

SURREY COUNTY COUNCIL

CABINET

DATE: 24 NOVEMBER 2020

REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: 2020/21 MONTH 6 (SEPTEMBER) FINANCIAL REPORT

ORGANISATION GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/
 STRATEGY TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING
 PRIORITY AREA: COMMUNITIES



SUMMARY OF ISSUE:

This report provides details of the County Council's 2020/21 financial position as at 30th September 2020 (M6) for revenue and capital budgets and the projected outlook for the financial year.

The Budget Monitoring report supports all four priorities objectives; transparently reporting on how we spend our money in the most efficient and effective ways; to deliver the greatest impact on improving people's quality of life and ensure we provide the best value for money to our residents.

Also within the report, there is information and a recommendation on the Leader's initiative to reallocate SCC's share of increased council tax funding that directly results from changes in Empty Homes policies.

Key Messages – Revenue

- The forecasts at Month 6 have been used to reassess the 2020/21 budget envelopes in light of the additional costs and lost income related to CV-19. Allocating budget to Directorates to balance CV-19 pressures is a key part of reasserting budget accountability and ensuring that robust principles of budget management can continue to be applied across the organisation. Details of the proposed budget reset (funded from the CV-19 reserve) are set out in **Para 3-8. The proposed revenue budget baseline is now £1,021.6m.**
- As at September 2020 (M6) the Council is forecasting a full year **£3.5m** business as usual overspend against the proposed budget baseline of £1,021.6m; an improvement of £1.2m from M5 (after taking account of the CV-19 budget reset). The **details are shown in Annex 1 and summarised in Table 1.** There remains significant uncertainty in the 2020/21 forecast which will be kept under close review.
- Each quarter, key Balance Sheet indicators are reported; these are set out in **Annex 2.**

Key Messages – Capital

- The Council approved a capital budget for 2020/21 of £175.7m in February 2020. This has been restated to £226.3m to reflect a reset of the budget based on the M5

forecasts to recognise the impact of CV-19 and the inclusion of the acquisition and associated costs of the Woodhatch site.

- Against the restated budget, forecast capital spend is £226.8m; an increase of £0.5m across Strategic Capital Groups, details of which are set out in Table 3.

Key Messages – Empty property proposal

- In an initiative to reduce the number of empty properties throughout the County, the Council has proposed to reallocate its share of increased council tax funding that directly results from changes in Empty Homes policies. Under this commitment the districts and boroughs (D&Bs) will be allocated funding if agreed conditions are met. The scheme is available for any change to Empty Home policies that have become effective since April 2019. (Para 13 -15 & Annex 3).

RECOMMENDATIONS:

It is recommended that Cabinet:

1. note the Council's forecast revenue and capital budget positions for the year;
2. approve the reset of the 2020/21 revenue budget envelopes to reflect the additional costs and lost income related to CV-19 (Para 3 - 8);
3. approve an allocation of £1.6m to the Public Health service to invest in additional service provision. This allocates the final element of a £2.4m increase in Surrey's Public Health grant in 2020/21, further to the £0.8m increase in Public Health funding included in the June 2020 Cabinet report. (Para 9 -12);
4. approve a carry forward for the remainder of the £1.6m allocated to the Public Health service which is not spent on additional service provision in the remainder of 2020/21. This is to secure funding for the additional services commissioned in 2022/23, when (based on the government's current proposals for overhauling local government funding) the Public Health grant is assumed to become un-ringfenced. (Para 9 -12) ; and
5. approve the Empty property proposal (para 17-19 & Annex 3).

REASON FOR RECOMMENDATIONS:

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

DETAILS:

Revenue Budget

1. As stated, the current forecast for the year is a deficit of £3.5m against the budget of £1,021.6m. Table 1 below shows the forecast revenue position by Directorate.

Table 1 - Summary revenue budget forecast variances as at 30 September 2020

Directorate	20/21 outturn forecast at M6 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	380.8	382.7	(1.9)	(1.8)
Public Health	31.1	31.3	(0.2)	0.0
Children, Families & Lifelong Learning	210.1	199.9	10.2	0.2
Environment, Transport & Infrastructure	136.4	134.2	2.2	0.0
Community Protection	37.6	36.8	0.8	0.1
Community & Transformation	15.1	15.6	(0.5)	0.0
Strategy & Commissioning	54.7	55.7	(1.0)	0.0
HR & Communications	8.5	8.4	0.0	(0.0)
Deputy CEX	2.3	2.3	0.0	0.0
Resources	74.0	73.5	0.5	0.2
Central Income & Expenditure	79.3	81.3	(2.0)	0.0
Directorate Budget Envelopes	1,029.8	1,021.6	8.2	(1.2)
Central Funding	(1,026.3)	(1,021.6)	(4.7)	0.0
Overall after central funding	3.5	(0.0)	3.5	(1.2)

Note: Numbers have been rounded which might cause a difference. The table reflects the revised organisational structure

2. The main drivers of the deficit of £3.5m are £13.7m in additional costs offset by underspends and other efficiencies of £10.3m as set out below:

Additional costs of £13.7m:

- **£10.2m - Children, Families and Lifelong Learning (CFL)** – made up of £11.2m from increased corporate parenting costs, Care Leavers and SEND caseload increasing placement costs, and £1.3m for staffing in Corporate Parenting and Family Resilience due to agency staff covering permanent roles.

The overspend is partly offset by £1.7m additional asylum seeker grant income and £0.5m for staffing underspends.

Included in the CFL position is a £7.6m variance on the contribution to the offsetting reserve to match the overspend on the Dedicated Schools Grant (DSG) High Needs Block (HNB), which is projected to be a £31.6m overspend (of which £24m was anticipated in the budget). The variance is due to increased placement costs and support packages which had previously been highlighted as a risk. The start of the new school year has clarified the current position in terms of transfers and work is ongoing to mitigate and reduce this overspend as far as possible.

- **£2.2m Environment, Transport and Infrastructure** – £2.7m from increased waste costs and £0.7m non achievement of prior year efficiencies. Offset by £0.2m Highways and Transport underspends and £1.0m management action, plans being developed.
- **£0.8m Community Protection Group** - related to Coroner service £0.8m including increased fees and the cost of managing a backlog of cases.
- **£0.5m Resources** - Legal services (£0.3m) due to staffing and additional external fees and Land & Property (£0.2m) mainly due to staffing overspends, partially

offset by underspends on utilities and printing costs while administrative offices are under-utilised due to CV-19.

Offset by £10.3m of underspends and efficiencies

- **£1.9m Adult Social Care (ASC) - £7.8m underspend** due to: 2020/21 care package commitments based on active cases at the end of September being lower than budget (£4.7m), holding the majority of ASC's investment fund to cover expected care package pressures (£1.2m), additional Better Care Fund income (£0.8m), and forecast underspends against ASC's staffing budget (£0.6m) and other budgets (£0.5m); offset by a £6.0m forecast increase in Older People care package expenditure in the remainder of the year as some care packages following hospital discharge transfer from temporary NHS CV-19 funding to become ASC funding responsibility.
- **£0.2m Public Health** – largely due to reduced activity for general health checks and sexual health clinics due to CV-19.
- **£1.0m Strategy & Commissioning** – £2.0m non achievement of joint placement reviews with health efficiency, offset by £3.0m Home to School Transport underspend due to the reduction of journeys during school closures.
- **£0.5m Community & Transformation** - reduced expenditure in libraries as a result of the current closure and mitigating action.
- **£2.0m Central Income & Expenditure** – a recent actuarial review and changing the payment profile has reduced secondary employer's pension contributions.
- **£4.7m Central Funding** - latest estimates of grant funding exceed budget.

CV-19 update and reset of the 2020/21 revenue budget envelopes

3. The CV-19 forecast has been reviewed throughout the year, resulting in periodic re-alignment of the budget to reflect updated Government funding and the latest forecast of CV-19 costs and lost income. The proposed budget reset neutralises the CV-19 forecast variance. As CV-19 funding and costs remain volatile, resetting the CV-19 budget ensures that the Council is focussed on achieving a sustainable financial position for business as usual activities.
4. In September, the first CV-19 Income Compensation Scheme (ICS) return for £4.6m was submitted. Further claims are likely to follow and the total amount due for the year will be confirmed by a reconciliation and audit at the end of the year. In addition, tranche 4 of the Government's emergency CV-19 funding was announced on 22nd October, with Surrey's allocation at £5.3m.
5. Directorates have undertaken a comprehensive review of the CV-19 forecasts for M6. The additional Government grant and expected ICS funding give us confidence to propose a £1.9m reset of the revenue budget to neutralise the impact of CV-19 on Directorate budget envelopes (**Table 2**).

Table 2 – Revenue proposed budget reset across the directorates

Directorate	Proposed budget			
	CV-19 £m	BAU £m	Overall £m	Adjusted by: £m
Adult Social Care	10.6	372.1	382.7	(2.6)
Public Health	0.3	31.0	31.3	0.2
Children, Families & Lifelong Learning	17.0	182.9	199.9	4.9
Environment, Transport & Infrastructure	6.3	127.9	134.2	2.1
Community Protection	0.5	36.3	36.8	0.2
Community & Transformation	0.1	15.5	15.6	0.1
Strategy & Commissioning	1.0	54.7	55.7	0.1
HR & Communications	0.4	8.0	8.4	0.0
Deputy CEX	0.0	2.3	2.3	0.0
Resources	7.0	66.5	73.5	(1.4)
Central Income & Expenditure	9.5	71.9	81.3	(1.7)
Directorate Budget Envelopes	52.5	969.1	1,021.6	1.9
Central Funding	(52.5)	(969.1)	(1,021.6)	(1.9)
Overall after central funding	0.0	0.0	0.0	0.0

6. At M6 and before the budget reset, the net CV-19 forecast deficit was £1.9m against the 2020/21 budget baseline of £50.6m. The net deficit of £1.9m can be funded from £1.9m held within CV-19 reserve, therefore the total CV-19 position consists of:

- Total costs, lost income and unachievable efficiency savings of **£78.0m**
- Funded through:
 - £53.4m of general Government CV-19 funding (of which £0.9m used in 2019/20) leaving **£52.5m in the 2020/21 budget**
 - **£25.5m** of specific Government CV-19 relating to Infection Control, Test and Trace funding and grants for active travel and bus services.

7. Receipts from the ICS (£4.6m) expected later in the year and the fourth tranche of CV-19 emergency funding (£5.3m) will supplement the CV-19 reserve. As the situation is still developing, management are keeping the situation under close review throughout the remainder of the year.

8. The forecast review improved the CV-19 position between M5 and M6 by £2.4m. This relates to; reassessment of commercial income, care package volumes and clarified funding responsibility, re-evaluation of costs of reopening buildings and Twelve15 income, offset by extra pressures within CFL and ETI.

Allocation of Public Health grant increase

9. The first 2020/21 budget monitoring report to Cabinet in June 2020 outlined that Surrey's Public Health (PH) grant had been increased by £2.4m in 2020/21 and explained that £0.8m of this grant increase was required to fund PH contractual costs associated with the NHS Agenda for Change pay award. The allocation of £0.8m of the £2.4m grant increase to the PH service budget was therefore approved in June.

10. Since June discussions have taken place about how to utilise the remaining £1.6m of the 2020/21 PH grant increase. The PH service have drawn up proposals to invest in additional PH service provision. Informed by the Public Health England prioritisation tool, these will focus on enhancing and adding to provision in such areas as mental health and suicide prevention, health visiting, substance and alcohol misuse services as well as development of a more holistic integrated healthy lifestyle service. Such development work will enable improved service delivery to meet Surrey's health and wellbeing priorities and also ensure the PH service is able to effectively manage and respond to the longer term impacts of the CV-19 pandemic that are described in the recently published community impact assessment. Cabinet is now being asked to approve the allocation of the remaining £1.6m grant increase to the Public Health service budget. Subject to Cabinet approval, the Public Health service will then begin to set up contractual arrangements for the additional services to be funded by the £1.6m of increased grant funding.
11. The time needed to commission these services appropriately means that it is not possible for the service to ensure this significant amount of the money is spent in the most effective way on the additional directly commissioned services in the remaining 4 months of 2020/21. Therefore, any of the £1.6m not spent on additional services directly commissioned by PH will be used to fund existing services delivered by other parts of the Council in 2020/21 that achieve wider public health outcomes. This will mean that Surrey's 2020/21 PH grant will be fully and effectively spent.
12. The government's current proposals for funding reform lead us to assume that the PH grant will become un-ringfenced in 2022/23 and rolled into general local authority funding. In order to give the PH service relative funding stability for the next two years, Cabinet is asked to approve a carry forward from the Council's General Fund equivalent to however much of the £1.6m allocated to the PH service it is not possible to spend on additional service provision in the remainder of 2020/21. This is to avoid or limit a scenario whereby the PH service invests in additional service provision in 2021/22 only to then have to reduce these services the year after due to funding reductions. This will enable longer term planning for PH service delivery. The carry forward will have no impact on the Council's 2020/21 budget outturn. The intention is to hold the funding until 2022/23 and only draw it down if required based on PH funding changes up to 2022/23.

Capital Budget

13. In February 2020, Council approved a capital budget of £175.7m. This was restated to £230.1m at M4 to reflect the purchase of and other costs relating to the Woodhatch site in Reigate. Subsequently, at M6 the budget has been reset based on M5 forecasts to acknowledge the impact CV-19 has had on capital projects, including delays and higher costs to comply with new guidelines. **The budget now stands at £226.3m, a reduction of £3.8m to M5.** The budget reset provides a stable baseline against which to monitor spend over the remaining months.
14. Table 3, below, provides a summary of the forecast full-year outturn at M6; against the revised budget, forecast capital spend is £226.8m, an increase of £0.5m to budget.

Table 3 - Capital Programme Forecast at M6

	Restated Budget	Forecast outturn at M6	M6 Reported Variance
	£m	£m	£m
Strategic Capital Groups			
Property			
Property Schemes	118.7	118.1	(0.6)
ASC Schemes	1.9	1.7	(0.2)
CFLC Schemes	0.6	0.5	(0.0)
Property Total	121.2	120.3	(0.9)
Infrastructure			
Highways and Transport	83.6	85.0	1.4
Environment	2.0	2.0	0.0
Community Protection	3.8	3.8	0.0
Infrastructure Total	89.3	90.7	1.4
IT			
IT Service Schemes	15.4	15.4	0.0
CFLC - EMS	0.3	0.3	0.0
IT Total	15.7	15.7	0.0
Total	226.3	226.8	0.5

15. The increase in forecast primarily relates to Bridge Strengthening within Highways and Transport with an increase of £1.6m due to the delay of two schemes from March 2020. These schemes have incurred higher costs due to CV-19 and from design changes. The increase is funded by a transfer from a structures amount in the pipeline. Infrastructure budget and forecast includes the agreed £6m accelerated spend in Highways Maintenance.
16. Offsetting the increase, Property Strategic Capital Group forecast reduced spend of £0.9m, related to a reprofiling of Fire Risk Assessments £0.8m, PRU schemes £0.3m, Henley Fort £0.6m and a decrease of £0.2m Adult Social Care major adaptations. This is offset by accelerated delivery in PSBP2 school projects of £1m.

Empty property proposal

17. The council would like to see the level of empty properties throughout the County reduce. Under the proposal District and Borough Councils (D&Bs) will continue to determine their own policies, with any policy changes that become effective from April 2019 onwards qualifying for reimbursement of SCC's share of additional funding. It is anticipated that this offer will result in a reduction to the number of empty properties.
18. The reimbursement should not be funding existing initiatives/projects but can be used to extend existing initiatives/projects. The reallocation can be used to directly support a County initiative/specific project such as work that supports homelessness reduction, addresses climate change commitments, or rethinks local transport delivery. As such, the proposed use of funding will form part of the application process.
19. The council has undertaken an engagement process with all the D&Bs which has resulted in the design of the application form and process. Several D&Bs are in a position to submit application(s) relating to the financial year(s) 2019/20 and 2020/21 (Annex 3).

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

21. 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 Leadership 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:

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

SECTION 151 OFFICER COMMENTARY

23. The Council has a duty to ensure its expenditure does not exceed resources available. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook is uncertain. The public health crisis has resulted in increased costs which may not be fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. Within this context the Council will continue to develop and implement plans to ensure the delivery of services are contained within resources.
24. 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

25. 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.
26. 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

27. 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.
28. 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 this ongoing analysis.

WHAT HAPPENS NEXT:

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

Contact Officer:

Leigh Whitehouse, Executive Director of Resources, 020 8541 7246

Consulted:

Cabinet, Executive Directors, Heads of Service.

Annexes:

Annex 1 – Forecast revenue budget as at 30 September 2020.

Annex 2 – Balance Sheet indicators as at 30 September 2020.

Annex 3 – Proposed Empty Homes Policy.

Detailed Revenue Budget by Service – 30 September 2020

Service	Cabinet Member	Prior year to date actual £m	Year to date budget £m	Year to date actual £m	Year to date variance £m	Full year gross budget £m	Full year net budget £m	Full year net forecast £m	Full year net forecast variance £m
Delegated Schools	J Iles	(0.0)	(0.0)	0.0	0.0	294.7	(0.0)	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	37.2	36.9	34.4	(2.5)	214.2	50.1	57.0	7.0
Family Resilience	M Lewis	48.5	45.5	44.0	(1.5)	103.6	89.7	92.1	2.3
Corporate Parenting	M Lewis	18.7	21.8	20.9	(0.9)	44.9	40.6	41.8	1.2
Quality & Performance	M Lewis / J Iles	3.9	4.5	4.1	(0.4)	10.9	8.9	8.6	(0.3)
Directorate wide savings	M Lewis / J Iles	0.2	0.7	3.4	2.7	4.9	10.6	10.8	0.1
Children, Families, Learning		108.4	109.3	106.8	(2.5)	673.1	199.9	210.2	10.3
Public Health	S Mooney	13.7	13.7	10.2	(3.5)	31.1	31.3	31.1	(0.2)
Adult Social Care	S Mooney	182.0	199.2	197.2	(2.0)	533.3	382.7	380.8	(1.9)
Highways & Transport	M Furniss	28.0	26.1	25.5	(0.6)	69.2	58.5	58.3	(0.2)
Environment	N Bramhall	27.4	35.5	38.0	2.5	75.4	71.7	74.6	2.9
Leadership Team (ETI)	M Furniss /N Bramhall	0.4	(0.0)	0.4	0.4	(0.1)	(0.1)	(0.6)	(0.5)
ETI CV-19	M Furniss /N Bramhall	0.0	2.1	1.1	(1.0)	4.2	4.1	4.1	0.0
Environment, Transport & Infrastructure		55.8	63.6	65.0	1.3	148.8	134.2	136.4	2.2
Fire and Rescue	D Turner-Stewart	15.9	15.8	15.6	(0.2)	36.4	31.7	31.7	(0.0)
Trading Standards	D Turner-Stewart	0.9	1.0	1.0	0.0	4.0	1.9	1.9	0.0
Chief of Staff	D Turner-Stewart	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emergency Management	D Turner-Stewart	0.2	0.3	0.3	(0.0)	0.5	0.5	0.5	(0.0)
Coroner	D Turner-Stewart	1.1	0.9	1.4	0.6	2.5	2.1	2.9	0.8
Health & Safety	D Turner-Stewart	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0
CP CV-19	D Turner-Stewart	0.0	0.1	0.6	0.5	0.3	0.5	0.5	0.0
Armed Forces and Resilience	D Turner-Stewart	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Community Protection		18.2	18.1	19.0	0.9	43.8	36.8	37.6	0.8
Human Resources & Organisational Development	Z Grant-Duff	1.4	3.3	2.8	(0.5)	6.6	6.6	6.6	0.0
Communications	Z Grant-Duff	0.6	0.7	0.7	(0.0)	1.4	1.4	1.5	0.0
HR & Comm CV-19	Z Grant-Duff	0.0	0.1	0.1	0.0	0.4	0.4	0.4	0.0
HR & Communications		2.0	4.1	3.6	(0.5)	8.4	8.4	8.5	0.0
Transformation Support Unit	T Oliver	0.0	0.4	0.5	0.1	0.8	0.8	0.8	(0.0)
Customer Services	Z Grant-Duff	1.4	1.5	1.3	(0.1)	3.1	2.9	2.8	(0.1)
Community Partnerships	Z Grant-Duff	0.4	0.4	0.3	(0.1)	1.3	1.3	1.3	(0.0)
Libraries, Registrars & Culture	J Iles	0.0	6.3	5.2	(1.1)	16.5	10.2	9.8	(0.4)
C&T CV-19	T Oliver / J Iles	0.0	0.2	0.2	0.0	0.3	0.4	0.4	0.0
Community & Transformation		1.8	8.7	7.5	(1.2)	21.9	15.6	15.1	(0.5)
Strategic Commissioning	M Lewis / J Iles	4.6	25.6	21.1	(4.5)	130.5	52.0	51.1	(0.9)
Insight, Analytics & Intelligence	Z Grant-Duff	1.3	1.5	1.3	(0.2)	2.8	2.0	1.9	(0.1)
S&C CV-19	J Iles / Z Grant-Duff	0.0	0.7	0.6	(0.1)	0.7	1.6	1.6	0.0
Strategy & Commissioning		5.9	27.8	23.0	(4.8)	133.9	55.7	54.7	(1.0)
Strategic Leadership	T Oliver	0.5	1.9	1.8	(0.1)	2.8	1.5	1.5	0.0
Economic Growth	C Kemp	0.3	0.4	0.3	(0.1)	0.8	0.8	0.8	(0.0)
DCEX CV-19	C Kemp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deputy CEX		0.8	2.2	2.1	(0.2)	3.6	2.3	2.3	0.0
Joint Operating Budget ORBIS	M Few	15.9	8.6	9.6	1.1	17.2	17.6	17.6	0.0
Land & Property	M Few	8.5	12.2	13.5	1.3	36.3	27.1	27.2	0.1
Information Technology & Digital	M Few	4.4	5.4	5.2	(0.2)	11.4	10.7	10.7	(0.0)
Finance	M Few	0.7	2.8	2.9	0.1	7.6	5.5	5.6	0.1
Legal Services	M Few	2.1	2.1	2.4	0.3	4.6	4.1	4.4	0.3
Democratic Services	M Few	1.6	1.6	1.6	(0.0)	3.5	3.2	3.2	(0.0)
Business Operations	M Few	(0.1)	(0.2)	(0.1)	0.0	(0.3)	(0.3)	(0.2)	0.1
Resources Leadership	M Few	0.0	1.8	0.6	(1.2)	1.3	0.7	0.8	0.0
Twelve15	M Few	0.0	4.2	3.8	(0.4)	18.2	2.2	2.1	(0.1)
Resources CV-19	M Few / Z Grant-Duff	0.0	0.7	0.5	(0.3)	7.3	2.6	2.6	0.0
Resources		33.2	39.2	40.0	0.8	106.9	73.5	74.0	0.5
Corporate Expenditure	M Few	17.2	31.4	32.9	1.5	94.4	81.3	79.3	(2.0)
Total services' revenue expenditure		439.0	517.5	507.3	(10.2)	1,799.3	1,021.6	1,029.8	8.1
Central funding		(353.0)	(442.5)	(534.3)	(91.8)	0.0	(1,021.6)	(1,026.3)	(4.7)
Total Net revenue expenditure		86.0	75.0	(27.0)	(102.0)	1,799.3	(0.0)	3.5	3.5

Balance Sheet Indicators

Debt

1. During the three months to 30 September 2020, the Council raised invoices totalling £103.7m. Last quarter, the gross debt outstanding on these invoices was £44.2m, representing an increase of £7.7m from quarter 1. The majority of the increase relates to invoices raised to Clinical Commissioning Groups for agreed funding contributions. This debt is not old (the vast majority is less than 3 months old) and there is very high confidence that this newer debt will be paid. At year-end 2019/20 gross debt outstanding was £49.4m. Table 1 below shows the age profile of the debts as at 30th September 2020. The overdue debt is the gross debt less those balances not immediately due (i.e. less than 30 days old).

Table 1: Age profile of the Council's debt as at 30 September 2020

Account group	<1 month £m	1-12 months £m	1 to 2 years £m	over 2 years £m	Gross debt £m	Overdue debt £m
Care debt – unsecured	2.6	6.6	4.0	5.6	18.8	16.2
Care debt – secured	0.1	3.1	2.5	4.4	10.1	10.0
Total care debt	2.7	9.7	6.5	10.0	28.8	26.1
Schools, colleges and nurseries	0.7	1.2	0.1	0.0	2.0	1.2
Clinical commissioning groups	5.7	5.8	0.6	0.1	12.3	6.6
Other local authorities	0.9	0.5	0.1	0.0	1.5	0.6
General debt	5.6	1.1	0.4	0.4	7.5	1.8
Total non-care debt	12.9	8.7	1.1	0.5	23.2	10.3
Total debt	15.6	18.3	7.6	10.5	52.0	36.4

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

Treasury Management

2. The Council borrows to finance its capital spending that exceeds receipts from: grants, third party contributions, capital receipts and reserves. The Council's long term debt stands at £434.9m and has not increased this year.
3. As at 30 September 2020, the weighted average interest rate of the Council's long term debt portfolio is 3.84%. The Treasury Strategy, approved by County Council in February 2019, continued the policy of internal borrowing and where necessary, to borrow short-term to meet cash flow liquidity requirements. Table 2 below shows a net £38m decrease in the Council's short term borrowing activity since 30 June 2020.

Table 2: Short term borrowing as at 30 September 2020

	£m
Debt outstanding as at 30 June 2020	281
Loans raised	181
Loans repaid	-219
Current balance as at 30 September 2020	243

Figures are for Surrey County Council only and do not include Surrey Police

4. The weighted average interest rate of the Council's short term external debt is 0.21% at 30 September 2020.

Investments

5. The Council's average daily level of investments has been £66.6m during 2020/21, compared to an average of £28m during 2019/20. This reflects the Council's strategic policy to maintain sufficient liquidity during this time and continue to borrow over shorter periods when appropriate the current Bank of England (BoE) base rate is 0.10% with no significant increases forecasted for at least 2 years. 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 2020/21 due to the lower cash balances held and the need to maintain high liquidity.
6. **Table 3** shows the weighted average return on all investments the Council received in the quarter to 30 September 2020 is 0.31%. This compares to a 0.10% average Bank of England (BoE) base rate for the same period.

Table 3: Weighted average return on investments compared to Bank of England (BoE) base rate.

	Average BoE Base Rate	Weighted return on investments
21 quarter 2	0.10%	0.14%
21 quarter 1	0.10%	0.31%
20 quarter 4	0.61%	0.63%
20 quarter 3	0.75%	0.68%
20 quarter 2	0.75%	0.70%
20 quarter 1	0.75%	0.75%
19 total	0.67%	0.56%

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

Proposed Empty Property Policy

Details

Since April 2013, local authorities have had the discretion to charge between 50% and 100% council tax on properties which are unoccupied and substantially unfurnished (empty property relief) and are able to charge a premium of up to 50% on properties which have been unoccupied and substantially unfurnished for two years or more (empty property premiums).

With effect from the 2019-20 financial year, more extensive powers were introduced in relation to empty property premiums. This allows for maximum additional rates of:

- 100% extra (for properties empty for 2-5 years)
- 200% extra (for properties empty for 5-10 years) [commencing in 2020]
- 300% extra (for properties empty for 10+ years) [commencing in 2021]

The additional income generated, and the cost of the scheme to the Council, will depend on the number of D&Bs that implement a policy change and how that change compares to the preceding policy. Qualifying D&Bs will be required to provide the financial information associated with the change in policy via their S151 officer, supported by evidence. Analysis undertaken for the purpose of this proposal indicates that:

- Council tax relief - the cost for the financial year commencing April 2019 could have been c£2.4m if all authorities adopted a change in policy from April 2019. In practice, three authorities implemented a change and we estimated this would cost around £0.8m
- Empty property premium - the potential cost for the financial year commencing April 2019 could have been c£0.8m if all authorities adopted a change in policy from April 2019. In practice, five authorities implemented a change and we estimated this would cost around £0.4m

When setting the budget for 2020/21, our contribution to reserves included an allocation of funding set aside for re-imburement relating to this proposal. Early intelligence indicates that the funding set aside should be sufficient to cover any re-imburements due for the first two years of the scheme, i.e. for policy changes effective April 2019 and April 2020. The budget setting process for 2021/22 onwards has commenced and the estimated costs of the scheme in future years will form part of that process.

Proposed Approvals process

All applications will be reviewed for assurance that the proposal supports a County initiative and that the reimbursement value is evidenced.

Applications <£100k

Approval will be granted by SCC's S151 officer in consultation with the Executive Director responsible for the service that the proposal aligns with.

Applications between £100k and 500k

Approval will be granted by SCC's S151 officer in consultation with the Executive Director and Cabinet Member responsible for the service that the proposal aligns with.

Applications >£500k

In addition to review by SCC's S151 officer in consultation with the relevant Executive Director and Cabinet Member, applications in excess of £500k will be taken to Cabinet for formal ratification before being approved.

Award of reimbursement

Once the application has successfully passed through the approvals process the County Council will communicate straightforward governance arrangements that will be conditional as part of the reimbursement. This is to ensure the funding goes towards its intended use and could include evidencing the commencement of the initiative, and basic reporting on the achievement of key milestones and intended outcomes.

Duration

The initiative will be ongoing, subject to annual review.