

SURREY COUNTY COUNCIL

CABINET

DATE: 23 FEBRUARY 2021



20

REPORT OF: MRS BECKY RUSH, CABINET MEMBER FOR RESOURCES AND CORPORATE SUPPORT

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

SUBJECT: 2020/21 MONTH 9 (DECEMBER) FINANCIAL REPORT

ORGANISATION STRATEGY PRIORITY AREA: Growing A Sustainable Economy So Everyone Can Benefit/
Tackling Health Inequality/Enabling A Greener Future/Empowering
Communities**SUMMARY OF ISSUE:**

This report provides details of the County Council's 2020/21 financial position as at Month 9 (M9) 31 December 2020 for revenue and capital budgets and the projected outlook for the financial year.

Key Messages – Revenue

- **As at December 2020 (M9); the Council is forecasting a full-year £0.2m deficit, an improvement of £3.2m from the previous month. The changes to individual Directorate forecasts are shown in Annex 1 and summarised in Table 1.**
- **The £0.2m deficit consists of a projected £3.6m overspend on CV-19 and a projected £3.4m underspend on Business as Usual (BAU).**
- Updating the projections for the impact of CV-19 will continue at M10.
- Each quarter, key Balance Sheet indicators are reported; these are set out in **Annex 2.**

Key Messages – Capital

- The M9 capital update reflects **a decrease in forecast expenditure of £6.4m, from £0.6m above budget at M8 to £5.7m below budget at M9.** The decrease mainly relates to slippage and rephasing rather than a reduction in total scheme cost. The updated forecast for the year is £238.3m against a budget of £244.0m, 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.

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. The current forecast for the year is a deficit of £0.2m against the budget of £1,022.5m. Table 1 below shows the forecast revenue position by Directorate.

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

Directorate	20/21 outturn forecast at M9 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	378.1	382.7	(4.6)	(2.6)
Public Health	32.9	32.9	0.0	0.0
Children, Families & Lifelong Learning	215.7	200.4	15.2	2.1
Environment, Transport & Infrastructure	135.8	134.3	1.5	0.6
Community Protection	37.8	36.8	1.0	0.1
Community & Transformation	15.4	15.4	(0.0)	0.4
Strategy & Commissioning	49.8	54.9	(5.1)	(4.0)
HR & Communications	8.3	8.4	(0.1)	(0.0)
Deputy CEX	2.2	2.3	(0.1)	(0.1)
Resources	72.6	73.6	(0.9)	0.4
Central Income & Expenditure	78.7	80.7	(2.0)	0.0
Directorate Budget Envelopes	1,027.4	1,022.5	4.9	(3.2)
Central Funding	(1,027.2)	(1,022.5)	(4.7)	(0.0)
Overall after central funding	0.2	0.0	0.2	(3.2)

Note: Numbers have been rounded which might cause a difference.

2. The table above reflects changes in the outlook from the prior month's report, primarily consisting of the following Directorate changes:
 - **ASC - £2.6m improvement** due to a £2m increase in core Better Care Fund (BCF) Income following publication of the 2020/21 BCF guidance and funding by the Department of Health and Social Care (DHSC). There has also been a reduction in forecast care package expenditure for the year.
 - **Strategy and Commissioning - £4.0m improvement** due to an increase in the projected underspend on Home to School transport. This reduction relates to the confirmation of grant funding up to December 2020 and the impact of a significant reduction in journeys for the first half term of 2021 as a result of the lockdown.
 - **ETI - £0.6m increase in spend.** This is due to a £0.7m increase to the waste forecast to reflect the effects of the current CV-19 lockdown offset by £0.1m reduction in the forecast impact of CV-19 on highways income.

- **Resources - £0.4m increase in spend** largely due to the impact of further school closures on income from school meals, offset by decreased costs associated with re-opening buildings in a CV-19 secure way.
- **CFL - £2.1m increase in spend.** £1.4m of this increase is due to CV-19, which has resulted in increased expenditure and lost income. The £1.4m consists of £0.4m loss of income for Surrey Outdoor Learning, Adult Learning and Vulnerable Learners as a result of the lockdown, £0.4m additional expenditure on staffing, £0.3m SEND HNB transitions and £0.3m provision for children whilst foster careers are isolating. In addition, there has been an increase in BAU staffing costs of £0.7m within Corporate Parenting and Family Resilience. This is due to the level of agency workers currently filling vacant posts.
- **Community and Transformation - £0.4m increase in spend** due to CV-19 impact causing loss of income within the Registration and Library services.

CV-19 update

3. £3.6m of the overspend relates to CV-19, with an offsetting £3.4m relating to Business as Usual (BAU) under spends. CV-19 forecasts will be kept under review.

Capital Budget

4. **The capital forecast stands at £238.3m against a budget of £244.0m; slippage of £5.7m.** The forecast has reduced by £6.4m from a projected overspend of £0.6m at M8 largely as a result of **delayed spend** in Highways and Transport of £5.6m. The main variances are a rephrasing of contributions to the Environment Agency for the River Thames Scheme of £2.6m and slippage in LEPS schemes of £2.3m.
5. The remaining variance consists of £0.6m slippage in Environment, £0.2m in Community Protection and £1.3m in IT. This is partly offset by an acceleration of Property schemes of £1.5m. The detail is shown in Table 3, below.

Table 3 - Capital Programme Forecast at M9

Strategic Capital Groups	Forecast outturn at M9 £m	Restated Budget £m	M9 Reported Variance £m	Change from M8 to M9 £m	Increase / Decrease / Unchanged
Property					
Property Schemes	135.1	135.6	(0.5)	1.5	Increase
ASC Schemes	1.7	1.9	(0.2)	0.0	Increase
CFLC Schemes	0.4	0.6	(0.2)	(0.2)	Decrease
Property Total	137.2	138.1	(0.9)	1.3	Increase
Infrastructure					
Highways and Transport	80.9	84.2	(3.2)	(5.6)	Decrease
Environment	2.3	2.1	0.2	(0.6)	Decrease
Community Protection	3.7	3.9	(0.2)	(0.2)	Decrease
Infrastructure Total	87.0	90.2	(3.2)	(6.4)	Decrease
IT					
IT Service Schemes	13.9	15.4	(1.5)	(1.3)	Decrease
CFLC - EMS	0.2	0.3	(0.1)	0.0	Unchanged
IT Total	14.1	15.7	(1.6)	(1.3)	Decrease
Total	238.3	244.0	(5.7)	(6.4)	Decrease

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 beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. 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 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 stable provision of services in the medium term.
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 December 2020.
Annex 2 - Balance Sheet Indicators

Detailed Revenue Budget by Service – 31st December 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)	2.4	0.0	(2.4)	304.4	(0.0)	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	53.1	43.7	32.3	(11.3)	212.6	50.7	58.8	8.1
Family Resilience	M Lewis	71.3	67.8	69.2	1.4	103.7	89.9	91.7	1.8
Corporate Parenting	M Lewis	29.9	31.3	31.1	(0.2)	44.7	40.7	43.3	2.6
Quality & Performance	M Lewis / J Iles	6.2	7.0	6.4	(0.7)	11.4	9.4	9.1	(0.3)
Directorate wide savings	M Lewis / J Iles	0.4	8.1	6.3	(1.7)	13.7	9.9	12.9	3.0
Children, Families, Learning		160.9	160.2	145.3	(14.9)	690.4	200.4	215.7	15.2
Public Health	S Mooney	0.0	21.5	12.7	(8.8)	33.0	32.9	32.9	0.0
Adult Social Care	S Mooney	279.4	289.5	284.3	(5.2)	530.7	382.7	378.1	(4.6)
Highways & Transport	M Furniss	39.6	41.7	37.0	(4.7)	69.2	58.2	55.8	(2.4)
Environment	N Bramhall	41.7	53.3	55.6	2.3	75.4	71.7	73.9	2.2
Leadership Team (ETI)	M Furniss / N Bramhall	0.6	(0.0)	0.9	0.9	(0.1)	(0.1)	0.4	0.5
ETI CV-19	M Furniss / N Bramhall	0.0	4.7	1.5	(3.2)	6.3	4.5	5.8	1.3
Environment, Transport & Infrastructure		81.9	99.6	95.0	(4.7)	150.9	134.3	135.8	1.5
Fire and Rescue	D Turner-Stewart	24.7	23.8	23.4	(0.4)	36.4	31.7	31.7	(0.0)
Trading Standards	D Turner-Stewart	1.3	1.5	1.4	(0.1)	4.0	2.0	1.9	(0.1)
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	0.4	0.4	0.4	0.0	0.5	0.5	0.5	(0.0)
Coroner	D Turner-Stewart	1.7	1.5	2.3	0.9	2.5	2.1	3.0	0.9
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	0.3	0.5	0.2	0.5	0.4	0.6	0.2
Armed Forces and Resilience	D Turner-Stewart	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.0
Community Protection		28.2	27.5	28.1	0.6	44.0	36.8	37.8	1.0
Human Resources & Organisational Development	T Oliver	2.3	4.9	4.4	(0.5)	6.6	6.6	6.5	(0.1)
Communications	T Oliver	0.9	1.1	1.0	(0.0)	1.4	1.4	1.4	0.0
HR & Comm CV-19	T Oliver	0.0	0.1	0.1	0.0	0.4	0.4	0.4	0.0
HR & Communications		3.2	6.1	5.5	(0.6)	8.4	8.4	8.3	(0.1)
Transformation Support Unit	T Oliver	0.0	0.6	0.7	0.2	0.8	0.8	0.8	(0.0)
Customer Services	M Nuti	2.2	2.2	2.0	(0.2)	3.1	2.9	2.7	(0.2)
Community Partnerships	M Nuti	0.4	0.4	0.8	0.4	1.3	1.3	1.3	(0.0)
Libraries, Registrars & Culture	J Iles	12.6	8.2	7.6	(0.6)	16.4	10.6	10.3	(0.3)
C&T CV-19	T Oliver / J Iles	0.0	0.2	0.2	0.0	(0.3)	(0.3)	0.3	0.5
Community & Transformation		15.2	11.5	11.4	(0.2)	21.3	15.4	15.4	(0.0)
Strategic Commissioning	M Lewis / J Iles	9.0	38.0	33.6	(4.5)	131.7	51.3	46.2	(5.1)
Insight, Analytics & Intelligence	D Turner-Stewart	2.1	2.1	1.5	(0.6)	2.8	2.0	1.9	(0.2)
S&C CV-19	J Iles	0.0	0.7	0.6	(0.1)	1.6	1.5	1.7	0.2
Strategy & Commissioning		11.1	40.8	35.7	(5.2)	136.1	54.9	49.8	(5.1)
Strategic Leadership	T Oliver	1.0	2.4	1.1	(1.3)	3.0	1.5	1.4	(0.1)
Economic Growth	C Kemp	0.4	0.6	0.5	(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		1.4	3.0	1.6	(1.4)	3.8	2.3	2.2	(0.1)
Joint Operating Budget ORBIS	B Rush	26.5	12.8	13.0	0.1	17.0	17.4	17.4	(0.1)
Land & Property	T Oliver	13.7	19.7	19.8	0.1	36.3	27.1	27.1	0.0
Information Technology & Digital	B Rush	6.9	8.1	7.7	(0.4)	11.4	10.7	10.2	(0.5)
Finance	B Rush	1.2	4.2	4.2	(0.0)	7.7	5.7	5.7	0.0
Legal Services	B Rush	3.0	3.1	3.7	0.6	4.6	4.1	4.7	0.5
Democratic Services	B Rush	2.1	2.4	2.4	(0.0)	3.5	3.2	3.2	(0.1)
Business Operations	B Rush	0.0	(0.2)	(0.3)	(0.1)	(0.3)	(0.3)	(0.2)	0.1
Resources Leadership	B Rush	0.0	3.5	0.7	(2.8)	1.0	0.8	0.8	0.0
Twelve15	B Rush	0.0	1.4	1.1	(0.3)	18.3	1.6	1.5	(0.1)
Resources CV-19	T Oliver/ B Rush	0.0	0.0	1.1	0.0	0.0	3.2	2.3	(1.0)
Resources		53.4	55.0	53.4	(2.7)	99.5	73.5	72.5	(0.9)
Corporate Expenditure	B Rush	27.0	38.8	32.7	(6.1)	94.4	80.7	78.7	(2.0)
Total services' revenue expenditure		661.6	753.6	705.7	(49.0)	1,812.6	1,022.5	1,027.4	4.9
Central funding		(622.4)	(736.0)	(735.9)	0.0	0.0	(1,022.5)	(1,027.2)	(4.7)
Total Net revenue expenditure		39.2	17.7	(30.3)	(49.0)	1,812.6	0.0	0.2	0.2

Balance Sheet Indicators

Debt

1. During the three months to 31 December 2020, the Council raised invoices totalling £131.0m. Overall, the overdue debt position (£33.2m being overdue) over the last quarter has reduced since quarter 2 (quarter 2 overdue debt was £36.4m). The overdue debt is the gross debt less those balances not immediately due (i.e. less than 30 days old). The social care debt position has improved since quarter 2, and Adult Social Care, Corporate Finance and Legal Services to develop an action plan to identify and address issues relating to social care debt, recognising that this is a very complex area. It is important to note that secured social care debt set out in the table below is not “overdue”, as it does not become payable until the relevant properties have been sold. Table 1 below shows the age profile of the debts as at 31st December 2020.

Table 1: Age profile of the Council's debt as at 31 December 2020

Account group	<1 month £m	1-12 months £m	1 to 2 years £m	over 2 years £m	Gross Overdue debt £m	debt £m
Care debt – unsecured	3.1	7.3	2.6	5.7	18.6	15.6
Care debt – secured	-0.3	2.8	2.4	4.4	9.2	9.5
Total care debt	2.8	10.0	5.1	10.0	27.8	25.1
Schools, colleges and nurseries	0.4	0.3	0.0	0.0	0.7	0.3
Clinical commissioning groups	10.4	5.1	0.2	0.5	16.1	5.7
Other local authorities	1.1	0.0	0.1	0.0	1.3	0.1
General debt	3.9	1.0	0.5	0.4	5.8	1.9
Total non-care debt	15.8	6.4	0.8	0.9	23.8	8.1
Total debt	18.5	16.4	5.8	11.0	51.7	33.2
Q2 2020/21	15.6	18.3	7.6	10.5	52.0	36.4
Change	3.0	(2.0)	(1.7)	0.5	(0.3)	(3.2)

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 £434.6m and has not increased this year.
3. As at 31 December 2020, the weighted average interest rate of the Council's long-term debt portfolio is 3.87%. The Treasury Strategy, approved by County Council in February 2020, 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 £25m increase in the Council's short-term borrowing activity since 30 September 2020.

Table 2: Short term borrowing as at 31 December 2020

	£m
Debt outstanding as at 30 September 2020	243
Loans raised	261
Loans repaid	(236)
Current Balance as at 31 December 2020	268

4. The weighted average interest rate of the Council's short-term external debt is 0.11% at 31 December 2020.

Investments

5. The Council's average daily level of investments has been £61.6m during 2020/21, compared to an average of £52.6m 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 31 December 2020 is 0.03%. 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 3	0.10%	0.03%
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%

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