

SURREY COUNTY COUNCIL

CABINET

DATE: 15 DECEMBER 2020

REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR, RESOURCES (S151 OFFICER)

SUBJECT: 2020/21 MONTH 7 (OCTOBER) FINANCIAL REPORT

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



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SUMMARY OF ISSUE:

This report provides details of the County Council's 2020/21 financial position as at 31st October 2020 (M7) for revenue and capital budgets and the projected outlook for the financial year.

Key Messages – Revenue

- **As at October 2020 (M7) the latest outlook remains in line with the prior month's report leaving a small increase of £0.1m to a £3.6m forecast variance to end the financial year. The details are shown in Annex 1 and summarised in Table 1.**
- Work continues to identify further efficiencies to close the deficit against the budget.

Key Messages – Capital

- The M7 capital update reflects **an increase in the forecast of £1.5m from M6**. The updated forecast for the year is £228.3m, details of which are set out in **Table 3**.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions for the year
2. Approve the transfer of the full Park Special School surplus to the successor academy to support the continuing improvement needed at the school (Para 4)

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**

- As stated, the current forecast for the year is a deficit of £3.6m against the budget of £1,022.6m. Table 1 below shows the forecast revenue position by Directorate.

Table 1 - Summary revenue budget forecast variances as at 31st October 2020

Directorate	20/21 outturn forecast at M7 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	380.7	382.7	(2.0)	(0.1)
Public Health	32.9	32.9	0.0	0.2
Children, Families & Lifelong Learning	210.5	200.2	10.3	0.1
Environment, Transport & Infrastructure	136.9	134.2	2.7	0.6
Community Protection	37.7	36.8	0.9	0.1
Community & Transformation	15.2	15.4	(0.3)	0.2
Strategy & Commissioning	54.6	55.6	(1.1)	(0.1)
HR & Communications	8.3	8.4	(0.1)	(0.1)
Deputy CEX	2.3	2.3	(0.0)	(0.0)
Resources	73.3	73.6	(0.2)	(0.7)
Central Income & Expenditure	78.5	80.5	(2.0)	0.0
Directorate Budget Envelopes	1,030.9	1,022.6	8.3	0.1
Central Funding	(1,027.3)	(1,022.6)	(4.7)	(0.0)
Overall after central funding	3.5	0.0	3.6	0.1

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

- The table above reflects small changes in the outlook from the prior month's report, consisting of:
 - ETI - £0.6m increase** due to an increase in the CV-19 forecast for Waste where assumptions on the length of time for increased tonnages and additional measures at CRCs have been extended.
 - Resources - £0.7m decrease** due to:
 - IT&D (£0.3m); transition from an external provider to in-house provision for a key contract resulting in short term underspending.
 - Land & Property (£0.2m); decrease in projected staffing costs and additional capitalisation of maintenance costs.
 - CV-19 Allocation (£0.2m); relating to a decrease in anticipated loss of income (£0.3m) offset by the cost of additional space required at a special school in order to carry out required medical procedures in a CV-19 compliant way (£0.1m)
 - Other minor changes totalling an increase of £0.2m**

CV-19 update

- There have been relatively small changes to the CV-19 forecast at M7, included in the £3.6m overall variance. CV-19 forecasts will be kept under review and a further reset may be necessary if the forecast changes significantly.

Park School Surplus

- The Park Special School converted to a sponsored academy on 1 April 2020 on the Secretary of State's instructions, following an OFSTED judgement of inadequate. The school had a surplus on conversion date of £35k revenue and £18k capital. These balances are in line with expected balances at 3% of the school's annual budget. These funds are required to address physical safeguarding issues and school structures to improve performance. As this was a forced conversion of an inadequate school, the Council can choose whether to transfer the surplus. It is proposed that the full surplus is transferred to the successor academy, which will support the continuing improvement needed at the school as outlined.

Capital Budget

- In February 2020, Council approved a capital budget of £175.7m. This was restated at M6 to £226.3m to reflect a reset based on M5 forecasts. As a result of additional £1.9m required for Corporate Capital Maintenance (£1.4m) and Schools Recurring Maintenance (£0.4m) and minor other changes, **the forecast now stands at £228.3m** shown in Table 3, below.

Table 3 - Capital Programme Forecast at M7

Strategic Capital Groups	Original Budget £m	Restated Budget £m	Forecast outturn at M7 £m	M7 Reported Variance £m	Change from M6 to M7 £m
Property					
Property Schemes	78.5	118.7	119.9	1.2	1.9
ASC Schemes	1.9	1.9	1.7	(0.2)	(0.0)
CFLC Schemes	1.7	0.6	0.5	(0.0)	0.0
Property Total	82.0	121.2	122.1	0.9	1.8
Infrastructure					
Highways and Transport	70.5	83.6	85.2	1.6	0.2
Environment	2.6	2.0	1.9	(0.0)	(0.0)
Community Protection	3.8	3.8	3.8	(0.0)	(0.0)
Infrastructure Total	76.8	89.3	90.9	1.6	0.2
IT					
IT Service Schemes	15.9	15.4	15.0	(0.4)	(0.4)
CFLC - EMS	0.9	0.3	0.2	(0.1)	(0.1)
IT Total	16.8	15.7	15.3	(0.5)	(0.5)
Total	175.7	226.3	228.3	2.0	1.5

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

7. 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:

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

SECTION 151 OFFICER COMMENTARY

9. 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.
10. 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

11. 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.
12. 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

13. 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.
14. 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 31st October 2020.

Detailed Revenue Budget by Service – 31st October 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	(0.3)	0.0	0.3	293.8	(0.0)	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	37.7	39.2	16.9	(22.3)	213.3	50.2	57.2	7.0
Family Resilience	M Lewis	55.5	52.8	50.6	(2.2)	103.8	89.9	91.7	1.8
Corporate Parenting	M Lewis	24.2	24.9	24.7	(0.2)	44.7	40.4	42.1	1.7
Quality & Performance	M Lewis / J Iles	4.9	5.2	5.0	(0.2)	10.9	8.9	8.6	(0.3)
Directorate wide savings	M Lewis / J Iles	0.0	1.2	3.6	2.5	4.9	10.8	11.0	0.2
Children, Families, Learning		122.3	123.0	100.9	(22.1)	671.4	200.2	210.6	10.4
Public Health	S Mooney	17.4	17.4	13.8	(3.6)	32.8	32.9	32.9	0.0
Adult Social Care	S Mooney	218.4	230.3	233.9	3.6	533.3	382.7	380.7	(2.0)
Highways & Transport	M Furniss	29.3	31.4	30.5	(0.9)	69.2	58.5	58.3	(0.2)
Environment	N Bramhall	31.4	41.4	43.9	2.5	75.4	71.7	74.5	2.8
Leadership Team (ETI)	M Furniss / N Bramhall	0.5	(0.0)	0.2	0.2	(0.1)	(0.1)	(0.5)	(0.4)
ETI CV-19	M Furniss / N Bramhall	0.0	2.5	1.2	(1.3)	4.2	4.2	4.6	0.4
Environment, Transport & Infrastructure		61.2	75.2	75.8	0.6	148.8	134.2	136.9	2.7
Fire and Rescue	D Turner-Stewart	18.6	18.5	18.0	(0.5)	36.4	31.7	31.7	(0.0)
Trading Standards	D Turner-Stewart	1.0	1.1	1.1	(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	0.3	0.3	0.3	0.0	0.5	0.5	0.5	(0.0)
Coroner	D Turner-Stewart	1.3	1.1	1.7	0.7	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	0.4	0.3	0.3	0.4	0.5	0.1
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		21.3	21.2	21.7	0.5	43.8	36.8	37.7	0.9
Human Resources & Organisational Development	Z Grant-Duff	1.7	3.8	3.4	(0.5)	6.6	6.6	6.5	(0.1)
Communications	Z Grant-Duff	0.7	0.8	0.8	(0.0)	1.4	1.4	1.5	0.0
HR & Comm CV-19	Z Grant-Duff	0.0	0.1	0.2	0.1	0.4	0.4	0.4	0.0
HR & Communications		2.4	4.8	4.4	(0.4)	8.4	8.4	8.3	(0.1)
Transformation Support Unit	T Oliver	0.0	0.5	0.6	0.1	0.8	0.8	0.8	(0.0)
Customer Services	Z Grant-Duff	1.7	1.7	1.6	(0.1)	3.1	2.9	2.8	(0.1)
Community Partnerships	Z Grant-Duff	0.0	0.4	0.3	(0.1)	1.3	1.3	1.3	(0.0)
Libraries, Registrars & Culture	J Iles	3.7	6.9	5.4	(1.4)	16.4	10.1	9.9	(0.3)
C&T CV-19	T Oliver / J Iles	0.0	0.2	0.2	0.0	0.4	0.3	0.4	0.1
Community & Transformation		5.4	9.6	8.0	(1.6)	21.9	15.4	15.2	(0.3)
Strategic Commissioning	M Lewis / J Iles	5.5	29.9	28.2	(1.6)	130.6	52.0	51.1	(0.9)
Insight, Analytics & Intelligence	Z Grant-Duff	2.2	1.7	1.7	(0.0)	2.8	2.0	1.9	(0.1)
S&C CV-19	J Iles / Z Grant-Duff	0.3	0.7	1.5	0.8	0.7	1.6	1.6	0.0
Strategy & Commissioning		7.9	32.3	31.5	(0.8)	134.1	55.6	54.6	(1.1)
Strategic Leadership	T Oliver	0.6	2.0	2.0	(0.1)	2.8	1.5	1.5	0.0
Economic Growth	C Kemp	0.3	0.5	0.4	(0.0)	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		0.9	2.5	2.4	(0.1)	3.6	2.3	2.3	0.0
Joint Operating Budget ORBIS	M Few	18.5	10.0	11.3	1.3	17.2	17.6	17.6	(0.0)
Land & Property	M Few	10.4	14.7	16.2	1.5	36.3	27.1	27.0	(0.1)
Information Technology & Digital	M Few	4.3	6.3	6.0	(0.2)	11.4	10.7	10.4	(0.4)
Finance	M Few	0.9	3.2	3.4	0.2	7.6	5.5	5.7	0.1
Legal Services	M Few	2.4	2.4	2.8	0.4	4.6	4.1	4.5	0.4
Democratic Services	M Few	1.8	1.9	1.9	(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	3.7	0.9	(2.8)	1.1	0.8	0.8	0.0
Twelve15	M Few	0.0	2.9	2.5	(0.4)	18.4	1.9	1.8	(0.1)
Resources CV-19	M Few / Z Grant-Duff	0.0	0.7	0.5	(0.3)	7.3	2.9	2.7	(0.2)
Resources		38.2	45.7	45.4	(0.3)	106.9	73.6	73.3	(0.2)
Corporate Expenditure	M Few	17.2	38.9	32.6	(6.3)	94.4	80.5	78.5	(2.0)
Business as Usual		512.4	600.8	570.3	(30.5)	1,799.4	1,022.6	1,030.8	8.3
Efficiencies unachievable due to CV-19							0.0	0.0	0.0
Amount already assumed in Directorate figures above							0.0	0.0	0.0
Total services' revenue expenditure		512.4	600.8	570.3	(30.5)	1,799.4	1,022.6	1,030.8	8.3
Central funding		(353.0)	(632.9)	(632.9)	0.0	0.0	(1,022.6)	(1,027.3)	(4.7)
Total Net revenue expenditure		159.4	(32.1)	(62.6)	(30.5)	1,799.4	0.0	3.5	3.6