4.45 CFLL have engaged the services of an external consultancy to undertake a diagnostic of children's services with the aim of identifying any further opportunities to compliment those identified above and in line with the overarching aims and objectives of CFLL.

Special Educational Needs & Disabilities (SEND) / Dedicated Schools Grant High Needs Block (HNB)

4.46 In the 2023/24 MTFS the previously required Dedicated Schools Grant (DSG) High Needs Block (HNB) offsetting reserve contribution budget was reduced by £22m to leave a residual £5m budget. This is as a result of the 'safety valve' agreement which was signed in March 2022. This agreement sees the Council receive £100m of DSG funding in exchange for a contribution from its own general fund (from the existing HNB offsetting reserve) and schools through a 1% block transfer for five years, in order to eradicate the HNB cumulative deficit.

4.47 From this £5m budget, £2.5m has been earmarked to contribute to the cost of running the Additional Needs programme as it transitions from the Council's wider transformation programme into an ongoing Business as Usual (BAU) activity within CFLL.

4.48 At the end of 2022/23 the council's HNB offsetting reserve had sufficient balances to make the agreed contributions, assuming the Council can remain on the current trajectory, there will be no requirement for further contributions.

4.49 The Council provides regular monitoring reports on the 'safety valve' agreement to the Department for Education (DfE) which include financial projections and risk management. To date, the Council has received £70m of the £100m Safety Valve DSG Funding. The monitoring reports, which are a requirement to continue receiving the additional grant funding, have identified that the Council remains currently 'on track' whilst highlighting the significant change in circumstances from March 2022 to the present time, in particular the impact of inflation on costs for schools and the Council, which has been logged with the DfE as a risk. A risk also exists in relation to the capital requirements to fund the expansion of specialist places projected in the Safety Valve agreement due to a shortfall against the planned DFE funding, now requiring the Council to secure the capital through its Free School programmme. A successful bid to this programme is not guaranteed, and therefore the capital investment remains a risk (see below).

Capital budgets

4.50 Surrey's Safety Valve Agreement with the DfE includes a condition to deliver an ambitious Special Education Needs and Disabilities (SEND) and Alternative Provision (AP) Capital Programme that will improve the long-term sufficiency of state-maintained specialist educational provision that meets the needs of communities across Surrey in the long term. The Capital Programme's successful delivery is a key dependency of the Safety Valve Agreement and directly supports SCC's priorities to eliminate the council's Dedicated Schools

Grant High Needs Block (DSG HNB) deficit and contain cost through significantly reduced reliance on the Service's commissioning of higher cost out of county placements and the non-maintained and independent school sectors.

4.51 Robust data modelling and forecasting of what the profile of need of Surrey resident children and young people with additional needs and disabilities is likely to look like to 2031/32 has been completed and is updated annually. Between 2019-2023 Cabinet approved the Capital strategy for four phases of the SEND Capital Programme and the AP Capital Programme and £260m investment. With this investment the programme is aiming to deliver 2,440 permanent additional specialist school places between 2019-2026 to create capacity for 5,760 Surrey state-maintained school places by 2030/31.

4.52 The Capital Programme's delivery of additional specialist school places remains on track. The programme has successfully delivered 40 of 83 committed projects to date at a cost of £41m. This has expanded Surrey's state-maintained education estate by 917 places from around 3,320 places when the programme started in 2019 to 4,237 places at the start of academic year 2023/24.

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4.53 The £223m approved SEND and AP capital programme in the MTFS is largely funded with external funding sources, a small amount remains unsecured for 2025/26 and 2026/27. The capital budget forecast for 2024/25 is £74.3m for SEND and AP. CFLL continue to reprofile the rate of spend based against the known risk associated with individual schemes. In most cases mitigations to secure place availability against sufficiency need are already planned and practical completion will be achieved in line with the agreed plans so there is no risk to overall delivery.

4.54 Programme delivery in full is still achievable through utilising capped budgets per scheme. These remain subject to timely legal permissions and approvals, and confirmation of asset/ site viability along with affordable mitigating measures deliverable within the approved MTFS. Ongoing risks in relation to affordability, planning and procurement delays, identification of appropriate sponsors and school/Trust engagement continue to be managed out with appropriate partners.

4.55 In addition to the SEND Capital programme, a number of other capital projects impact directly within CFL. Several of these are managed through Land and Property (L&P) but the service benefits or costs would be seen within CFL budgets. As well as the SEND strategy referenced above, there is £19m for the Schools Basic Need programme (grant funded) in 2024/25 and £12m for capital maintenance in schools for 2024/25. Work continues on the programme for the next 5 years with financial forecast due later.

4.56 In a similar way to SEND, the Council is also wanting to expand the in-house provision for CLA as a lack of sufficiency within the County means that securing good value placements is increasingly difficult. As well as refurbishing existing children's homes, the CLA Capital programme is focusing on creating an additional 30 bed capacity through new homes in the County. This programme is also looking to support Care Leavers through increased provision of 24 beds for group living.

Horizon scanning

4.57 CFLL continue to work in an incredibly difficult market, with rising demands, increasing complexity of needs and operating in dysfunctional markets where rates are increasing at unprecedented levels. Surrey along with other authorities continue to lobby government over funding into the sector.

- **The ADCS Resources and Strategy Policy Committee** highlighted evidence of pressures being experienced across the sector through national research, below are some of the headlines;
- **CIPFA performance tracker** highlighted £11.1 billion spent on children's social care in 2021/22, a 41% rise in real terms compared to 2009, while the children's population grew by less than 10% over the same period.
- **Safeguarding Pressures Phase 8 (2022)** showed that there was an overall increase in safeguarding activity between 2019/20 and 2021/22 with more children previously unknown to social care services presenting at a later stage, with greater levels of need and higher risks.

- **The Independent Review of Children's Social Care**, 2022 found that only 56% of the increase in the numbers of children in care since 2013 could be explained by population growth and an increase in the number of unaccompanied asylum seeking children arriving. It found that children are staying in care for longer, with 12% fewer children leaving care in 2021 than in 2016. It estimated that, without implementation of the proposed reforms, total spend on children's social care is likely to rise to just under £12bn in 2024/25. Full roll out of the reforms will not be seen until 2025/26 at the earliest.
- **Family Justice Observatory Deprivation of Liberty (DoL)** data, between July 2022 and May 2023, the national DoL court issued 1217 applications across 153 different LAs, for a total of 1142 children. 53.8% of children in July and August 2022 were placed in unregistered setting in the first six months of the order being granted. Indicating a lack of suitable regulated provision for children experiencing risk of criminal exploitation, emotional difficulties, behaviours that were a risk to others, and self-harm risks.
- **Competitions and Markets Authority** review concluded there are not enough placements of the right kind, in the right places, which means that children are not consistently getting access to care and accommodation that meets their needs. The largest private providers of placements are making materially higher profits and charging materially higher prices than would be expected form a functioning market. Some of the largest private providers are carrying very high levels of debt which creates a risk that disorderly failure of highly-leveraged firms could disrupt placements.
- **S251 Data Outturn**, reported that in 2021/22, LA gross expenditure on children and young people's services was £11.9 billion. £3.6 billion of which was spent in placements. Private residential placement costs increased the most, by 90.56%, while LA placement costs increased by 18.78%.
- **Children's Home Association's State of the Sector Survey 2023** highlighted the private sector's approach to formal procurement and tendering, with over a third not engaging with formal processes (twice as many as in 2021) and half of all providers selectively considering which tenders to bid for.
- **Regulatory regime for supported accommodation Demand and Capacity of Homes for Children in Care (CCN, LIIA, Newton, 2023**) found that between 2019 and 2022, the number of young people living in supported accommodation increased by 21.3%.
- **The Independent Review of Children's Social Care**, 2022 estimated the additional cost of employing agency staff at approximately £26k per worker per year (53% of the average social worker salary), indicating a loss of over £100 million per year. DfE data (2023) shows that the agency social worker rate increased from 16% in 2021 to 18% in 2022, with 13% more agency social workers in total in 2022. This compares to Surrey stats which show the additional costs of an agency worker at £21k (39% of the average social worker salary). Based on the government return done for 2022, if we apply this to 165 fte agency, indicating a loss of £3.4m in year.

4.58 Surrey Additional Needs and Disabilities Partnership was inspected under the new Area SEND inspection framework in September 2023. The outcome from the inspection was published in November 2023 and the Improvement Plan following the inspection was published on the Local Offer website in January 2024.

4.59 Within the timeframe of the Medium-Term Financial Strategy there is also likely to be a full children's social care Ofsted inspection (in addition to one or more focused visits) and HMIP Youth Justice inspection. These service areas are all actively engaged in improvement work which it is essential to maintain in order to secure reliably good services for our children and families and to work towards delivering outstanding services.

4.60 Any financial implications resulting from ongoing legislative changes will be monitored.

ENVIRONMENT, INFRASTRUCTURE AND GROWTH (EIG)

Context

4.61 EIG is a future-focused Directorate which aims to shape places, improving the environment and reaching sustainability and climate change targets. EIG provides many "universal services" to residents, services which many or all residents access - including highways and waste management. Key service areas include:

- Maintenance and improvement of highways, footways, street lighting and other highway assets;
- Public transport;
- Waste management, including recycling or disposal of household waste and operation of community recycling centres;
- Transport infrastructure and place development;
- Countryside;
- Planning & Development;
- Supporting the county's and Council's response to climate change and carbon reduction; and
- Supporting economic growth

4.62 Over the period of the Medium Term Financial Strategy, EIG's key priorities are to:

- Continue to 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;
- Continue to improve bus services, including the introduction of a half price travel scheme and digital demand responsive transport services;
- Continue to work with Ringway, 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;
- Deliver the Council and county's carbon emission reduction targets in line with our Climate Change Delivery Plan. With 41% of Surrey's emissions resulting from Transport, a key part of delivering these targets will be supported by delivery of the Surrey Transport Plan, EV network rollout, improvements to local bus services and the introduction of Digital Demand Responsive Transport;
- Deliver the capital programme including the River Thames flood alleviation scheme in partnership with the Environment Agency, the Surrey Infrastructure Programme, and develop the pipeline for future schemes
- Continue to maximise external funding toward revenue and capital activities, including grants, income and developer contributions.

Current 2023/24 budget position

4.63 EIG's current annual revenue budget is £181m. 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 and operating the concessionary travel scheme for elderly and the disabled, and management of the countryside including providing visitor services.

4.64 A significant proportion of the Directorate's budget is linked to contracts, and EIG therefore recognises the need to work in close partnership with providers and markets to explore opportunities for efficiencies.

4.65 At month 8 EIG forecasts an overspend of £1.5m including:

- a number of pressures in Highways & Transport including additional staffing, reduced income and increased costs (£0.7m)
- additional capacity including project management to support improvements and legislative change across the directorate (£0.3m) and
- acceleration of treatment to address ash dieback in the countryside (£0.2m).

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Financial pressures

4.66 The EIG 2024/25 revenue budget includes pressures of £27.5m, £44.9m for the whole 2024-29 MTFS period; including:

- Inflation: significant spend within EIG 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. The budget generally assumes contract inflation at 5% (£5.8m) for 2024/25. Pay inflation is also included at 4% (£1.7m) for 2024/25.
- Supporting and enhancing transport services: the budget includes significant investment in bus services, the introduction of a half price travel scheme and digital demand responsive transport (£11.9m). Most of this investment is initially funded by Government grants, resulting in a budget pressure in future years.
- Supporting and enhancing highways and environment services: following a task and finish review undertaken by Cabinet earlier in the year, investment in a range of service improvements are proposed including refreshing road lines, additional investment in gulley cleaning, area stewards and grass-cutting (£5.2m).
- Greener Futures activities (Climate Change and Natural Capital) previously funded through Transformation are transitioning to the EIG revenue budget resulting in growth of £1.2m after reprioritising and reprofiling activity to reduce the initial investment ask.
- Staffing changes in other areas (e.g. project management capacity to support service improvement and respond to legislative changes, senior management capacity, and restructuring the Waste team) results in growth of £1.1m.

Financial Efficiencies

4.67 The EIG 2024/25 revenue budget includes efficiencies totalling £18.8m including:

- Transport funding: including one-off and prior year transport grants and ongoing changes in concessionary fares volumes (£11.4m) which will be applied to manage the costs associated with bus service improvements set out above, resulting in a financial pressure from 2025/26.
- Waste management: the revenue budget anticipates efficiencies from new contracts for residual waste and dry mixed recyclables (£0.6m and £0.3m respectively, both part-year) when those contracts commence in October 2024.
- Land & Property: efficiencies arising from new facilities management contract arrangements (£1m), the Agile programme (e.g. office building rationalisation and running costs, £0.9m) and other asset and service reviews (£1.1m).
- Other efficiencies include ongoing efficiencies following new arrangements for enforcement of on street parking restrictions (£0.5m) and enforcement of bus lane and moving traffic offences (£0.3m), income from highway advertising (£0.3m), and transformation and integration of services across ETI.

Capital budgets

4.68 EIG 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. EIG's 5 year capital programme totals £1.8bn across the MTFS period. Key programmes and schemes include:

- Structural maintenance of roads, bridges and other highway assets
- The River Thames flood alleviation scheme and wider flood alleviation programme
- Highways and transport improvement schemes and programmes, such as the A320 Improvements, low emission buses, and the Surrey Infrastructure Plan
- Greener Futures, the Council's ambitious carbon reduction plan, and

- Investment in the Council's Land and Property estate, developed in close consultation with front line services to ensure 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.

Horizon scanning

4.69 In future years further opportunities are anticipated in a number of areas.

- Following an extensive procurement process the Council's new highways maintenance and improvement contract, delivered by Ringway, started in April 2022. The Council and its contractor continue to work in partnership to explore further efficiencies, for example innovations in working practices and use of improved materials.
- 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. The Strategy will have implications for waste infrastructure which will need to be considered within the Council's wider capital programme, including future arrangements for maintaining existing waste sites including the Eco park.

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SURREY FIRE & RESCUE SERVICE

Context

4.70 Surrey Fire and Rescue Service (SFRS) is a statutory service which aims to make Surrey a safer place to live, work, travel and do business. In recent years, in response to now His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HIMCFRS), SFRS has put in place major improvement programmes which was, in part, set out in the Making Surrey Safer Plan (MSSP) 2020-24. A big part of the MSSP is about improving how we deliver prevention and protection activities, helping to prevent emergencies from happening in the first place.

4.71 Partnership working is key to the success of the MSSP, starting within Surrey County Council with Adult Social Care and Integrated Commissioning, Children, Families and Lifelong Learning and Public Health services, to help prioritise support to our most vulnerable residents. SFRS also aim to work better with other emergency services, District and Borough Councils and closer working with businesses to support the Surrey economy.

Current 2023/24 budget position

4.72 SFRS, including the Emergency Management Team, has an annual revenue budget of £39m. At month 8 the service forecasts an overspend of £0.2m on revenue budgets due to a backdated national pay award for uniformed staff for 2022/23 of 7%, which was agreed after the current budget was approved and exceeds the 5% uplift assumed in the Council's MTFS. This creates a pressure of £0.7m, which is partially offset by vacancies (£0.4m) and other efficiencies, and is reflected in the new MTFS.

Financial Pressures

4.73 The SFRS 2024/25 revenue budget includes pressures of £2.6m, £7m across the whole 2024-29 MTFS period; including:

- Expected growth through pay inflation, including anticipated growth from nationally agreed firefighter's pay awards in 2023/24 and 2024/25 and including the current year pressure, totalling £2.4m next year.
- Other adjustments largely offset each other and include recruitment and resilience measures designed to offset the ongoing impact of operational firefighters leaving the authority, increased communications costs, increased level of contingency cover and extension of the corporate Reasonable Adjustments offer to encompass SFRS, offset by removal of time-limited prior year growth including temporary staffing.

Financial Efficiencies

4.74 The SFRS 2024/25 revenue budget includes efficiencies totalling £0.7m, rising to £1.2m over the MTFS period, including reviews of Fire Investigation, Logistics and the Operations Management Centre (OMC)/Staff Office, alongside cessation of operational staff rotations and capitalisation of the costs of staff delivering the capital programme.

Capital budgets

4.75 SFRS currently has a Capital Programme of £21m across the 5-year MTFS period which includes replacement of fire appliances, other vehicles and equipment.

Horizon scanning

4.76 Efficiency measures subject to further development include developing a shared use offer for future training and fleet maintenance facilities, and savings anticipated from a new communications system. The Community Risk Management Plan (MSSP) will be reviewed and updated for early 2025, and will include a wider review of the service, including efficiency and an opportunity to consult on any changes.

CUSTOMER AND COMMUNITIES

Context

4.77 The Directorate includes the following services:

- Customer Services
- Libraries, Arts, and Heritage
- Registration and Nationality Services
- Coroners
- Trading Standards and Health & Safety
- Community Investment and Engagement
- Community Partnerships and Prevention

4.78 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's Health and Wellbeing Strategy.

4.79 The Directorate is at the forefront of shaping and delivering the Council's priority ambition for empowered and thriving 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 enabling more people to live independently for longer.

4.80 The Directorate is delivering key transformation work that continues to adapt and improve services to meet the changing needs to our residents and ensure financial sustainability including:

- **Customer Transformation** - making the experience of dealing with the council quicker, easier, and better by shaping relationships with our customers, managing their enquiries in a more efficient, proactive, and connected way and increasing our use of digital self-serve technologies and data insights;
- **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;
- **Enabling Empowered Communities** – designing and introducing new approaches 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.

Current 2023/24 budget position

4.81 The net budget for the Directorate for 2023/24 amounts to circa £21m. This includes significant income budgets in excess of £17m, primarily across Cultural Services (Libraries and Surrey Arts) and Registration and Nationality Services.

4.82 All areas have delivered significant service improvements and cost reductions over the last three years. For example, the Library Service net budget has reduced by 43% since 2019/20. The ambition is not only to ensure the sustainability and quality of services provided, but to also think creatively about how services are delivered efficiently and effectively.

4.83 The month 8 forecast is £0.1m overspend. The main reason for the overspend is £0.3m Libraries income pressure and additional staff in Customer Services in response to activity levels, £0.2m. These overspends are offset by staffing underspends in other services. The Libraries' income budget was set at 2019/20 levels as footfall continued to recover after the pandemic, however it is now considered unlikely that income will fully recover. The Libraries' income pressure is likely to continue into 2024/25 as are the high demand and rising customer expectations leading to resourcing pressures.

Financial pressures

4.84 In 2024/25, the directorate is likely to have £1.2m of inflationary pressures. Over 77% of the Customer & Communities Directorate budget is staffing and consequently, the majority of, its inflationary pressures relate to pay inflation, estimated at £1.1m next year. There are a range of other smaller pressures, totalling £0.6m, including the continuation of the 2023/24 Libraries income pressure. 8

4.85 There are also continued risks as all services are experiencing high demand and rising customer expectations leading to resourcing pressures.

Financial Efficiencies

4.86 The Directorate has had to identify £1.3m of efficiencies to offset the £1.8m pressures. These have been developed and are guided by the following principles:

- Maximise income in 2024/25 by setting rate increases equal to inflation (or more where the market allows) and driving income generation from other sources where possible;
- Prioritise the continuation of operational services and offers we have strongly committed to as part of our strategy – for example a network of 52 libraries and support for Your Fund Surrey;
- Ensure we can continue to build on the new capabilities we have developed for the future design of the organisation for example Customer Services, local engagement and community-based prevention;
- Consideration of the statutory duties and requirements that relate to C&C services;
- Ability to practically deliver the expected efficiencies and to mitigate impacts;
- Consideration of efficiencies already made in recent years across C&C services;

4.87 The efficiencies include increased income of £0.6m and service reviews which do not impact the strategic direction, £0.2m. In addition, £0.5m of more challenging efficiencies.

Capital budgets

4.88 The Directorate has capital investment plans to transform the libraries. The Directorate also oversees the corporate Your Fund Surrey capital investment programme.

4.89 The capital pipeline and budget contains £23.2m 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.

4.90 The capital and pipeline budget includes £30m for Your Fund Surrey of which £4m is for the small fund which supports local small capital projects in their community. A whole range of projects have been funded from this scheme to date, including refurbishment of village halls, new pathways, community gardens, playgrounds and inclusive sports facilities. In order to build on this success, and to ensure the Council supports as many initiatives as possible and spread the fund more widely across the County, the allocation to individual Members is increasing by an additional £50,000, to a total of £100,000 each.

RESOURCES

Context

4.91 The Resources Directorate sits at the heart of the Council, predominantly responsible for enabling services, but also for some front-line services. The directorate is committed to providing highly effective support to colleagues across the council spanning the breadth of our functional responsibilities, but in a way that feels joined up and responsive.

4.92 The aim of the Resources directorate is to be seen as a 'True Business Partner' by all colleagues and customers. This means supporting and enabling service colleagues as the primary objective, because through them Resources is contributing to great outcomes for Surrey and Surrey residents. The directorate also aims to embody the culture of Surrey County Council as a successful and effective organisation; demonstrating the same agility and responsiveness that we all aim to provide to residents. Thinking primarily about customer's perspective and presenting issues, rather than Resources own organisational structure and arrangements.

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4.93 The Directorate's focus in the medium term is:

- Delivering highly effective and value for money services
- Delivering high impact collaborative support, to enable the organisation to deliver high quality services and good outcomes for residents.
- Empowering our people to reach their full potential across the organisation, ensuring no one is left behind.
- To deliver excellent financial management by ensuring a balanced and sustainable budget, providing insight and solutions, supporting robust commercial activity and investing in the services that matter to our residents.
- Supporting the organisation to become agile and dynamic in our ways of working.
- Providing efficient systems & governance to enable the organisation to deliver high quality services and good outcomes for residents.
- Continually challenge ourselves and others to improve and innovate for the benefit of our residents.

Current 2023/24 budget position

4.94 The Directorate is forecasting an overspend of £0.5m at month 8, after mitigations. This excludes the £0.3m overspend variance relating to Land and Property (L&P) whose budget will transfer to EIG in April. The largest Resources variance is the expected reduction in income of £0.3m from the provision of payroll services, due to decreases in customer numbers. There are also staffing pressures in People & Change and Business Services due to agency and restructure costs (£0.4m). These pressures are offset by staffing underspends in other services due to holding vacancies to mitigate the overspends.

Financial pressures

4.95 The Directorate is forecasting inflationary pressures of £2.6m, mainly from staffing and also continued high inflation levels for food and insurance premiums. Although the headline rate of inflation on staffing costs is lower than some of the external ones, staffing accounts for a majority of costs within the directorate.

4.96 The inflationary pressure along with the continuation of 2023/24 pressures and some specific increases, result in likely 2024/25 pressures of £4m. Specific pressures mainly relate to insurance where the current levels of insurance claims and reduced recovery of insurance costs as schools convert to academies is leading to a pressure of £0.6m.

Financial Efficiencies

4.97 The directorate has identified £0.9m of efficiencies. Each service within the directorate is reviewing activities to make service based efficiencies of £0.6m and a directorate wide capacity review will achieve further efficiencies.

4.98 These efficiencies are likely to have a significant impact on staffing, particularly the payroll services changes which are likely to lead to a reduction in full time equivalent staff of circa 50.

Capital budgets

4.99 The Directorate manages capital investment relating to the Council's IT&D services, equating to £31.3m over the MTFS period. Investment plans are developed in close consultation to support the efficient delivery of services to our residents and to support our staff to carry out their responsibilities.

Horizon scanning

4.100 The Directorate contains the Design & Transformation service, which drives further financial efficiencies across the organisation through the ambitious and forward-looking transformation and SWITCh (Surrey Way Innovation, Transformation & Change) programmes 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.

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COMMUNICATIONS, ENGAGEMENT AND PUBLIC AFFAIRS

Context

4.101 The Communications, Public Affairs and Engagement directorate 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.

4.102 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.

4.103 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.

Current 2023/24 budget position

4.104 The Directorate operates within an overall budget of £2.2m, managing demand pressures within existing financial resources wherever possible. The latest month 8 forecast is a balanced position.

Financial pressures & Efficiencies

4.105 The majority of the directorate's expenditure is on staffing, leading to pay inflation pressures of £0.1m. The inclusion of a new Resident Intelligence Unit (RIU), which will collect, interpret and report resident insights and intelligence and guide, support and track engagement and consultation across the entire organisation is estimated to cost £0.4m. It is assumed that the planned review of Communications activities across the Council will deliver organisation wide efficiencies of £0.4m to offset the pressures in the directorate.

5. FINANCIAL STRATEGY AND 2024/25 BUDGET

5.1 This section sets out our approach to developing a Budget and Medium-Term Financial Strategy. We committed, as part of our Finance Improvement Programme, to assessing future budget setting processes

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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	• The budget process has been coordinated across Directorate Leadership Teams, Corporate Strategy & Policy, Transformation/Design & Change and Finance; the integrated approach ensures that the budget is focussed on delivering corporate priorities and is linked to the core planning assumptions and Directorate business plans. • Despite significant uncertainty in the financial planning environment, 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 launched a cross-cutting approach to budget setting for 2023/24 onwards to ensure that dedicated focus, resource, and adequate time is dedicated to solving the medium-term budget gap and well as a focus on balancing the budget for 2024/25. The SWITCh Programme continues this focus from 2024/25 onwards.
Resources are focused on our vision and our priority outcomes	• The budget is based on clear integration with the Organisation Strategy, the transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group. • The budget has been subject to numerous iterations through Cabinet and CLT over the last seven months to narrow the gap and clarify and update assumptions. • Core planning assumptions are developed using the comprehensive application of a recognised PESTLE+ framework to review the likely environment for budget setting and service delivery, contributed to by representatives from across the Council's services, to provide a consistent framework for planning purposes.
Budget not driven by short-term fixes and maintains financial stability	• Budget preparation is integrated with transformation and with a focus on opportunities required over the medium-term to ensure that we are acting 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 five years, we have not used General Fund reserves to support the budget – the planning assumptions are for a continuation of this strategy over the medium-term. • We aim to continue to hold general fund reserves appropriate to meet the assessed risk environment and specific pressures to ensure our continued financial resilience despite an increasingly volatile and uncertain external environment. • We assess the level of our reserves, in the context of the risk environment in which we operate but also with reference to levels recommended by external auditors ('Lessons from recent Public Interest Reports') and, looking at the direction of travel (ie are reserve levels increasing or decreasing over the medium term) and utilising comparisons and benchmarking data to compare to similar authorities.
The budget is transparent and well scrutinised	• 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, funding projections and baseline financial planning assumptions.

	• Select Committees have been asked to identify areas of focus to enable more robust and detailed scrutiny of specific areas of pressure and/or risk. They have been provided the opportunity to put forward suggestions to close the budget gap. • In October, Directorate pressures and proposed efficiencies were shared in advance of finalising the budget proposals. These sessions will continue throughout the budget setting process. • Opposition Groups have been engaged earlier in the budget setting process since 2023/24. They have been consulted on the core planning assumptions, funding projections, key areas of risk and underlying financial planning assumptions. They have been asked to contribute suggestions to close the budget gap.
The budget is integrated with the Capital Programme	• Section 6 sets out the Capital Programme • The Capital Programme is developed alongside the revenue budget and is overseen by Capital Programme Panel. We continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget. • Where decisions on available funding have been required, dedicated capital sessions have been held with the Corporate Leadership Team and Cabinet to inform prioritisation of capital bids, taking into account parameters such as alignment to corporate priorities and impact on 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. • 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	• Section 10 sets out our approach to consultation and engagement. • We delivered a multi-method exercise to ask residents and other stakeholders what the most important outcomes were, what they wanted the council to focus most on, what they wanted the organisation to deliver, how the council's financial resources should be allocated, how the budget should be balanced and the circumstances under which residents would most likely support or oppose any increases in council tax. • Between November 2023 to January 2024, we consulted with residents, businesses, district and borough councils, other public service partners and the voluntary, community and faith sector to understand their views on key investment proposals in the budget and measures to close the budget gap for 2024/25.

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 have been reaffirmed for the 2024/25 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;

- Ensuring a culture of budget responsibility where managers are accountable for their budgets – budgets are agreed and acknowledged annually by Accountable Budget Officers through Budget Accountability Statements;
- Cost and demand pressures contained within budget envelopes to ensure ownership and accountability;
- Robust efficiency plans which are owned, tracked, and monitored;
- 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;
- Evidence bases used to underpin 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;
- Thorough review of fees & charges to ensure all charges consider commercialisation and current rates of inflation.
- A corporate transformation fund held centrally;
- A corporate risk provision/contingency held centrally; and
- A corporate redundancy provision held centrally.

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Revenue Budget Headlines

5.4 As an organisation we are constantly affected by our external environment, which has implications for both what we want to achieve and how we will deliver for our residents and communities. The budget has been developed during a period of significant uncertainty; with the impact of inflation forecasts, Government leadership and policy changes, funding, the impact of increased cost-of-living and likely demand for services in 2024/25 all very unclear. Understanding this context is integral in helping inform and shape how we plan and respond as an organisation to possible future scenarios.

5.5 The Council develops a set of Core Planning Assumptions to help manage this uncertainty, setting out assumptions about the council's most likely operating context. The assumptions are developed from emerging policy trends and predictions drawn from government messaging, strategies, policy think tanks and other influential institutions to build an expectation of future conditions. They are not intended to define a specific future, but list important factors that may affect the council's resources and services to inform strategic and financial planning in the short to medium term.

5.6 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 Directorate identifying efficiencies to offset pressures from demographic growth, inflation and new responsibilities.

5.7 Directorate growth pressures have been subject to a number of iterations and changing assumptions, particularly in relation to forecast inflation and the ongoing impact of in-year changes to demand pressures; culminating in the final budget, with the following main changes from 2023/24:

- An increased budget of £94.9m
- Total pressures of £148.6m, comprising
  - Staffing pressures of £17.6m

- Contract & Price inflation of £52.4m
- Demand and other pressures of £69.4m
- Capital financing costs of £9.2m; and

- Efficiencies of £53.7m

5.8 The level of identified pressures represents the second year where the Council are experiencing a significant increase compared to previous years' average annual pressures, primarily due to the high inflation environment. This has necessitated the identification of a higher level of efficiencies in the last 2 years than has been required historically.

5.9 In setting the budget, pay, contract and price inflation has been calculated by Directorates, informed by corporate assumptions. Pay inflation at 4% has been calculated and allocated to Directorates, in addition to other pay and recruitment pressures. This is a planning assumption only and does not represent the proposed pay award. The actual pay award for 2024/25 will be decided by the People, Performance and Development Committee after formal consultation. Any further pressure or reduction from the 4% will be dealt with in-year. Contract and price inflation has been set based on a blended assumption of annual average RPI and CPI of 5% for 2024/25, with variations for specific contracts and market variations where appropriate. Inflation has been included in Directorate envelopes.

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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 £94.9m (8.6%):

- Pressures and Efficiencies are set out in further detail in **Annex A**
- A breakdown of the 2024/25 budget by Directorates and Services in **Annex B**.

Table 2: Summary Budget Position for 2024/25

Directorate	Restated Budget 23/24 £m	Pay Pressures £m	Contract & Price Inflation £m	Demand & Other Pressures £m	Efficiencies & Funding £m	Total Movement £m	Budget 2024/25 £m
Adults, Wellbeing & Health Partnerships	474.8	5.2	34.0	11.2	(22.7)	27.8	502.6
Children, Families and Lifelong Learning	249.4	5.8	10.5	29.8	(8.8)	37.2	286.6
Environment, Infrastructure and Growth	178.8	1.7	5.8	19.9	(18.8)	8.6	187.4
Surrey Fire & Rescue Service	39.2	2.4	0.2	0.0	(0.7)	1.9	41.1
Customer and Communities	20.8	0.2	1.1	0.6	(1.3)	0.6	21.4
Comms, Public Affairs & Engagement	2.2	0.1	0.0	0.4	(0.4)	0.1	2.3
Resources	57.6	2.1	0.7	1.4	(0.9)	3.4	61.0
Total Directorate Envelopes	**1,022.8**	**17.6**	**52.4**	**63.3**	**(53.7)**	**79.6**	**1,102.4**
Central Income & Expenditure	79.4			15.3		15.3	94.7
Total Net Expenditure	**1,102.2**	**17.6**	**52.4**	**78.6**	**(53.7)**	**94.9**	**1,197.1**
Business Rates (inc related grants)	(131.0)				(23.6)	(23.6)	(154.6)
Grants	(112.1)				(11.8)	(11.8)	(123.9)
General Council Tax	(753.3)				(30.8)	(30.8)	(784.1)
Adults Social Care Precept	(112.7)				(18.1)	(18.1)	(130.8)
Collection Fund (Surplus) / Deficit*	6.9				(10.6)	(10.6)	(3.7)
Total Funding	**(1,102.2)**	**0.0**	**0.0**	**0.0**	**(94.9)**	**(94.9)**	**(1,197.1)**

National Funding Context

Autumn Statement & Local Government Finance Settlement

5.11 On the 22nd November 2023, the Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, announced the Autumn Statement, alongside the publication of updated economic forecasts for the UK by the Office for Budget Responsibility (OBR). No new funding was announced for local government in the Autumn Statement, beyond what had previously been announced in the 2022 Autumn Statement in respect of social care grant allocations.

5.12 The Provisional Local Government Finance Settlement (LGFS) followed on the 18 December and provided more details for 2024/25. In the context of a series of s114 announcements, publicised issues with local government funding and extensive lobbying to the Treasury, it was hoped that there would be some further funding within the provisional LGFS. The policy statement, issued on 5th December suggested this would not be the case, however intensive lobbying leading up to the announcements provided positive indications that there would be some additional support. This proved to not be the case.

5.13 The Autumn Statement and Provisional LGFS headlines for Surrey County Council are as follows:

Revenue:

- The Levelling Up Secretary Michael Gove confirmed Government figures indicate an average increase in Core Spending Power (CSP) of 6.5% in 2024/25 nationally. Almost half of this increase, comes from the presumption that all councils will levy the maximum increase in council tax permitted.
- The agreement for next year includes a one-off Funding Guarantee that ensures every council in England will see at least a 3% increase in core spending power before any local decisions around council tax are taken.
- The increases in the social care grant announced in the 2023/24 local government finance settlement were confirmed.
- The grant allocations announced resulted in additional grant allocations of £3.5m, when compared to the Council's draft budget assumptions consisting of:
    - 3% funding guarantee funding of £6.6m
    - Additional social care grant allocations of £1.3m

  Offset by:
    - New Homes Bonus allocation was confirmed at £1.1m (£0.5m less than assumed in the draft budget)
    - The reduction in the Services Grant resulted in Surrey County Council's allocation confirmed as £0.7m (a decrease from the £4.7m assumed in the draft budget)
- The LGFS confirmed that the Fair Funding Review of the allocation of Government Grant will not commence within this Parliament.
- The core Council Tax referendum threshold was confirmed as to up to 3% for 2024/25.
- The Adults Social Care (ASC) Precept limit is set at 2% for 2024/25.
- Each 1% increase in either the core Council Tax or ASC Precept generates c£8.6m. The final budget assumes that 4.99% will be raised.

Capital

- Capital grants were not confirmed as part of the LGFS.
- SEND capital investment announcements made in the previous year's settlement span 3 financial years to 2023/24. Confirmation of specific annual allocations from 2024/25 are yet to be announced. The Capital Programme includes a comprehensive SEND investment programme, so any additional grant will reduce our need to borrow to fund these requirements.
- In November 2023, the Department for Transport (DfT) announced an additional pothole allocation, as part of £8.3bn repurposed HS2 funding. This allocated the Council an additional capital grant of £2.6m per year for 2023/24 and 2024/25, on top of the £25.691m existing DfT grants covering potholes, maintenance and integrated transport schemes. The minimum additional funding to the Council over the 11 year period to 2033/34 is £82m, implying future annual amounts will be higher, although allocations and profile are yet to be confirmed.
- Assumption on other capital grant funding have been made in the final capital programme, based on historic allocations. Changes between these assumptions and final grant announcements will be managed in year.

5.14 Looking further ahead, prospects for local government finance settlements in the next spending review period look very tight. There is no change in the overall planned increase in Resource Departmental

Expenditure (RDEL) of 1% in real terms, which means real-terms cuts for unprotected services, including most of local government. Details of spending plans for the medium term are not set out, these will depend on the speed and level of improvement and growth in the economy. This continues the trend of uncertainty and a real risk of reductions being required in public spending in the medium term.

Final Funding for 2024/25

5.15 For some years, the most significant anticipated influence on the Council's funding has been the long-awaited implementation of fundamental Government funding reform; the Review of Relative Needs and Resources, alternatively referred to as the Fair Funding Review. Our assumption is that reform would see Surrey's funding drop significantly over the medium-term. Government have confirmed that these reforms will not be implemented in this parliament and our current planning assumption is that these will not impact until 2026/27, at the earliest.

5.16 Total funding for 2024/25 for Surrey County Council is set out in the sections below.

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Council Tax Funding £921.1m (Council Tax £914.9m plus collection fund surplus £6.2m)

5.17 The Chancellor announced in the November 2022 Autumn Statement, that core council tax referendum principles would continue for 2024/25 as set in 2023/24. This means councils can increase core council tax by up to 3% without the need for a referendum and can raise up to 2% in an additional adult social care precept.

5.18 In setting the budget the Council has built in a 2.99% increase in core council tax. A 2% increase in the Adult Social Care precept is also proposed. Taking these factors into account it is proposed to increase council tax by 4.99% in 2024/25. This equates to an increase of £1.61pence per Band D Property per week (£83.52 per year).

5.19 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 equates to 0.7% increase to the tax base.

5.20 **Full details of the Council Tax Requirement and breakdown of the taxbase by District and Borough can be found in Annex E.**

5.21 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. We were expecting the Boroughs and Districts to report an underlying surplus for 2024/25 of £5.8m. The difference between this and the final figures provided is managed through an adjustment to the Collection Fund equalisation reserve.

5.22 The position of the collection fund is determined by billing authorities (Boroughs and Districts) and is implicitly driven by both current positions and judgements about how prudent or optimistic their forecasting assumptions are in relation to their overall budget positions. As a precepting authority, Surrey County Council are required to use the forecasts adopted by the billing authorities. Such information is received too late in the budget setting process to enable robust analysis or testing of assumptions. The Council therefore takes a decision in respect of any collection fund equalisation adjustments to ensure prudence in the budget and because where forecasts are unusual there is a high possibility of a correction next financial year. Volatility in future collection fund figures is exacerbated by economic volatility and the increased cost of living which could impact collection rates. The Council therefore uses the collection fund equalisation to smooth impacts and avoid significant year on year fluctuations.

Table 4: Council Tax Requirement

Council Tax	2023/24 £m	Change £m	2024/25 £m
Core Council Tax	753.3	30.8	784.1
ASC Precept	112.7	18.1	130.8
Council Tax Requirement (CTR)	866.00	48.9	914.9
Collection Fund surplus/ deficit (-)	6.8	0.0	6.8
Collection Fund equalisation adjustment	(10.6)	10	(0.6)
Council Tax budget	**862.2**	**58.9**	**921.1**

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5.23 The Council continues to work with the Borough and Districts to improve the information flow and enable more accurate forecasting of the taxbase and collection fund surplus/deficit at the draft budget stage, requesting information on multiple occasions throughout the year. A working group has been set up to specifically look at collection rates and this group will be utilised to help improve information sharing going forwards.

Business Rates funding £152.1m (Business rates £154.6m less collection fund deficit £2.6m)

5.24 As part of the Autumn Statement and the Provisional Local Government Finance Settlement, the Government confirmed there would be a freeze to the business rates multiplier for small businesses and an increase the standard multiplier in line with the September Consumer Price Index (CPI). Ministers were given powers in the Non-Domestic Rating Act 2023 (which received Royal Assent on 26 October 2023) to de-couple the two multipliers and to apply different indexation factors to them. This was then enacted in the Autumn Statement. This change has been modelled into our assumptions for business rates received directly and through S31 payments.

5.25 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 is an estimated £2.5m (2023/24 deficit was £3.1m). Some reliefs are compensated for by Central Government, £36.5m of compensation grant funding for business rates income has been assumed to offset that element of the collection fund deficit.

Table 5: Business rates funding

Business Rates	2023/24 £m	Change £m	2024/25 £m
Business Rates income	110.1	8	118.1
Business Rates grants and reliefs	20.9	15.6	36.5
Collection Fund surplus/ deficit (-)	(3.1)	0.5	(2.6)
Business Rates budget	**127.9**	**24.1**	**152.1**

Grant funding £123.9m

5.26 All grant assumptions have been updated to reflect the information provided through the provisional Local Government Finance Settlement as well as other proposals and publications.

5.27 In total general **grants have increased by £11.8m** from 2023/24. The increase is broadly driven by:

- Increase in Social Care Grant, £8.9m
- Increase in Public Health Grant, £0.6m
- 3% funding Guarantee, £6.6m
- Other smaller grant movements, £0.2m

offset by:

- Reduction in the Services Grant (£4m)
- Reduction in New Homes Bonus (£0.5m)

5.28 The **total £123.9m general grant funding included in the budget** includes the following main elements:

- Social Care Grant - £61.4m
- Public Health Grant - £41.5m (to be confirmed)
- PFI credit funding for Streetlighting - £6m
- Dedicated Schools Grant Funding for Council services £5.9m
- 3% Funding Guarantee £6.6m
- Services Grant - £0.7m
- New Homes Bonus and other minor grants £1.8m

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Overall Funding

5.29 The funding picture set out above results in overall funding as follows; with 2024/25 funding being £94.9m higher in total than 2023/24:

Table 6: Projected Funding over the Medium-Term

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Council Tax	866.0	914.9	940.0	965.4	991.5	1,018.3
Business Rates	131.0	154.6	154.5	160.9	163.5	161.4
Grant funding	112.1	123.9	115.0	83.8	55.2	35.9
Funding before Collection Fund	**1,109.1**	**1,193.4**	**1,209.5**	**1,210.2**	**1,210.3**	**1,215.6**
CT Collection Fund	6.8	6.8	2.8	2.9	3.0	3.1
Collection Fund equalisation adjustment	(10.6)	(0.6)	0.0	0.0	0.0	0.0
BR Collection Fund	(3.1)	(2.6)	(2.6)	(2.9)	(3.0)	(3.1)
Total Funding	**1,102.2**	**1,197.1**	**1,209.7**	**1,210.1**	**1,210.3**	**1,215.6**

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

Fees & Charges

5.30 Fees & Charges generate c£56m across all Directorates, including:

- £8m in Children, Families and Lifelong Learning mainly for Surrey Adult Learning and Surrey Outdoor Learning and Development,
- £8m in Customer & Communities including the Registration and Nationalisation Service, Surrey Arts and the Library Services,
- £18m in Environment, Infrastructure & Growth including Streetworks and Transport Development Planning,
- £21m in Resources relating mainly to Twelve15 (schools catering and services).

5.31 As part of the budget planning process, Directorates have undertaken a full review of fees and charges, considering prices, volumes and associated costs and benchmarked against other providers and neighbouring local authorities where appropriate.

5.32 When setting 2024/25 fees and charges budgets, the principals applied are in line with directorate inflation rates, with most services applying a 5% inflation rate to uplifts where appropriate and in line with market conditions. In specific circumstances, services may apply higher increases or propose a lower increase to prices, to ensure affordable and accessible services for residents and to remain competitive in their respective markets.

5.33 The gross budgeted income from fees and charges has reduced by £0.4m compared to 2023/24. Increases in prices have been offset by reduced demand and volumes, and changes to central government policy (where prices are informed by government policy).

Reserves & Risk Mitigation Strategy

5.34 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.

5.35 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.**

5.36 The appropriate level of reserves needs to be considered alongside an assessment of the Council's risk environment. The higher the risk inherent in budget planning cycle, the higher the level of reserves needs to be in order to mitigate this risk. Therefore, an assessment of the risk environment is required in order to determine the suitability of the baseline reserves position, this assessment should include consideration of the robustness of efficiency plans, levels of uncertainty (demand / price), policy changes and wider national economic and political factors.

5.37 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 (£8m) 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 / 14% of the net budget.
- Reserves should not drop below 10% of the net budget. 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 c14%, dependent on analysis of the risk environment.

- 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.
- Unutilised risk contingency budget should first be used to ensure reserve levels are sustained, thereafter there is opportunity to invest in future years in strategic priorities, further transformation and/or service improvements (one-off costs). Any such investment should result in strengthening of the financial position, ie reducing risk or generating revenue efficiencies.

5.38 Given future funding uncertainty, retention of the Council's reserves will be essential in order to mitigate risk and protect against unplanned pressures and/or the non-delivery of planned budget efficiencies.

5.39 The Council has traditionally maintained a low General Fund balance (c2% of net budget). 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. This level of General Fund balance is low by comparison to other authorities, and we have held an ambition to increase it over time. As at 31 March 2023, the General Fund Balance stood at £49m (4.4% of the 23/24 net revenue budget).

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5.40 The Council's external auditor comments on the level of reserves as part of the annual audit of the Council's Accounts.

5.41 The 2024/25 budget assumes the potential use of £5m of reserves to fund the additional childrens' services improvements and targeted prevention in the event that additional funding is not allocated as part of the Final Local Government Settlement.

5.42 For 2024/25, in addition to the £49m General Fund balance, we have also allowed for a £20m contingency as part of budget setting. While the contingency budget for 2023/24 has needed to be utilised to cover the current in-year forecast overspend, it is expected that the £38m of contingency brought forward from previous years' will not be required, giving a total contingency of £58m for 2024/25. The General Fund balance, in combination with the contingency (for general purpose use), will mean that there is £107m (8.9%) of cover to mitigate against future risk and uncertainties.

5.43 On the basis of the above the Section 151 Officer considers the 2024/25 Budget to be robust.

Staffing Position

5.44 During the pandemic, the Council increased staff resources in a number of key areas to deliver increased activities and provide essential support to residents while continuing to improve services. Over the last 12 months, we have seen the headcount of the organisation reduce and the budget proposals see further decreases.

5.45 The table below shows the forecast FTE (Full time equivalent) movements as a result of both the current year and 2024/25 budget proposals. Staffing budgets are included in Annex B and show an overall increase in the staffing budgets from current year to next of £14.5m, made up of an overall net decrease of £2m, offset by estimated pay inflation of £16.5m.

Directorates	2023/24 Staffing Budget	2024/25 Staffing Budget	Overall Movement	Movement Category Pay Inflation	Service Change	FTE Change
Adults, Wellbeing & Health Partnerships	£93.7m	£92.0m	(£1.7m)	£3.5m	(£5.2m)	-399.9
Children, Families and Lifelong Learning	£139.0m	£147.8m	£8.8m	£5.5m	£3.3m	113.0
Environment, Infrastructure and Growth	£42.7m	£46.4m	£3.8m	£1.7m	£2.0m	-85.0
Surrey Fire & Rescue Service	£40.5m	£42.3m	£1.8m	£2.4m	(£0.6m)	-8.3
Customer and Communities	£28.0m	£28.9m	£0.9m	£1.1m	(£0.2m)	-8.0
Communications, Public Affairs and Engagemer	£1.8m	£1.9m	£0.1m	£0.1m		0.0
Resources	£53.7m	£54.5m	£0.9m	£2.1m	(£1.3m)	-49.0
Central Income & Expenditure	£1.5m	£1.5m	£0.0m			
Total - Our Council	**£400.9m**	**£415.4m**	**£14.5m**	**£16.5m**	**(£2.0m)**	**-437.2**

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5.46 Over two financial years there is an anticipated decrease in FTEs of 435. Some of the largest areas of change include reductions as a result of the re-tender of facilities management contracts (in Environment, Infrastructure & Growth), the closure of in-house older peoples' homes (in Adults, Health & Wellbeing and Health Partnerships) and the ceasing of the school payroll provision (in Resources). Increases relate primarily to the intensive family support service and other increases in in-house provisions in Childrens, Families & Lifelong Learning. Through the Council's SWITCh (Surrey Way Innovation, Transformation & Change) Programme, further reductions in headcount is anticipated, as we aim to align our capacity to future available resources.

CIPFA Resilience Index Update

5.47 The 2023/24 Budget and Medium-Term Financial Strategy to 2027/28 report to Council in February 2023 provided an update on the Council's performance in the CIPFA resilience index, based on provisional 2021/22 data. Final data for 2021/22 has now been released, which confirms the finding in February's report, in particular showing improvements in reserves sustainability. The level of reserves held, compared to other authorities is no longer low, however remains significantly less than a number of our nearest neighbours.

5.48 2022/23 data has not yet been released. When available, we anticipate the 2022/23 data to show a further improvement in resilience.

CIPFA FM Code of Practice

5.49 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.'

5.50 It is for individual authorities to determine whether they meet the standards and to make any changes that may be required to ensure compliance. Officers have carried out a review of practices in place for the 2023/24 financial year against the guidance and 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 the focus on financial management capabilities as part of the Finance Improvement Programme initiated in 2018, the Council's arrangements exceed the expected standards.

5.51 The results of the Council's self-assessment against the Code are set out in Annex J, including areas where further development or improvement would be beneficial. The long-term sustainability of local services is an area identified for specific focus during 2024/25.

Best Value Standards

5.52 The Department for Levelling Up, Housing & Communities (DLUHC) have recently consulted on a new set of statutory guidance 'Best Value Standards and Intervention.' These have been developed to provide greater clarity to the local government sector on how to fulfil the Best Value Duty, by describing what constitutes best value, the standards expected and the models of intervention available to the Secretary of State in the event of a failure to uphold these standards. The guidance sets out seven best value themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate potential failure.

5.53 The Council have responded to the consultation, which closed in September 2023. Once the results of the consultation have been reviewed and final guidance issued by DLUHC, the Council intends to carry out a self-assessment against the guidance and is expected to report the results to the Audit & Governance Committee.

6. CAPITAL PROGRAMME 2024/25 TO 2028/29

Overview & Approach

6.1 This section provides an update on the development of the Capital Programme for 2024/25 to 2028/29, taking into account work that has been carried out by officers and Cabinet Members over the last nine months. 8

6.2 Over recent years the Council's capital ambition and delivery has grown significantly, in recognition of historic under-investment in our assets and in order to improve the condition of the infrastructure in the County. The capital programme is aligned to the Council's corporate priorities and invests in the areas of most importance to our residents.

6.3 Our aspirations remain high and the Capital Programme for 2024/25 – 2028/29 remains ambitious and proposes ongoing investment in priority areas such as highways infrastructure, improving the condition of our property estate, creating additional school places including for children with special educational needs and disabilities, the green agenda, transforming our libraries and investing in Adult Social Care accommodation with care and support.

6.4 The capital programme is developed based on an asset planning approach to ensure that affordable, value for money capital solutions are identified which focus on outcomes for residents, deliverability and affordability and contributes to the Community Vision for Surrey 2030, aligned with the organisation's priorities.

6.5 Despite our continued ambitions, the economic environment has changed over recent years. High inflation is making delivery of capital schemes more expensive and successive interest rate rises have increased the cost of financing borrowing. In order to sustain our financial resilience**,** we need to tighten up and re-set our capital expenditure approach, to ensure the affordability and sustainability of our capital programme in the medium term.

6.6 Due to the economic climate and the growing size of our capital investment plans, additional work has been undertaken in developing the proposed capital programme for 2024/25 - 2028/29 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 through income and efficiencies. These schemes are not a burden on the revenue budget. Self-funded schemes are scrutinised in detail at the business case stage and 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 and take action;
- 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. 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 realising priorities such as climate change;

6.7 The Capital Programme planning process began in May 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.

6.8 The challenge of developing an affordable capital programme that complies with this limit and effectively delivers Council priorities has grown, due to the impact of inflation driving up costs of delivery and interest rate rises increasing the overall cost of borrowing. Over the summer, investment plans have been robustly reviewed and schemes in the programme prioritised, re-scoped, removed or re-profiled to ensure the proposals best reflect the council's priorities and are deliverable within available financial and operational resources. Opportunities to utilise other sources of funding have been factored into the proposed budget.

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6.9 The Council operates a capital pipeline, in addition to the capital programme. 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. The nature of the pipeline is to be a flexible portfolio of schemes that contribute to the Council's strategic objectives.

6.10 Pipeline schemes have also been reviewed as part of the work recently carried out and a number of schemes have been re-scoped and re-prioritised, seeing an overall decrease in the 'unfunded borrowing' elements of the pipeline. This dampening of our ambitions is required to ensure the ongoing deliverability and affordability of the remaining, significant capital investment.

6.11 An officer-led, Capital Programme Panel (CPP), ensures 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.

6.12 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.

6.13 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.

6.14 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.

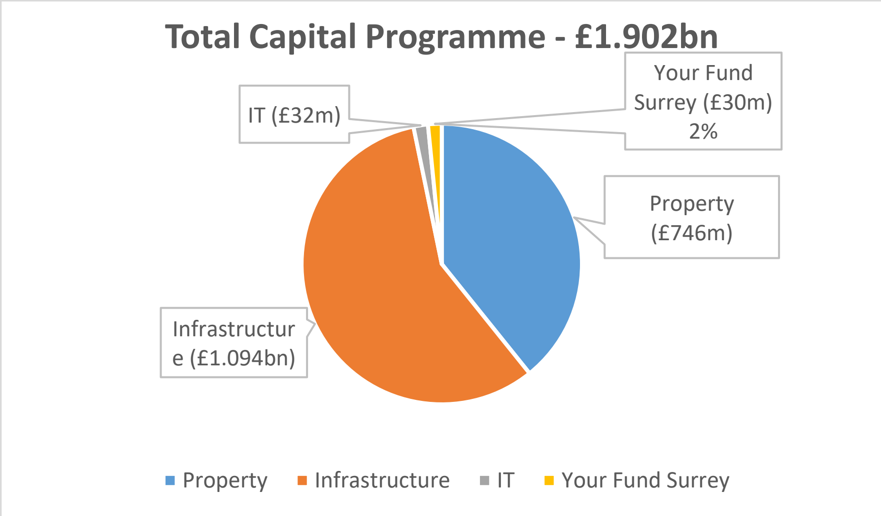
6.15 Governance structures, processes and procedures of the Capital Programme are continually assessed to strengthen financial management, decision making, and accountability. This includes internal audit, external reviews and work led by CPP and SCGs in collaboration with Finance.

6.16 For commercial capital investments, the Member led 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.

6.17 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.

Capital Programme 2024/25 – 202/29 (MTFS Budget & Pipeline Summary)

6.18 The proposed Capital Programme of £1.902bn is set out in more detail in **Annex C**. This consists of £1.291m in the capital programme and a further £611m in the capital pipeline. In developing this programme, detailed modelling of the impact of the MTFS on borrowing costs and borrowing limits has been carried out to ensure that revenue costs remain within the budget envelopes set out.



6.19 Uncertainty remains over the economic backdrop. Inflation remains high, driving up the cost of scheme delivery. While it is widely anticipated that interest rate rises have peaked, there remains uncertainty on the path of interest rates. These risks and uncertainties will be monitoring through CPP and mitigating actions taken where required.

6.20 CPP ensures 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.

6.21 The Capital Programme contributes towards the delivery of the Council's priority objectives as follows:

Priority Objective	Value of schemes in MTFS – Budget and Pipeline (£m)
Tackling health inequality	325
Enabling a greener future	638
Empowering communities	45
Total	**1,008**

6.22 A further £894m of capital schemes contribute towards achieving service and organisation effectiveness.

STRATEGIC CAPITAL GROUP - CAPITAL STRATEGIES

6.23 The Council is committed to developing a 10-year capital strategy, setting out a clear framework for managing our capital assets over the next ten years. It will enable us to make informed decisions on investments, asset disposals, and maintenance, and ensure that our assets are used effectively and efficiently to deliver the services our residents need, while also maintaining and improving their quality.

6.24 The first step in developing a 10-year strategy has been for each Strategic Capital Group to develop a 5 year strategy alongside the proposed 5-yearcapital programme.

Property Panel

Strategic Objectives

6.25 The Council's capital strategy plays a key part in the achievement of the Council's ambitions, providing the physical infrastructure that allows services to be delivered effectively, where most needed.

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6.26 The Land and Property Team is continuing to transform Surrey County Council's property portfolio property in line with its Asset and Place Strategy (2019-2030) which sets out: the Council's approach to the strategic management of its assets; how it will support service delivery; provide income to the Council; be used to promote growth and place shaping within Surrey; and deliver Surrey's Community Vision to 2030.

6.27 Additionally, the capital investment framework for property is shaped by the relevant Service Strategies that are underpinned by property assets, such as the:

- Additional Needs Strategy & Transformation Programme which aims to eliminate the council's Dedicated Schools Grant High Needs Block deficit thorough the provision up to 6000 pupil places across the county by 2030/31 (the "SEND & AP programme");
- Schools Basic Needs (SBN) programme that will meet the changing demands for pupil places through to 2030;
- Looked After Children (LAC) and Care Leavers Accommodation programme;
- Adult Social Care Accommodation with Care and Support Programme (AwCS);
- Agile Office Programme (AOP);
- Libraries Transformation Programme; and
- Inclusion of other corporate projects, including fire station upgrades, depot refurbishments, a new Gypsy Romany Traveller transit site, hubs in Sunbury and Bookham, and upgrade to an Outdoor Learning site.

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6.28 Capital investment across these programmes is prioritised on those projects that:

- Address any statutory requirements;
- Are self-financing schemes and/or grant aided;
- Generate revenue efficiencies;
- Enhance the existing asset base and deliver against wider corporate objectives such as Net Zero; and
- Rationalise the overall property estate and deliver an overall step change improvement in the condition of remaining asset base.

Asset Maintenance Programme

6.29 There are two key recurring capital maintenance budgets for the property estate, for:

- Schools – includes all local authority maintained secondary and primary schools where the council is obligated to fund and deliver life cycle works; and
- Corporate – includes all other council owned and/or occupied buildings where the council has the obligation as a freeholder or leaseholder to fund lifecycle works.

6.30 New condition surveys are being commissioned for schools and other corporate assets which will provide data to inform the prioritisation of spend on capital maintenance. Surveys will only be carried out on properties that expected to remain within the property estate beyond 2030 (aligned to the Asset & Place Strategy).

6.31 The profile of spend on school asset maintenance is front loaded to take account of a significant increase in works over the next 2-3 years as we work through the priorities highlighted in the lifecycle surveys to be undertaken by the end of March 2024, and to fund works required prior to the academisation of schools. Contingency has been included in the schools estimates to deal with "unknowns" (e.g. RAAC) over and above assumed grant levels. The annual figures for the last two years of the MTFS (FY27/28 & FY28/29) are forecast to reduce, as the number of maintained schools in portfolio is anticipated to decline. The forecast for the schools' budget is based on the following assumptions:

- £35m of capital expenditure required above the forecast Government grant funding up to 2028/29.
- based on c12 schools per year converting to Academy status.
- includes inflation estimates
- includes in excess of £20m of known backlog maintenance
- contingency to deal with

- Unforeseen works pre-academisation
- Fire compartmentalisation
- Asbestos removal
- Climate change affecting schools
- Possible fire protection with sprinklers

6.32 For the corporate maintenance programme, the increased spend in the first 3 years will be driven by a combination of the outputs from the lifecycle assessments and increased expenditure on decarbonising the corporate estate to achieve the 2030 targets. Leading up to 2026 there will also need to be investment in retained buildings (as a result of service collocation and disposal of other properties), and for leased out buildings which will need to have an EPC rating of "C" or better.

6.33 Spend will reduce towards 2030, due to the rationalisation of the corporate estate and as major refurbishment and new build works under the Service Strategies listed above will avoid the need for investment from this budget. There is a however a need to ensure the capital maintenance budget remains sufficient to avoid putting pressure on the revenue budget and minimising the whole-life costs of property. The forecast in the MTFS and is based on the following assumptions: 8

- In excess of £30m of known backlog maintenance across the operational estate
- delivery of the Net Zero 2030 targets across the operational estate
- includes inflation estimates
- delivery of the Asset & Place Strategy by 2030, seeking portfolio consolidation and maximising property utilisation.

Programme Management and Governance

6.34 In additional to the overarching governance to approve capital spend, there are Programme Boards that govern the delivery of the respective projects and programmes. Each Programme Board is chaired by the client or "sponsor" of the project and programmes – to ensure that Land & Property continues to deliver to the Services' requirements, is held to account and secures the sponsorship and commitment to the investment at each stage of the respective project.

6.35 Land & Property continually engages with Services throughout programme and project delivery to ensure the required financial and non-financial benefits remain on track.

Asset Disposals

6.36 The Asset & Place Strategy 2019-2030, sets out two key outcomes:

- A reduction in the number of operational estate properties (non-schools); and
- the generation of capital receipts.

6.37 The process for identifying surplus assets is based on a forensic review of the estate to determine which properties provide no or limited benefit to the council, and those properties are then shared with services to establish if there is any likely service benefit from retention. Once a property is formally declared surplus, it is then prepared for disposal.

IT & Digital Governance Board

Strategic Objectives

6.38 The core strategy which underpins the IT&D capital programme is the Core Infrastructure Architecture (C.I.A). This sets out the technical direction for the MTFS period, denoting the technologies which will be implemented throughout its lifecycle.

6.39 The IT&D capital programme should be seen as an underpinning enabler to the delivery of the council's strategic priorities and operational imperatives. There are three priority outcomes sought from the capital programme:

- Cyber Resilience: Maintain and develop a proactive posture to the risk of cyber-attack investing in new and extending existing technology assets to support the prevention, detection and response to a cyber-attack. The benefit from this investment is cost-avoidance and risk management, reducing the council's exposure to catastrophic, costly and highly disruptive service failure.

- Maintaining core operations: Invest in essential technology asset refresh that enables the council to maintain normal operations. Capital schemes falling within this priority include device refresh including laptops and mobile phones and infrastructure components such as the Wide Area Network (WAN), Local Area Network (LAN), Wi-Fi and telephony. This investment ensures the provision of the underpinning technology foundations without which the council would not function.
- Strategic innovation: Capital schemes that strategically drive, promote and facilitate innovation and the enablement of council service transformation. Investments would include the Internet of Things and the capital asset elements of software platform developments. Such investment provides potential for service redesign and enhanced operational efficiencies and improved effectiveness.

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Asset Maintenance Programme

6.40 The IT&D main refresh programmes fall into the following categories:

- Infrastructure (Servers, Storage, Security Devices and backup capability)
- LAN / WAN and Wi-Fi Refresh (Networking)
- Desktop and Laptop Refresh (end user computing)
- Mobile Devices
- Data Centre Maintenance

6.41 The refresh cycles are derived using the following main metrics:

- Age of hardware – a customer device such as a laptop will have a life span of up to four years before it becomes completely obsolete. Server and storage refreshes are based upon 5-year replacement cycles and networking is based upon 7 years.
- Supportability from the manufacturer – devices, servers and networking assets are serviced by the manufacturer. This includes replacements parts and software updates (which will include fixes for critical security fixes). Manufacturers do not support hardware indefinitely and the replacement cycles are linked closely to the age of the hardware.

6.42 The main purpose of the IT & Digital capital and pipeline schemes is to provide a robust, secure, reliable and performing technical infrastructure to all users within the council, to enable our staff to provide quality services to our residents 24 hours a day/ seven days a week.

Programme Management & Governance

6.43 IT & Digital's capital programme is governed by the IT & Digital Capital and Revenue governance board. Meeting monthly the board reviews the capital pipeline, new business cases and revenue impact of capital schemes. In addition to the governance board, larger IT & Digital schemes have their own programme boards which monitor spend and report any issues or delays directly to the IT & Digital senior leadership team.

Asset Disposals

6.44 Assets are disposed of via the chosen vendors during our refresh cycles. Collected assets are categorised according to their condition and those which are determined to have a re-sale value are securely wiped, refurbished and proceeds from the sale are treated as capital receipts.

Infrastructure Board

6.45 The Infrastructure Strategic Capital Group includes Environment, Transport, Infrastructure Projects, Community Protection & Emergencies, including Surrey Fire & Rescue Service.

Strategic Objectives

6.46 EIG are the key driver of the Council's primary place strategies, including the Climate Change Delivery Plan, the Surrey Transport Plan, and the Surrey Infrastructure Plan, as well as the services that deliver these ambitions – all of which are critical in achieving the corporate ambition to enable a Greener Future for

Surrey communities, as well as the other key priorities for the Council. Through this and our broader work we are also tackling health inequalities, delivering initiatives such as green social prescribing and active travel schemes across the county. We are increasing our focus on engagement across the board so that communities have more say about the services and schemes that are delivered for them and strengthening our approach to delivering infrastructure with a place-based approach, working more closely with local partners to unlock funding and improve the physical infrastructure in our towns and villages.

6.47 Key EIG strategies delivered through capital investment include:

- **Greener Future Finance Strategy** which sets out how the Council will finance our 2030 net zero carbon target and how we will generate and leverage funding and investment to contribute towards the county's 2050 net zero target, focusing on areas where investment generates multiple benefits. This strategy is closely aligned to the Council's Greener Futures priority and also links to No One Left Behind and Growing Surrey's Economy.
- **Surrey Transport Delivery Plan** (including Ultra-low emission (bus) vehicles, Active Travel & Road Safety programmes). Adopted in July 2022, the new and ambitious Surrey Transport Plan, sets out our 'Core Strategy' and sets out policies and measures that aim to develop and deliver safe, cleaner, greener ways of travelling and accessing services and opportunities in the future.
- **Highways Asset Maintenance (Horizon Highways Programme)** prioritises works on roads, pavements, structures, drainage, safety barriers and traffic signals to provide the best outcomes possible within available financial resources. Using an "asset management strategy" we balance the needs of the assets based on their condition, the risk to the public and the priority of the road network. We carry out both structural and preventative maintenance to ensure that whatever funds are available are spent on the right schemes at the right time and that schemes are prioritised using optimisation methodologies to maximise risk reduction and minimise whole life costs.
- **Surrey Infrastructure Plan (SIP),** produced in 2020 ,sets out 15 objectives derived from the full range of strategies that impact on and determine the county's priorities for placemaking, from the Place Ambition, the Surrey Climate Change Strategy, the Surrey Health and Wellbeing Strategy, the Local Transport Plan, the Local Plans of the districts and boroughs, and Council's own organisational strategy. By bringing together a comprehensive set of objectives that capture the intent of this full range of strategies, the Plan will enable the Council and partners to take a truly integrated view of infrastructure that delivers not just for one agenda at a time. Major schemes included in the Plan include A320 to provide additional capacity improvements to local junctions and links within the local highway network; Farnham Town Centre to tackle the town's air quality and congestion issues and deliver attractive, well-integrated, future focused and high-quality infrastructure for Farnham that enables a connected and vibrant town; and the River Thames Scheme which is a Nationally Significant Infrastructure Project that will reduce the risk of flooding from the Thames for communities in Runnymede and Spelthorne.
- **Waste Infrastructure Strategy -** sets out an outline programme of work for the development of strategic waste infrastructure over the next seven years that will support a resilient and efficient waste management service for residents over the next thirty years. It focuses on the upgrade and development of assets within the geography of Surrey where there is a critical need for that infrastructure. It presents a series of recommended work packages needed to both safeguard the future of waste services and develop more opportunities for recycling and reuse.

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- **Local Highways Schemes (Individual Member Highway Allocations)** enables Members to promote important local improvements which do not have the option to be funded from other sources. These can include safety and accessibility improvements through to maintenance works. This helps to support the objectives within the Surrey Transport Plan and our Asset Management strategy.
- **Surrey Local Flood Risk Management Strategy (Surrey Flood alleviation Programme) -** sets out the objectives for reducing the risk of flooding in the county alongside the approach and actions Surrey County Council and its partners should take in delivering those objectives. It tackles the impact of climate change and delivers multiple environmental benefits through nature-based solutions, reduces the economic impact of flooding and encourages community resilience to flooding as well as forming part of placemaking through sustainable drainage.
- **Land Management Policy -** sets out how the Council manages its land to safeguard and replenish its natural assets, how it will contribute to delivering the Government's 25 year Environment Plan, the Council's obligations towards reporting on biodiversity as a local authority and as a landlord as well as addressing other Council's priorities.

6.48 Key priorities for capital investment within Community Protection & Emergencies are:

- to demonstrate the service's commitment to deliver high-quality and sustainable services through continuous development of our physical and data assets to ensure that they are fit for purpose, collaborative, sustainable and support the delivery of outcomes as detailed within the Making Surrey Safer Plan (MSSP).
- to maximise capital allocations, deliver value for money and support a greener future through the capital replacement/improvement programme.
- identify drivers and objectives of the service Digital Roadmap, which sets out how our approach to digital will help enable improved outcomes for our residents.

Programme Management & Governance

6.49 All capital investment approvals are governed in the same way via Infrastructure Board, the Capital Programme Panel and Cabinet.

Environment Infrastructure & Growth:

6.50 EIG capital programmes are prioritised against the policy framework set out above and benefits are specifically assessed against the principles set out in the Surrey Way.

6.51 In additional to the governance to approve capital spend, there are also multiple Programme, Partnership and Contract Boards that govern the delivery of the respective projects and programmes. These include the broader strategies of Greener Futures and the Surrey Transport Plan in addition to more targeted capital spend programmes by project or theme. For example, projects delivering the Council's climate change Delivery Plan will be developed in close consultation with the Greener Futures Board to provide oversight, challenge and practical support during delivery. Decision making and prioritisation of detailed schemes for some programmes such as Visitor Improvement at Countryside Sites will be overseen by its own internal steering board.

Community Protection and Emergencies:

6.52 The Capital Replacement/Improvement Programme sets out the long-term investment requirements to meet the MSSP and Service operational and transformation objectives, strategic oversight is assured through our governance framework.

6.53 The Asset Strategy is reviewed annually to identify additional capital investment requirements. Programmes are then managed by the strategic leads for Logistics and Data & Digital monitored via the Resources Working Group.

Asset Maintenance Programme

6.54 As Highway Authority and Lead Local Flood Authority, we are responsible for over 3,000 miles of roads, 1,800 bridges and structures and 3,520 miles of pavement. We are also responsible for cycle facilities, streetlights, embankments and safety barriers. Few of our assets are in an 'as new' state and we must prioritise our work to achieve best value. The network is heavily trafficked reflecting Surreys' high economic output, used daily by most of the travelling public for commuting, business, social and leisure activities.

6.55 The Highway Asset Strategy is modelled over a 15-year period, however it is recognised that things can change over time, such as access to government grant or changing council priorities. The modelling we carry out assumes normal deterioration patterns and does not make allowance for any significant damage caused by severe weather events. The modelling is refreshed every 5 years and the level of funding in the budget will determine whether a steady state, managed decline or improvement strategy will be pursued for each asset. In relation to roads specifically, it is estimated that our backlog figure to bring roads to "good" condition is currently around £270m. The proposed levels of investment in the MTFS, which is significantly above the government grant provision for maintenance, shows an improving picture of road condition overall with the current enhanced programme of investment and subsequent return to a baseline of £40m from 26/27 onwards until the end of the 15 year period. 8

6.56 Countryside Assets such as rights of way, car parks, visitor centres, information infrastructure, lock gates, bridges and trees all require maintenance and upgrading. With a quarter of the 4,000 enquiries outstanding after Covid, tackled in the last two years, investment in the rights of way network is a statutory duty for the Council. Maintenance of the Basingstoke Canal's navigational and recreational infrastructure is managed on a cyclical programme with locks requiring refurbishment every 20 years. Benches and information boards on the countryside estate have a life span of 15 years, most of which required replacing following the change in agreement with Surrey Wildlife Trust in 2020. Popular car parks require annual maintenance. The Council's Tree Planting programme to plan 1.2m trees by 2030 is underpinned by annual planting programmes with three years of maintenance post planting. Asset management is generally carried out on a reactive basis for most assets except the tree planting and the canal, where an asset management plan sets out the actions required for the Council to fulfil landlord and health and safety duties.

Asset Disposals

6.57 Environment, Infrastructure & Growth: The Land Based Asset Management Plan may identify disposals as part of estate-based (several parcels of land located close to each other including a range of assets such as buildings and land) approaches to investments. All asset disposals are considered by Land and Property's Corporate Asset Panel to evaluate all potential Council uses before disposal and consideration of best value is given to all disposals.

6.58 Community Protection and Emergencies: When disposing of a vehicle or equipment, at the end of its life, the following factors are considered, to ensure the most appropriate route and best value on the overall investment:

- Maximising re-sale value, however, where public value is best served there may also be alternative routes for disposal within the public sector.
- Security of future proposed use.
- Potential supply of end of life assets to charitable organisations.
- Utilisation of spare parts prior to disposal

MTFS Capital Budget 2024/25 to 2028/29

6.59 A total of **£1,291m of schemes are included in the proposed capital budget over the MTFS (excluding pipeline).** Business cases for these well-developed schemes have been prepared and subjected to

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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 4 below shows a breakdown of budget schemes into the three SCGs over the MTFS period 2024/25 - 2028/29:

Table 4: MTFS Capital Budget by Strategic Capital Group (excluding pipeline):

Strategic Capital Group	MTFS Budget (£m)
Infrastructure	705
Property	560
IT	27
Total Budget	**1,291**

6.60 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 73% of the total estimated budget:

- £260m - Highway Maintenance – improvements to roads and footways across the County
- £140m - SEND Strategy – increasing sufficiency of provision for special education needs and disability in schools across Surrey
- £123m - Surrey Flood Alleviation - River Thames Programme (element within the 5-year MTFS)
- £122m - Schools Basic Need – increasing school places and building schools across the County
- £82m - Recurring Capital Maintenance: Corporate (non-schools) – County wide maintenance of service buildings, community facilities and offices
- £60m - Recurring Capital Maintenance: Schools – County wide schools maintenance programme
- £44m - Bridge/Structures Maintenance – improvements and safety maintenance of specialist infrastructure
- £37m – Alternative Provision Strategy – investment in Pupil Referral Unit places and improvements for improved pupil support.
- £37m – Local Highways Schemes
- £35m - A320 North of Woking and Junction 11 of M25 – Homes England grant funded road and junction improvements

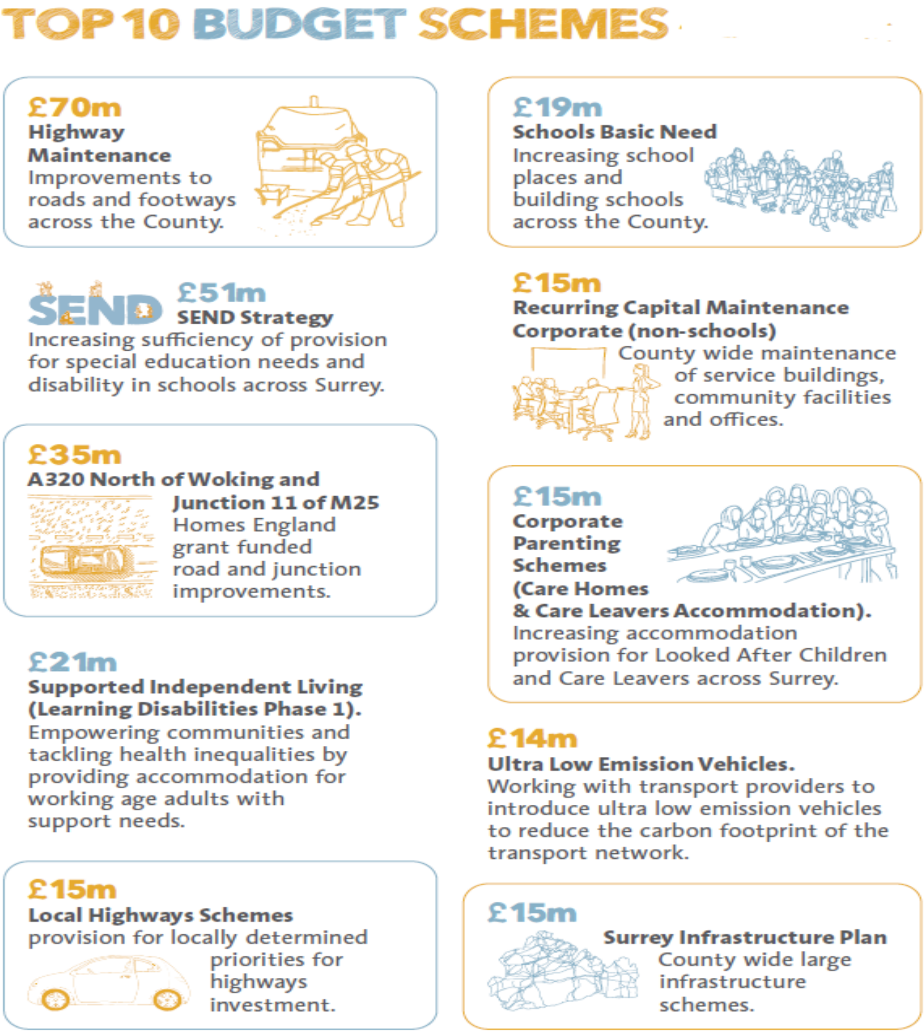
2024/25 Capital Budget (excluding pipeline)

6.61 £405m is included in the capital budget for 2024/25, as set out in the table below:

Table 5: 2024/25 Capital Budget by Strategic Capital Group:

Strategic Capital Group	2024/25 Budget (£m)
Infrastructure	221
Property	173
IT	11
Total Budget	**405**

6.62 Successful delivery of the 2024/25 budget is a key part of ensuring the Capital Programme overall remains on course. The focus of the 2024/25 budget will be on the schemes that comprise the majority of forecast spend. The top 10 schemes account for 66% of the 2024/25 budget:



MTFS Pipeline Schemes 2024/25 to 2028/29

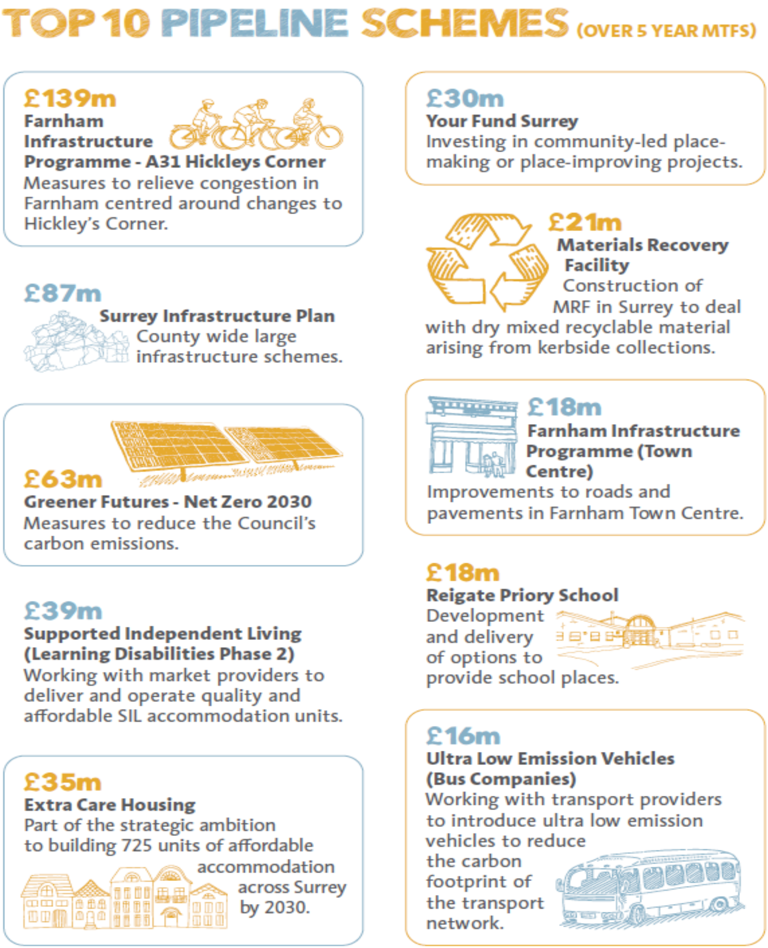
6.63 **Pipeline schemes** include proposals developed to a stage where they can be earmarked against a flexible funding allocation built into the wider Capital Programme. The pipeline allows projects to be approved during the year, subject to business case approval. The SCGs have come forward with an 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 2024/25 – 2028/29:

Table 6: MTFS Capital Pipeline by Strategic Capital Group:

Strategic Capital Group	MTFS Pipeline (£m)
Infrastructure	389
Property	187
IT	5
Your Fund Surrey	30
Total Pipeline	**611**

6.64 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. PMOs in Property and re responsible for ensuring pipeline conversion and delivery of priorities.

6.65 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.



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6.66 Of the total pipeline allocation in the MTFS, c.£252m or 41% is proposed for schemes that contribute to reducing carbon emissions, tackle climate change and enable a greener future for residents. A further £386m is included in the capital budget, bringing the total to c.£638m. 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.

6.67 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.

6.68 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 2023/24

7.1 The Month 8 Finance Update report is reported to the same Cabinet on 30th January 2024. Headline performance is set out below.

7.2 **Revenue:** As at November 2023 (Month 8), Directorates are projecting a full year overspend of £21.7m, reducing to £1.7m after the application of the Council's contingency budget. The Directorate positions continue to be challenging, recognising the impact continued high inflation has on the cost of delivery of our services and specifically the very significant price increases felt in relation to childrens' placements and Home to School Travel Assistance contracts.

7.3 The current level of projected overspend is in excess of the contingency budget held and it is therefore imperative that this reduces before we reach the end of the year. Otherwise, there could be a material negative impact on the level of the council's reserves at a time when the level of external financial risk is extremely high.

7.4 The Council remains committed to budget accountability and the budget envelope approach and therefore Directorates which are currently forecasting an overspend position are expected to put in place mitigating actions to offset the residual forecast overspend position.

7.5 **Capital:** The Council approved a capital budget for 2023/24 of £308.7m in February 2023, after adjustments for carry forwards and acceleration the opening capital budget was £326.4m. In Month 5, the Council undertook a capital budget re-set, to ensure the budget reflected revised spend profiles more accurately, taking into account known delays, additional in-year approvals and reflecting the current supplier market and wider economic conditions impacting on programme delivery. 8

7.6 The forecast at M8 is for full year spend of £267.4m, representing a £0.9m variance against the re-set capital budget of £268.3m, which is the net effect of acceleration in some areas and slippage against other schemes.

7.7 More information on the revenue and capital position can be found in the 2023/24 Month 8 (November) Financial report to Cabinet on 30th January 2024.

7.8 Many of the factors impacting the 2023/24 expected outturn position for both revenue and capital will continue into 2024/25 and the medium term. Budget estimates for 2024/25 include the ongoing impact of Directorate variances from the current financial year, where they are expected to continue. Both the ongoing impact of inflationary pressures being felt this financial year and estimates of high inflation rates throughout 2024/25 are included in the starting point for 2024/25. Demand pressure trajectories have also been continued into 2024/25 in relation to those services experiencing pressures over and above the budget assumptions in 2023/24, specifically within adult social care and children's services. This provides confidence that the underlying budget, overall, is realistic and deliverable. These increased pressures in-year significantly escalate the efficiency requirement in 2024/25.

8. MEDIUM TERM FINANCIAL OUTLOOK AND STRATEGY 2024/25 TO 2028/29

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 2028/29, the Council will need to close a gap of c.£271m.

This is driven by:

- Growth pressures: including demand and inflation: c£428m;
- Increased borrowing costs of the capital programme: £61m;
  Offset by:
- An overall increase in funding: c£113m;
- Less efficiencies identified to date: c£105m.

8.2 Although our immediate priority is understandably closing the gap and setting a balanced budget for 2024/25, our medium term focus means that transformation and service delivery plans are being developed now to identify opportunities to improve our medium-term financial outlook. These proposals will continue to iterate as plans and projections gain more certainty.

Table 7: MTFS Gap to 2028/29

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Brought forward budget	1,102.2	1,197.1	1,284.5	1,361.9	1,422.7	
Directorate pressures	139.4	78.0	80.0	64.1	66.8	428.3
Increased borrowing costs for capital programme	9.2	18.2	14.6	10.8	8.4	61.2
Identified efficiencies	(53.7)	(8.8)	(17.3)	(14.0)	(11.0)	(104.8)
Total Budget Requirement	**1,197.1**	**1,284.5**	**1,361.9**	**1,422.7**	**1,486.9**	**384.7**
Change in net budget requirement	94.9	87.4	77.3	60.9	64.2	384.7
Opening funding	1,102.2	1,197.1	1,209.7	1,210.1	1,210.3	
Funding (reduction) / increase	94.9	12.6	0.4	0.2	5.3	113.4
Funding for Year	**1,197.1**	**1,209.7**	**1,210.1**	**1,210.3**	**1,215.6**	
Overall Reductions still to find	**0.0**	**74.8**	**151.7**	**212.4**	**271.3**	
Year on Year - Reductions still to find	0.0	74.8	76.9	60.7	58.9	271.3

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Council Tax

8.3 A neutral medium-term scenario for Council Tax has been modelled assuming a core council tax rate increase of 1.99% from 2025/26 onwards, below the current referendum limit. The variable used is the tax base which has been modelled at a 0.70% growth on an ongoing basis.

8.4 No assumption is currently made on the level of Adult Social Care precept from 2025/26 onwards.

8.5 It is important to note that the Council's main funding source is Council Tax. On average, this funds 77% of net revenue expenditure, the impact of the increased cost-of-living on residents affecting their ability to pay Council Tax make this area particularly difficult to predict. Local Council Tax Support schemes provide some assistance, with increasing support here likely to result in a reduced tax base approved by district and boroughs.

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

8.6 The review of Local Government funding distribution, the Review of Relative Needs and Resources or Fair Funding Review (FFR), and the move to 75% retention of Business Rates has been delayed again. The Government has confirmed that this will now not be implemented in the current parliament. Given the upcoming General Election, current modelling assumptions use 2026/27 as the earliest possible opportunity for these changes to be implemented.

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. We have assumed transitional arrangements will be put in place so the pace of reduction is phased and the impact 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 reduced. In addition, previous formulas and workings from the FFR relied heavily on 2011/12 data including on populations, which will be critically out of date if used without being updated.

Business Rates

8.8 As set out in paragraph 8.6, the timing of Business Rate reform remains uncertain. Once implemented the Council is likely to see an initial increase to Business Rates retention and a decrease to grant income as grants 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.

8.9 For 2024/25 to 2025/26 a growth increase of 0.5% has been modelled, with the assumption some growth will occur through inflationary increases to the multiplier. Business rate reform is then modelled from 2026/27. We are reviewing the medium-term impact that splitting the multiplier (as described in paragraph 5.24) will have on business rate income categories.

Grant income

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8.10 The Autumn Statement and Provisional Local Government Finance Settlement did not provide much indication of the level of grant that can be expected from 2025/26 and little information is likely to be made available until after the next General Election. The following assumptions have been factored into forecasts:

- Social Care Grant – inflationary increases have been assumed, although there is very little certainty over the future of this grant and how it will be impacted by proposals relating to Adults Social Care Reform
- New Homes Bonus – Government have indicated a review of this source of funding will be carried out. It is considered likely that the Council's share will reduce or be removed altogether and therefore no further grant funding is assumed after 2024/25.
- Services Grant – this was announced as a one-off grant in 2022/23. Annual announcements about its continuation have come with significant reductions in the amounts available. There is no indication from Government that it will continue beyond next financial year and therefore no further income has been assumed after 2024/25.
- There is no indication from Government about the continuation of the 3% funding guarantee. Planning assumptions do not include any future allocation in relation to this.
- Dedicated Schools Grant, expected to continue over the MTFS.

From 2026/27 onwards, centrally held grants are reduced or eliminated altogether following the assumption of large-scale Business Rate reform.

9. DEDICATED SCHOOLS GRANT

9.1 The Council is required by law to formally 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 CFLL Directorate. Table 8 outlines the proposed Total Schools Budget for 2024/25 of £1,243m including a planned overspend of £25m on the High Needs Block and £5.7m Education and Skills Funding Agency sixth form grant for school sixth forms. From this, an estimated £586.3m is paid directly by DfE to academies, leaving a net schools budget of £656.7m which is included within the Council's overall budget.

Table 8 - Analysis of Total Schools Budget for 2024/25

	Schools' & nurseries delegated budgets £m	Centrally managed budgets £m	Total £m
Gross DSG allocated to Surrey in 2024/25	994.0	209.3	**1,203.3**
ESFA sixth form grant	5.7		**5.7**
Anticipated DFE safety valve contribution		9.0	**9.0**
Planned overspend		25.0	**25.0**
Total Schools Budget including funding allocated directly to academies	**999.7**	**243.3**	**1,243.0**
less paid directly by DfE to academies and colleges (est)	(586.3)		**(586.3)**
Net Schools Budget	**414.4**	**243.3**	**656.7**

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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 In 2024/25 total DSG includes an estimated increase of £35m for the extension of funded early education and childcare to children aged 9 months to three years of working parents.

9.5 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 2024/25 school funding formula on 28 November 2023. The funding rates for schools for 2024/25 will be subject to amendment by the Cabinet Member for Education and Learning and the Director of Education and Lifelong Learning, to ensure affordability when all funding data for schools is known.

9.6 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).

9.7 In 2023/24 schools also received recovery premium and school led tutoring grant, both of which will continue for the summer term 2024 only. Schools also received a range of other grants for example to support infant free school meals and physical education and sport in primary schools At the point of setting the Council's budget, these grants have yet to be confirmed for the academic year 2024/25.

High Needs Block (HNB)

9.8 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 4.46 to 4.49.

9.9 In 2021 the DfE initiated a programme called "Safety Valve", which aims to provide support to those councils with the highest percentage Dedicated Schools Grant deficits through Agreements that assure a timely return to financial sustainability.

9.10 The Safety Valve agreements all include commitments to enable a return to in-year balance including potential financial contributions from the DfE, local authority and other DSG blocks as well as additional capital investment (assessed through a parallel bidding process).

9.11 In November 2021, the DfE invited Surrey County Council, and a number of other local authorities, to enter a second round of negotiations, and in March 2022, the Surrey agreement was formalised. Surrey's Safety Valve agreement includes additional DfE funding worth £100m over five years. 8

9.12 The Council provides regular monitoring reports on the 'safety valve' agreement to the DfE which include financial projections and risk management. To date, the 2023/24 reports were approved by DfE and positive feedback was received. These each triggered instalments of £3m. The final report for 2023/24 was submitted in December and we anticipate this triggering the final £3m payment for the year. In 2023/24 the cumulative forecast position is expected to be c£108m, net of these contributions.

9.13 The 2024/25 HNB budget includes another £9m of DfE contribution as well as a 1% (c£8m) transfer from the Schools DSG block to the High Needs Block (subject to formal agreement by the Secretary of State).

9.14 Prior to the Safety Valve agreement, in order to best mitigate the HNB deficit liability, the Council was making a contribution from the General Fund to a separate off-setting reserve which matched the deficit on the HNB, ensuring stability in the balance sheet. The Safety Valve agreement means the reserve contribution budget has materially reduced in the Medium Term Financial Strategy, to £5m, as the agreement removes the need for future contributions.

10. ENGAGEMENT AND CONSULTATION

10.1 The Council has undertaken substantial consultation and engagement with a wide range of stakeholders to inform the shape of this final budget. Over 2,700 stakeholders have shared their views including residents, partner organisations from the statutory and voluntary, community and faith sectors, businesses and elected Members.

10.2 The approach this year was divided into two phases:

- The first phase took place in the summer of 2023. The objectives of this phase were to gather insight on what the most important priority outcomes were for stakeholders, their views on how the Council allocated its financial resources, approaches to balancing the budget and circumstances under which a council tax increase would be supported. A range of methods were used to gather the views of over 1,600 stakeholders across the county.

- The second phase was a consultation on the Council's draft budget. The main objectives of this phase were to gauge support or opposition to the draft proposals for investment and making efficiencies, primarily for 2024/25. It was an opportunity for the Council to be transparent about its plans and source as much feedback from as many Surrey stakeholders as possible. 1,135 stakeholders responded to the consultation, of which 1,080 (95%) were residents.

10.3 Stakeholders provided their views on the priorities the Council should focus on, preferred approaches to allocating resources and balancing the budget and scenarios under which they would support a council tax increase. Following publication of the draft budget in November 2023, most stakeholders were supportive of the Council's investment priorities and proposed measures to balance the budget for 2024/25.

10.4 For the full outcomes of the consultation and engagement process, details can be found in Annex H.

11. EQUALITY, DIVERSITY & INCLUSION

11.1 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). Given the nature of the services we provide as a local authority, we already ensure that services are delivered in a way that appreciates resources are finite and should therefore be targeted to areas where they are needed most. This means it is challenging to avoid all scenarios where some vulnerable groups are affected. EIAs, therefore, are one of many measures we use to guide budget decisions and manage the risks of any potential negative equality impacts.

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11.2 A high-level EIA on the revenue efficiencies proposals has been undertaken, and is set out in Annex I. Full EIAs on specific efficiency proposals are signposted to on the Council's website through this document, reflecting their advanced stage of development. Further EIAs will be produced where appropriate before individual efficiency proposals are implemented. Members must read the full EIAs and take their findings into consideration when determining these proposals.

11.3 The Council considers impacts on the nine characteristics protected under the Equality Act 2010, such as Age and Disability, but also a range of other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities and those experiencing homelessness. Members are required to have 'due regard' to the objectives set out in section 149 of the Equality Act – the Public Sector Equality Duty - , 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 those 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.

11.4 Having due regard does not necessarily require 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 an 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.

11.5 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 2024/25 budget are:

- Older adults and their carers, adults of all ages who are disabled, are experiencing mental health difficulties or have learning disabilities and their carers, and men from ethnic minority backgrounds.
- Children and young people, including those with special educational needs and disabilities (SEND), and their families.
- Surrey County Council staff who work in frontline operational roles and roles based in the community.
- Surrey County Council officers working in support services.

11.6 The majority of impacts are positive as the Council is prioritising services for those who are most in need. For example, many efficiency proposals aim to support vulnerable children, including those that prioritise placing looked after children within the county and closer to friends and supportive communities. Another example is proposed changes to the way adult social care is delivered to support more people in their own homes.

11.7 To respond to any potential negative impacts, the Council will adopt a range of mitigating actions to minimise them. These include co-designing, consulting and engaging residents and other stakeholders to produce services that are responsive and focus on supporting people that need them most. Services have also committed to increase investment in preventative activity and early-intervention to enable better outcomes earlier and avoiding the need for residents to access high-cost, acute response services that increase demand pressures on our budget. Services have also committed to work closely with strategic partners to mitigate impacts where relevant.

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