

Scrutiny of 2025/26 Draft Budget and Medium-Term Financial Strategy to 2029/30

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

Introduction:

1. Attached is a summary of the 2025/26 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Finance & Corporate Services (F&CS), Environment, Infrastructure & Growth Directorate (EIG), Communications, Public Affairs & Engagement (CPAE) and elements of the Customer, Digital & Change Directorate (CDC) relating to this Select Committee.
2. The [2025/26 Draft Budget & MTFS to 2029/30](#) was presented to Cabinet on 26th November 2024. The Final Budget for 2025/26 will be approved by Cabinet in January 2025 and full Council in February 2025. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on, and scrutiny of, the approach and the proposals included. There will be no movements in the Draft Budget position until the provisional Local Government Finance Settlement is published, which is expected later in December, when the implications can then be considered.
3. The production of the 2025/26 budget has been developed through an integrated approach across Directorates, Corporate Strategy and Policy, Transformation and Finance, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and the corporate priorities of the organisation.

Context:

4. The Local Government financial climate is extremely challenging. The national picture for public services is one of constrained financial resources. A number of local authorities, across the Country, are struggling to balance available funding with significantly increasing demand and cost pressures.

5. Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to our funding position over the medium-term. The first opportunity to understand in detail the direct impact of funding arrangements for the Council will be with the provisional Settlement itself, which is expected in late December 2024, with a final settlement in January 2025.
6. The overall outlook for 2025/26 is one of significant challenge. Budget envelopes are not anticipated to increase significantly, however, substantial increases in the cost of maintaining current service provision and increased demand result in pressures increasing at a higher rate than forecast funding.
7. While many of the demands we are experiencing are not unique to this Council, we cannot rely on Government, or anyone else, to solve the issue for us. We need to reduce our costs and take difficult decisions in order to ensure our ongoing financial resilience. 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.
8. Although good progress has been made over the last few months, there remains a provisional budget gap for 2025/26 of £17.4m, driven primarily by continued high demand and price pressures. Further actions will have to be agreed to close the gap, which will be extremely challenging, given the forecast level of pressure. The level of Council Tax raised and the extent to which further efficiencies will need to be identified, will be dependent in part upon the Local Government Finance Settlement in December, and confirmation of District and Borough Council Tax Bases in January.
9. We need to be prepared for what will continue to be a difficult financial environment over the next few years. The gap is expected to continue to grow over the medium term financial strategy period.
10. The Council recognises that tackling this gap will require a focus not only on addressing the pressures in 2025/26, but simultaneously looking to address the medium-term horizon. Our financial resilience is crucial and part of the strategy will be to ensure we have adequate reserves to ensure we can transform, alongside making sure we provide for any changes to funding or unexpected effects on costs.

Engagement:

11. Over the summer of 2024, the council engaged with residents to inform the draft budget. Mindful of the current financial context, we have taken a prudent approach to our consultation and engagement activity. By using internal survey tools, costs have been limited to the creation of accessible formats of our engagement material, however, this means the results illustrate the preferences

- of those who chose to take part but does not provide data representative of Surrey residents. A summary of the results are available in Annex 1.
12. For this phase of engagement, the council asked for insight from stakeholders on:
 - The importance they placed on each of 11 outcomes, based on the Community Vision for Surrey in 2030 and Organisation Strategy 2023 – 2028:
 - a. Better roads and pavements
 - b. Providing care for adults and children who need us most
 - c. Making our communities safer
 - d. Better public transport connections for easier, more predictable journeys
 - e. Enabling people of all ages to access education and skills
 - f. Promoting better health and wellbeing for all residents
 - g. Tackling climate change and protecting Surrey’s countryside and biodiversity
 - h. Reducing waste and increasing recycling
 - i. Reinvigorating town centres and high streets
 - j. Stronger community relations through local community networks and support
 - k. Supporting local businesses to prosper and grow the economy
 - How the budget should be allocated.
 - Approaches to balancing the budget.
 - Conditions for supporting a council tax increase.
 13. Data was gathered from nearly 1,600 stakeholders using:
 - a) An open survey on the Surrey Says platform (28 Aug - 30 Sep 2024) with 1,495 participants. Survey respondents were self-selecting, which means the results should not be treated as representative of the whole of Surrey’s population.
 - b) Community events and reference groups, engaging nearly 90 residents.
 - c) Promotion via social media, the Surrey Matters website, newsletter, and local council members.
 14. We will be consulting with residents and other stakeholders on the measures being taken to balance the budget for 2025/26 after the approval of the draft Budget by Cabinet on 26 November. The results of this exercise will be reported to Cabinet and Council in January and February 2025.
 15. Impacts of budget proposals, both positive and negative, are considered by services in a variety of ways, including through services’ own consultation and engagement exercises and the use of Equality Impact Assessments (EIAs). EIAs are used to guide budget decisions and will be included in the final Budget paper alongside an overview of the cumulative impact of proposed changes. At Surrey, we consider impacts not just on the nine protected characteristics, but also other vulnerable groups, for example, those at socio-economic disadvantage, Gypsy, Roma and Traveller communities, those experiencing

homelessness, and so on. An overview of impacts of efficiencies pertinent to the areas covered by this committee are included in Annex 1.

Budget Scrutiny

16. Annex 1 sets out the budget proposals for F&CS, EIG, CDC and CPAE, including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorates, exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
17. Members should consider how the 2025/26 Draft Budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks with options on investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Committee to consider how successful the budget is in achieving this.

Conclusions:

18. The provisional Local Government Finance Settlement in December, to be finalised in January 2025, will clarify the funding position for the Council. Once funding is clear, Directorate pressures, efficiency requirements, the level of Council Tax and the Capital Programme will be finalised.

Recommendations:

19. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be reported to Cabinet in January 2025.

Next steps:

20. Between now and February 2025, when the budget is approved by full council, officers and Cabinet Members will work closely together to close the current budget gap; challenge and refine assumptions and finalise the development of the Capital Programme.
21. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting on 28th January 2025.

Report contact

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Annexes:

Annex 1: 2025/26 Draft Budget Report and Medium-Term Financial Strategy to 2029/30 – Scrutiny Report for F&CS, EIG, CDC and CPAE.

Sources/background papers

- 2025/26 Draft budget and medium-term financial strategy report to Cabinet 26th November 2024.

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