SURREY COUNTY COUNCIL

CABINET

DATE:	**25 FEBRUARY 2025**
REPORT OF CABINET MEMBER:	**DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES**
LEAD OFFICER:	**ANDY BROWN, DEPUTY CHIEF EXECUTIVE & EXECUTIVE DIRECTOR OF RESOURCES (S151 OFFICER)**
SUBJECT:	**2024/25 MONTH 9 (DECEMBER) FINANCIAL REPORT**
ORGANISATION STRATEGY PRIORITY AREA:	**NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / TACKLING HEALTH INEQUALITY / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES / HIGH PERFORMING COUNCIL**

Purpose of the Report:

This report provides details of the Council's 2024/25 financial position, for revenue and capital budgets, as at 31st December 2024 (M9) and the expected outlook for the remainder of the financial year.

Regular reporting of the financial position underpins the delivery of all priority objectives, contributing to the overarching ambition to ensure No One Left Behind.

Key Messages – Revenue

- Local government continues to work in a challenging environment of sustained and significant pressures. **At M9, the Council is forecasting an overspend of £19.4m against the 2024/25 revenue budget.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- **All Directorates are continuing to work on developing mitigating actions to offset forecast overspends,** to deliver services within available budgets. At this stage in the financial year, it is recognised that mitigations to offset the entire forecast overspend may not be achievable, however work progresses to reduce spend over the remaining months of the year to reduce forecast overspends wherever possible.
- In order to ensure ongoing financial resilience, the Council holds a corporate contingency budget and over recent years has re-established an appropriate level of reserves. These measures provide additional financial resilience should the residual forecast overspend not be effectively mitigated by corrective actions before the end of the financial year. If the contingency budget is not required in full, then any balance will be transferred to reserves to further improve financial resilience and provide funding for future investment.
- In December 2024, the Department for Health & Social Care (DHSC) confirmed additional funding for NHS Agenda for Change pay uplifts in 2024/25. Surrey County Council's allocation of this additional funding is £0.939m and Cabinet is asked to approve the associated increase in the Public Health service budget, within the Adults, Wellbeing & Health Partnerships Directorate.

Key Messages – Capital

- At M9, capital expenditure of £324.9m is forecast for 2024/25. This is £3.5m more than the re-phased budget. Further details are provided in paragraphs 11-13.
- Each quarter, key balance sheet indicators are reported; these are set out in Annex 2.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue budget and capital budget positions for the year.

2. Approves an increase to the Adults, Wellbeing & Health Partnerships Directorate Budget of £0.939m due to additional funding received from the Department of Health & Social Care to cover the cost impact of the 2024/25 NHS Agenda for Change pay awards on services commissioned by
12 the Public Health service.

Reason for Recommendations:

This report is to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for information and for approval of any necessary actions.

Executive Summary:

1. At M9, the Council is forecasting a full year overspend of £19.4m against the revenue budget. This is an increase of £0.9m on the M8 position. Table 1 below shows the forecast revenue budget outturn for the year by Directorate (further details are set out in Annex 1):

Table 1 - Summary revenue budget forecast variances as at 31st December 2024

	M9 Forecast £m	Annual Budget £m	Forecast Variance £m
Adults, Wellbeing & Health Partnerships	520.0	516.8	3.2
Children, Families and Lifelong Learning	308.5	299.9	8.6
Place	194.9	185.6	9.4
Community Protection & Emergencies	44.4	44.1	0.2
Resources	80.9	80.8	0.0
Central Income & Expenditure	80.1	82.1	(2.0)
Directorate position	1,228.7	1,209.3	19.4
Council Tax	(921.1)	(921.1)	0.0
Business Rates	(152.1)	(152.1)	0.0
Government Grants	(136.1)	(136.1)	0.0
Overall	19.4	0.0	19.4

2. The forecast overspend relates primarily to the following:

Adults Wellbeing & Health Partnerships - £3.2m overspend, a decrease of £0.4m from the previous month.

The improvement of £0.4m, is due the announcement in December of in-year grant funding for Agenda for Change pay uplifts which has reduced the forecast for public health, enabling £0.4m of budget previously held to cover these costs to be released to fund other public health expenditure.

The overall Directorate position is due to a £3.8m overspend on the total care package budget, primarily related to starting the year with higher care package commitments, combined with spending pressures during the year, particularly for Older People care packages, and a £2.2m overspend on the Adult Social Care staffing & other expenditure budget, due primarily to pressures related to statutory responsibilities for Deprivation of Liberty Safeguard assessments and improved recruitment and retention to deliver core statutory duties.

These pressures are partially mitigated by a £1.3m underspend for wider support services, £0.9m of additional funding for adult social care services and £0.6m of reduced spend with Public Health and Communities.

Children, Families & Lifelong Learning - £8.6m overspend, a decrease of £0.2m from the previous month.

The movement from last month relates to an increase in the number of high cost placements in the Corporate Parenting area (increase of £0.7m to £2.1m overall), however these have been offset by savings in staff costs in both Family Resilience and Quality and Practice (of £0.9m), where the scrutiny and review of the recruitment panel has made staffing cost reductions.

Transport costs remain the areas of highest overspend, with a forecast of £7m. This has remained at, demonstrating that increased volumes and price pressures are being mitigated by the continual focus on efficiencies.

Place - £9.4m overspend, £1.2m increase from the previous month.

The Place forecast has deteriorated in December due to increased overspends in Land & Property (L&P), primarily due to the non achievement of efficiencies assumed in relation to rate rebates and reduced rents and service charges. Overall, L&P forecasts an overspend of £5.5m, due to non-achievement of facilities management (FM) efficiencies of £1.5m (no change from last month), higher than expected demand and unit cost of FM services of £1.3m (a £0.3m increase from last month), unachieved efficiencies relating to rate rebates, staffing and asset rationalisation of £1m (a £0.8m increase from last month), one-off back dated electricity charges of £0.7m (no change from last month), one-off dual operation of office buildings of £0.5m (a £0.1m increase from last month) and loss of office rental income of £0.5m (no change from last month).

Environment services forecasts a pressure of £1.2m primarily due to market costs of managing dry mixed recyclables, after taking account of mitigations.

Highways & Transport forecasts a pressure of £2.7m, primarily in relation to enhanced verge maintenance woks. Other pressures including transport and concessionary fares (increases in patronage, national changes to reimbursement rates and the revision of the national fare cap to £3), parking and traffic enforcement (contract inflation linked to the living wage, lower than expected levels of enforcement), staffing and income are mitigated by planned drawdown of prior year parking surpluses and other offsetting efficiencies.

There are smaller pressures and mitigations in other service areas. The directorate continues to review options to mitigate or offset these pressures including contract meetings to address facilities management costs and reviewing energy usage.

Community Protection & Emergencies - £0.2m overspend, £0.2m increase from the previous month.

The change in the forecast overspend primarily relates to staffing costs including additional trainee firefighters (£0.2m). In addition, there are pressures related to increased costs of IT/telecoms and supplies and other areas of pressure amounting to £0.3m, which have been mitigated through efficiencies.

Resources – no variance, no change from the previous month.

The directorate is forecasting a balanced position.

Central Income & Expenditure & Corporate Funding – £2m net underspend, no change from the previous month.

The forecast underspend relates to reduced transformation programme spend in year. There are significant variances throughout the Central Income and Expenditure Budget, most notably relating to spend on corporate initiatives (such as MySurrey stabilisation, the Pay & Reward Project and Commercial Transformation), the non-achievement of prior year efficiencies and a forecast overspend on the interest payable budget due to prevailing interest rates throughout the financial year being higher than forecast in the budget. These are partially offset by smaller underspends on secondary pension contributions, interest receivable and the Minimum Revenue Provision. The net overspend is planned to be managed via the use of relevant reserves, in line with the re-positioning of earmarked reserves carried out as part of the budget setting process.

3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £5m, consisting of quantified risks of £5.8m, offset by opportunities of £0.8m. This is a decrease in net risks of £1.9m from last month. These figures represent the weighted risks and opportunities, taking into account

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the full value of the potential risk or opportunity adjusted for assessed likelihood of the risk occurring or opportunity being realised.

4. Directorates are expected to take action to mitigate these risks and maximise the opportunities available to offset them, to avoid these resulting in a forecast overspend against the budget set.

Dedicated Schools Grant (DSG) update

5. The table below shows the projected forecast year-end outturn for the High Needs Block.

Table 2 - DSG HNB Summary

2024/25 DSG HNB Summary	**Budget £m**	**Forecast £m**	**Variance £m**
Education and Lifelong Learning	235.5	253.2	17.7
Place Funding	24.7	24.7	0.0
Children's Services	2.3	2.6	0.3
Corporate Funding	2.0	2.0	0.0
TOTAL	**264.5**	**282.5**	**18.0**
FUNDING	-225.5	-225.5	0.0
In-Year Deficit	**39.0**	**57.0**	**18.0**

6. The Council has remained within the spending profile for the first two years of the programme and the first quarter forecast had been showing that the trajectory was still on target.

7. Significant recovery work in completing outstanding Education Health and Care Plan (EHCP) backlogs and transition reviews in the early part of 2024/25 have highlighted that the ambitious budget reductions in the initial safety valve programme are under growing pressure for delivery this year. Additional state funded places through the DfE Free Schools programme have been delayed in becoming available whilst costs and demand have grown at a faster rate than in the original assumptions and higher than the Dedicated Schools Grant.

8. The current forecast is showing that pressure is emerging in all areas of the budget, with the costs and demand for places across all provisions showing increased numbers. Costs are increasing due to the shortage of availability for specialist placements as well as increased costs and need in mainstream provision.

9. The third monitoring report for the Safety Valve agreement in 2024/25 was submitted to the Department for Education at the end of November 2024. The instalment related to this return of £1.91m was received at the end of December.

10. To date, the Council has received £80.08m in Safety Valve payments (80% of the total DfE contributions) with a remaining £19.92m due to be paid over the next three years. Our Safety Valve monitoring report had previously confirmed that the Council was on track with its agreed trajectory, The latest return highlighted that the Council is no longer on track to meet the original target of balancing the DSG by 2026/27 and we have requested an extension in the timeline, extending the programme until the end of 2030/31. We are currently awaiting a response from the DfE.

Capital Budget

11. The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m. The Capital Programme Panel, working alongside Strategic Capital Groups, undertook a detailed review of the programme to validate and ensure deliverability. The re-phased capital programme for 2024/25 was approved by Cabinet in July 2024. The current capital budget is £321.4m,

12. Year to date expenditure at the end of December is £217m, and the full year forecast is £324.9m, which is £3.5m more than the re-phased budget, a £0.2m increase from month 8.

Strategic Capital Groups	Annual Budget	FY Forecast at M9	M9 Forecast Variance	M8 Forecast Variance	Change from M8 to M9	Movement
	£m	£m	£m	£m	£m	
Property						
Property Schemes	131.2	139.5	8.3	7.3	1.0	Increase
ASC Schemes	1.6	1.6	-	-	-	Unchanged
CFLC Schemes	4.4	4.5	0.1	0.1	-	Unchanged
Property Total	**137.2**	**145.6**	**8.4**	**7.4**	**1.0**	Increase
Infrastructure						
Highways and Transport	125.2	134.1	8.9	9.9	(1.0)	Decrease
Infrastructure and Major Projects	33.6	22.3	(11.3)	(11.6)	0.3	Increase
Environment	9.0	7.7	(1.3)	(1.2)	(0.1)	Decrease
Surrey Fire and Rescue	2.5	4.2	1.7	1.4	0.3	Increase
Infrastructure Total	**170.3**	**168.3**	**(2.0)**	**(1.5)**	**(0.5)**	Decrease
IT						
IT Service Schemes	13.9	11.0	(2.9)	(2.6)	(0.3)	Decrease
IT Total	**13.9**	**11.0**	**(2.9)**	**(2.6)**	**(0.3)**	Decrease
Total	**321.4**	**324.9**	**3.5**	**3.3**	**0.2**	**Increase**

13. The overall variance is attributable to the following:

- **Land and Property - £8.4m variance over budget** caused by acceleration of planned works on several schemes including Independent Living (£2.6m), SEND (£2.0m), libraries transformation (£1.8m), Corporate Parenting care homes (£1.7m), winter maintenance depots (£1.7m) and Staines and Sunbury Hubs (£2.1m). This is partly offset by slippage of £3.5m across several other schemes.

  Infrastructure - £2.0m variance under budget, due to slippage of £7.6m on the A308 modernisation and A320 North of Woking schemes. As well as a delay to part of the Farnham Town Centre programme (£0.8m), slippage across various SIP schemes (£2.9m) and a further £3.4m slippage across a number of other schemes.

  Home Upgrade Grant 2 is forecasting an underspend of £0.9m due to slow down in delivery due to the general election and installer capacity.

  This is mostly offset by £9.2m additional surface dressing and safety defect spend, including the A24 emergency works which it is assumed will be recovered through Damage to County Property processes, and other smaller changes to road safety and improvement schemes. There is also a £1.3m increase in Safety Barriers to be funded by Lane Rental bids, and increased spend on bridge maintenance (£1.6m).

  There is also £1.5m acceleration on Fire Integrated Transport Function.

- **IT - £2.9m variance under budget,** caused by a reprofile of the WAN / Wi-Fi refresh programme that has reprofiled spend into future years. And a delay in the need to renew hardware due to a 13-month extension of the relevant existing license.

Consultation:

14. Executive Directors and Cabinet Members have confirmed the forecast outturns for their revenue and capital budgets.

Risk Management and Implications:

15. Risk implications are stated throughout the report and each relevant director or head of service has updated their strategic and or service risk registers accordingly. In addition, the Corporate Risk Register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council and the sustainability of the Medium-Term Financial Strategy. In the light of the financial risks faced by the Council, the Leadership Risk Register will be reviewed to increase confidence in Directorate plans to mitigate the risks and issues.

Financial and Value for Money Implications:

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

Section 151 Officer Commentary:

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17. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending to achieve a balanced budget position each year.

18. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

19. The Council has a duty to ensure its expenditure does not exceed the resources available. As such, the Section 151 Officer confirms the financial information presented in this report is consistent with the Council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.

Legal Implications – Monitoring Officer:

20. The Council is under a duty to set a balanced and sustainable budget. The Local Government Finance Act requires the Council to take steps to ensure that the Council's expenditure (that is expenditure incurred already in year and anticipated to be incurred) does not exceed the resources available whilst continuing to meet its statutory duties.

21. Cabinet should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget they must formally draw this to the attention of the Cabinet and Council and they must take immediate steps to ensure a balanced in-year budget, whilst complying with its statutory and common law duties.

Equalities and Diversity:

22. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary In implementing individual management actions, the Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires it to have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

23. Services will continue to monitor the impact of these actions and will take appropriate action to mitigate additional negative impacts that may emerge as part of ongoing analysis.

What Happens Next:

24. The relevant adjustments from recommendations will be made to the Council's accounts.

Report Author: Andy Brown, Deputy Chief Executive and Executive Director of Resources (s151 Officer) andy.brown@surreycc.gov.uk

Consulted: Cabinet, Executive Directors, Heads of Service

Annexes:

Annex 1 – Detailed Revenue M9 position

Annex 2 – Balance Sheet Indicators

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Detailed Revenue M9 Position

Annex 1

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Service	Cabinet Member	Net budget	Forecast	Outturn variance
Public Health	M Nuti	£37.7m	£37.2m	(£0.5m)
Mental Health Investment Fund	M Nuti	£4.9m	£4.9m	£0.0m
Communities & Prevention	M Nuti	£3.7m	£3.6m	(£0.1m)
Adult Social Care	S Mooney	£470.5m	£474.3m	£3.8m
Adults, Wellbeing & Health Partnerships		**£516.8m**	**£520.0m**	**£3.2m**
Family Resilience	C Curran	£68.4m	£67.7m	(£0.7m)
Education and Lifelong Learning	C Curran	£31.6m	£31.4m	(£0.2m)
Commissioning	C Curran	£2.4m	£2.7m	£0.3m
Quality & Performance	C Curran	£87.3m	£93.6m	£6.3m
Corporate Parenting	C Curran	£112.0m	£112.1m	£0.1m
Exec Director of CFLL central costs	C Curran	-£1.9m	£0.9m	£2.8m
Children, Families and Lifelong Learning		**£299.9m**	**£308.5m**	**£8.6m**
Highways & Transport	M Furniss	£71.1m	£73.7m	£2.7m
Environment	M Heath/ N Bramhall	£82.8m	£84.0m	£1.2m
Infrastructure, Planning & Major Projects	M Furniss	£2.6m	£2.4m	(£0.2m)
Planning Performance & Support	M Furniss	£3.3m	£3.6m	£0.3m
Land & Property	N Bramhall	£24.0m	£29.5m	£5.5m
Economic Growth	M Furniss	£1.8m	£1.7m	(£0.1m)
Place		**£185.6m**	**£194.9m**	**£9.4m**
Surrey Fire and Rescue	K Deanus	£40.4m	£40.7m	£0.3m
Safer Communities	K Deanus	£1.2m	£1.2m	£0.0m
Emergency Management	K Deanus	£0.7m	£0.7m	(£0.1m)
Trading Standards	D Turner-Stewart	£1.8m	£1.8m	£0.0m
Community Protection & Emergencies		**£44.1m**	**£44.4m**	**£0.2m**
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	(£0.0m)
Comms, Public Affairs & Engagement	T Oliver	£2.7m	£2.8m	£0.1m
Active Surrey	D Lewis	£0.0m	£0.0m	£0.0m
Coroners	K Deanus	£4.6m	£4.6m	(£0.0m)
Customer Services	D Turner-Stewart	£3.2m	£3.3m	£0.1m
Customer Experience	D Turner-Stewart	£0.2m	£0.2m	£0.0m
Customer and Communities Leadership	D Turner-Stewart	£0.5m	£0.4m	(£0.1m)
Design & Change	D Lewis	£3.3m	£2.6m	(£0.7m)
Heritage	D Turner-Stewart	£0.9m	£1.0m	£0.0m
Information Technology & Digital	D Lewis	£21.2m	£20.9m	(£0.3m)
Libraries Services	D Turner-Stewart	£7.8m	£7.9m	£0.1m
People & Change	T Oliver	£9.4m	£9.6m	£0.2m
Registration and Nationality Services	D Turner-Stewart	-£1.7m	-£1.7m	(£0.0m)
Surrey Arts	D Turner-Stewart	£0.4m	£0.4m	£0.0m
Transformation Programmes	D Lewis	£0.0m	£0.0m	£0.0m
Finance	D Lewis	£8.5m	£8.5m	£0.0m
Joint Orbis	D Lewis	£6.2m	£6.4m	£0.2m
Legal Services	D Lewis	£6.2m	£6.0m	(£0.2m)
Democratic Services	D Lewis	£3.9m	£4.0m	£0.1m
Director of Resources	D Lewis	£0.1m	£0.6m	£0.6m
Leadership Office	D Lewis	£2.3m	£2.0m	(£0.3m)
Corporate Strategy and Policy	D Lewis	£1.9m	£1.8m	(£0.2m)
Pensions	D Lewis	-£0.7m	-£0.7m	(£0.0m)
Performance Management	D Lewis	£0.2m	£0.2m	£0.0m
Procurement	D Lewis	£0.7m	£0.9m	£0.3m
Twelve15	D Lewis	-£1.0m	-£1.0m	(£0.0m)
Resources		**£80.8m**	**£80.9m**	**£0.0m**
Central Income & Expenditure	**D Lewis**	**£82.1m**	**£80.1m**	**(£2.0m)**
Directorate position		**£1,209.3m**	**£1,228.7m**	**£19.4m**
Corporate Funding		**-£1,209.3m**	**-£1,209.3m**	**£0.0m**
Overall		**-£0.0m**	**£19.4m**	**£19.4m**

Balance Sheet indicators – Q3 2024/25 **Annex 2**

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Prudential Indicators (capital expenditure, borrowing and commercial & service investments)

1. All Prudential Indicators have been adhered to and the Authorised Borrowing Limit and Operational Boundary have not been breached during the period.

2. The Council measures and manages its capital expenditure, borrowing and commercial and service investments with reference to the following indicators, which are reported to Cabinet on a quarterly basis.

Table 1: Estimates of Capital Expenditure

	2023/24 Actual	2024/25 Forecast	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
	£m	£m	£m	£m	£m	£m
Capital Programme - Budget	298	325	344	231	164	147
Capital Programme - Pipeline	-	42	250	127	60	53
Sub-total Capital Programme	298	367	594	359	223	201
Capital investment strategy	1	25	3	-	-	-
TOTAL	**299**	**390**	**597**	**359**	**223**	**201**

Estimates of Capital Financing Requirement

3. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces by the annual Minimum Revenue Provision and capital receipts used to replace debt.

Table 2: Estimates of Capital Financing Requirement

	2023/24 Actual	2024/25 Forecast	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
	£m	£m	£m	£m	£m	£m
Capital Programme	1,064	1,262	1,709	1,858	1,936	2,012
Investment Programme	439	456	446	437	428	420
TOTAL CFR	**1,503**	**1,718**	**2,155**	**2,295**	**2,364**	**2,432**

Proportion of Financing Costs to Net Revenue Stream

4. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants.

5. In February 2024, the Council approved an ambitious Capital Programme to 2028/29, continuing the significant investment in infrastructure and assets to support key

services. As table 3 illustrates, the mid-term financing costs are forecast to increase over the medium term (3.6% in 2023/24 to 7.5% in 2028/29). This means that financing costs will reduce the percentage of the revenue budget available for other uses, unless the revenue budget increases more than forecast and / or capital expenditure funded by borrowing is less than forecast. As part of the 2025/26 – 2029/30 Medium Term Financial Strategy Planning a review of all capital commitments has been undertaken.

12 **Table 3: Proportion of Financing Costs to Net Revenue Stream**

	2023/24 Actual	2024/25 Forecast	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Ratio of Net Financing Costs to Net Revenue Stream	3.6%	3.7%	4.9%	6.1%	6.9%	7.6%

<u>Net Income from Commercial and Service Investments to Net Revenue Stream</u>

6. This is an indicator of affordability and highlights the net financial impact on the authority of its entire non-treasury investment income.

7. The Councils reliance on non-treasury investment income is forecast to remain at 1.6% over the mid-term. This is a small proportion of the total net revenue stream and demonstrates that the Council has limited exposure to external commercial market forces.

Table 4: Net Income from Commercial and Service Investments to Net Revenue Stream

	2023/24 Actual	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Total net income from service and commercial investments (£m)	21	19	19	19	19	19
Proportion of net revenue stream	1.9%	1.6%	1.6%	1.6%	1.6%	1.5%

<u>Investments</u>

8. The Council's average daily level of investments has been £74.7m during 2024/25 (up to the end of Q3), compared to an average of £98.8m during 2023/24 (up to the end of Q3). The lower cash investment balances reflect management of the Council's cash flow and the higher borrowing costs incurred currently for short-term borrowing.

9. The Bank of England (BoE) base rate was reduced by 0.25% in November 2024 to 4.75%. The Council invests temporary cash surplus exclusively through the use of money market funds (MMF). Other investment facilities are available, including: brokers, direct dealing with counterparties through the use of call accounts or direct deal facilities, or with the government's Debt Management Office (DMO). No new fixed term deposits have been agreed during 2024/25, MMF investments ensure sufficient liquidity and to reduce credit risk exposure.

10. Table 5 shows the weighted average return on all investments the Council received in the quarter to 31 December 2024 is 4.83%. This compares to a 4.85% average Bank of England (BoE) base rate for the same period.

Table 5: Weighted average return on investments compared to BoE base rate.

	2022/23		2023/24		2024/25	
Period	**Average BoE Base Rate**	**Weighted return on investments**	**Average BoE Base Rate**	**Weighted return on investments**	**Average BoE Base Rate**	**Weighted return on investments**
Quarter 1(Jun)	0.95%	0.77%	4.44%	4.33%	5.25%	5.23%
Quarter 2 (Sep)	1.61%	1.48%	5.16%	5.02%	5.08%	5.10%
Quarter 3 (Dec)	2.82%	2.56%	5.25%	5.29%	4.85%	4.83%
Quarter 4 (Mar)	3.85%	3.67%	5.25%	5.27%	-	-

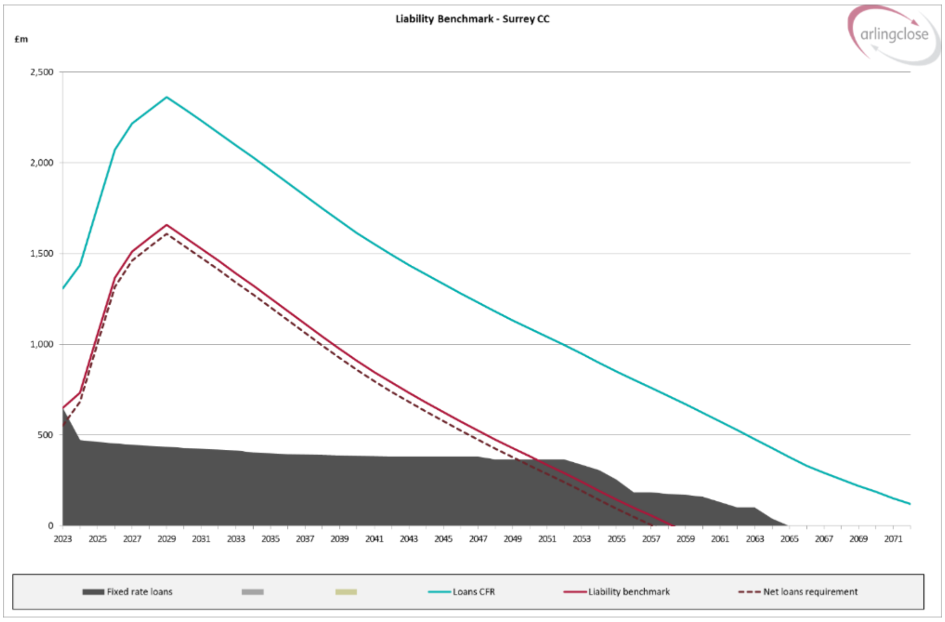
Note: All numbers in all tables have been rounded - which may cause a casting difference

Liability Benchmark

11. The liability benchmark compares the Council's actual borrowing against an alternative strategy and is updated as part of the annual Capital Investment and Treasury Management Strategy. This is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

12. The liability benchmark as part of the 2024/25 Capital Investment and Treasury Management Strategy is as follows:

Graph 1: Liability benchmark



Debt

13. During the six months to 31st December 2024, the Council raised invoices totalling £64.8m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total of £36.7m of overdue debt at the end of December 2024, a decrease of £15.8m since the last quarter. General debt has decreased by £5.3m

since the last quarter and Integrated Care Board debt has decreased by £8.6m since the last quarter and a small decrease in other local authority debt.

14. Unsecured social care overdue debt has decreased by £0.8m since the last quarter. The Financial Assessments & Income Collection Team in ASC responsible for the recovery of social care debt take a range of actions to recover unsecured debts. In addition to undertaking probate searches, the team agree instalment arrangements, pursue recovery action, including via the Council's legal services team if necessary, and take action to secure the debt where possible.

Table 6: Age profile of the Council's debt as at 31st December 2024

Account group	<1 month £m	1-12 months £m	1 to 2 years £m	over 2 years £m	Gross debt £m	Overdue debt £m	Q2 Overdue debt £m	Change £m
Care debt – unsecured	6.7	11.7	5.1	6.4	29.8	23.2	24.0	(0.8)
Care debt – secured	0.9	4.9	4.3	4.7	14.8	0.0		
Total care debt	**7.5**	**16.6**	**9.4**	**11.1**	**44.6**	**23.2**	**24.0**	**(0.8)**
Schools, colleges and nurseries	4.2	0.2	0.1	0.0	4.5	0.4	1.0	(0.6)
Integrated Care Boards	2.1	3.9	1.2	0.6	7.7	5.6	14.2	(8.6)
Other local authorities	1.4	0.8	0.1	0.1	2.4	1.0	1.1	(0.1)
General debt	3.5	3.3	1.8	1.4	10.1	6.6	11.9	(5.3)
Total non-care debt	**11.2**	**8.3**	**3.2**	**2.1**	**24.7**	**13.6**	**28.2**	**(14.6)**
Total debt	**18.7**	**24.9**	**12.6**	**13.2**	**69.4**	**36.7**	**52.2**	**(15.5)**
Q2 2024/25	**26.5**	**38.7**	**13.6**	**13.1**	**91.9**	**52.6**		
Change	(7.8)	(13.8)	(1.0)	0.1	(22.5)	(15.8)		

** Secured care debt does not become due until either the property is sold or after 90 days following the death of the resident, whichever is earlier.*

Note: All numbers have been rounded - which might cause a casting difference.