

SURREY COUNTY COUNCIL

CABINET

DATE: 01 JUNE 2021



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

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR- RESOURCES

SUBJECT: 2020/21 OUTTURN FINANCIAL REPORT

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

Purpose of the Report:

This report reviews the County Council's 2020/21 financial performance for revenue and capital. It also includes the year end Treasury Management and Debt outturn. Further details on Service budgets are to be found in Annex 1.

Key Messages – Revenue

- The Council has achieved a £3.9m surplus outturn for the year after transferring £3.9m to reserves and contingencies (less than a 1% variance to budget), without the need to rely on reserves, despite the extraordinary impact of CV-19.
- The Council incurred costs, lost income and suffered disruption to the delivery of efficiencies, with a total impact of £137m during 2020/21 as a result of CV-19, offset by a combination of specific funding and general emergency funding from MHCLG. Further details are set out in paragraphs 10-11.
- The Council achieved £29.4m (c77%) of the £38.1m target of efficiencies, including transformation programmes, set out at the beginning of the financial year. The total efficiencies achieved over the last three years amounts to £207m.
- The revenue outturn shows an improvement of £4.5m from M11, mainly relating to:
 - **£1.3m ASC** – reduction in care package expenditure largely linked to the pandemic, offset by increased costs of hospital discharges;
 - **£1.3m ETI** – a number of small reductions, the largest being an increase in general income and recharges, and a reduction in CV-19 income pressures;
 - **£3.1m CFL** – reduced external agency placement costs and outturn expenditure on Children with disabilities and supported accommodation block contract within Corporate Parenting (£1.4m), lower CV-19 Early Years provider support

payments (£0.8m) and lower CV-19 expenditure in early intervention due to objectives being delivered through other work (£0.5m); and

- **£0.7m Resources** – minor improvements across the Directorate.

Offset by:

- **£2.1m Central Funding and Expenditure** – An increase in the bad debt provision of £1.6m and contribution to CFL staff retention of £0.5m. Two specific budgets that have not been used in-full during the year are recommended to be transferred to reserve; £4.5m unused redundancy allocation transferred to reserves to meet future risks, as flagged at M11, and £2.4m released from the Capital Feasibility budget due to rephasing of feasibility spend and subsequent capitalisation of expenditure. These transfers are included in the outturn position.

Key Messages – Capital

- The Council set a capital budget for 2020/21 of £176m in February 2020. The budget was reset during the year to reflect the impact of CV-19 and for the purchases of Woodhatch and the Dakota office accommodation. As a result, the 2020/21 capital budget was revised to £244m. Capital spend for the year against this budget is £241.3m, which has resulted in slippage of £2.7m (1%). This is a decrease in slippage of £5.4m since M11 and represents a significant improvement on programme delivery by comparison to previous years. Details are set out in **Table 5**.

Recommendations:

It is recommended that Cabinet:

1. Note the Council's revenue and capital positions for the year.
2. Approve the following transfers to reserves planned as part of the revenue budget:
 - £4.5m unspent redundancy budget in order to mitigate risks associated with delivering Transformation in future years
 - £2.4m to meet future feasibility costs of capital schemes
3. Approve the following transfers to and from reserves from the outturn position as set out in paragraphs 4-5 in the Executive Summary below:
 - £3.7m from the Covid-19 reserve to meet the outturn position on Covid-19
 - £4.0m to add to contingency to cover expected continued turbulence in our operating environment and future risks
 - £3.0m to establish a Future Thinking Reserve
 - £0.6m to the Interest Rate Risk Reserve
4. Note that the remaining £3.9m surplus will be added to the General Fund balance to improve our financial resilience.

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.

Executive Summary:**Revenue Budget**

- Table 1** below shows the revenue financial position for the year by Service. Annex 1 (attached) provides a more detailed service outturn.

Table 1 - Summary revenue financial position as at 31 March 2020

Directorate	Full Year Budget £m	Outturn £m	Variance £m	M11 Forecast £m	Change in forecast since M11 £m
Adult Social Care	382.2	372.6	(9.7)	(8.4)	(1.3)
Public Health	32.2	32.2	0.0	(0.0)	0.0
Children, Families & Lifelong Learning	201.1	213.4	12.3	15.4	(3.1)
Environment, Transport & Infrastructure	136.8	135.1	(1.6)	(0.3)	(1.3)
Community Protection	37.2	38.0	0.8	0.7	0.1
Community & Transformation	15.6	15.2	(0.3)	(0.1)	(0.2)
Strategy & Commissioning	55.2	49.1	(6.1)	(6.3)	0.2
HR & Communications	8.3	7.8	(0.5)	(0.3)	(0.2)
Deputy Chief Executive	2.3	2.2	(0.1)	(0.1)	0.0
Resources	74.6	72.0	(2.6)	(1.9)	(0.7)
Central Funding and Expenditure	(945.6)	(945.4)	0.1	(2.0)	2.1
Directorate Position	0.0	(7.8)	(7.8)	(3.3)	(4.5)
Proposed Contributions to Reserves / Contingencies					
Covid-19 Reset for the outturn CV-19 deficit		(3.7)	(3.7)		
Contingency to cover general turbulence and future risks		4.0	4.0		
Future Thinking Reserve		3.0	3.0		
Interest Rate Risk Reserve		0.6	0.6		
Outturn Surplus		(3.9)	(3.9)		

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

- 2020/21 commenced in exceptional circumstances in the midst of the first national CV-19 lockdown. A budget of £968.4m provided a stable base to tackle CV-19, however the year started with significant uncertainty. In May, we forecast a balanced Business as Usual budget and a £21m deficit was expected on CV-19. Since the £968.4m budget was approved it has increased by £55.0m to £1,023.4m as set out in the table below. Details of the revised budget are set out in Annex 1:

Budget Movement	£m
Original Budget	968.4
Covid Budget Reset	52.5
Increase to Public Health Grant	1.7
Adjustment to New Homes Bonus and Corporate DSG funding	0.8
Net Movements	55.0
Final Budget	1,023.4

3. The final outturn shows a surplus of £7.8m before transfers to reserves and contingencies. This consists of a £3.7m overspend against CV-19, funded from MHCLG emergency grant held in reserve, and an £11.5m surplus on Business as Usual.

Building Resilience for 2021/22 and the Future

4. As a result of the positive outturn position, our finances are in a strong place to ensure the continued delivery of organisational priorities, as well as increasing financial resilience in 2021/22.
5. Retention of the Council's reserves is essential in order to mitigate risk, including future funding uncertainties and the delivery of planned budget efficiencies. Maintaining reserves is a key indicator of sound financial governance and has been at the heart of our recent medium-term plans. In building resilience to address the level of risk, we have focussed on building our earmarked reserves and contingencies.
6. We can contribute to reserves to help manage risks and address the challenges required to meet a projected £200m gap over the period covered by the MTFs. Reserves and contingencies have been reviewed and noting the general future financial turbulence over the medium term we are proposing to contribute to and establish the reserves set out below:
 - a. £4m addition to Contingency to cover uncertainty and risks in the operating environment, such as growth in demand for Adults and Children's Social Care, and the projected £200m gap over the Medium-Term
 - b. £3m to establish a Future Thinking Reserve to provide towards the costs of transforming the Council and close the budget gap
 - c. £0.6m to the Interest Rate Risk Reserve to guard against continuing volatility and uncertainty in interest rates; particularly with a growing Capital Programme
 - d. This leaves £3.9m contribution to the General Fund balance and represents a key element of financial resilience and a mark of the success of our financial strategy that we can increase our reserves despite the pandemic.
7. The outturn position and recommendations set out above will increase the General Fund by £3.9m to £28.1m. The Council's external auditors are now explicitly expressing the view that General Fund reserves should be at least 5% of the net budget and ideally up to 10%. Despite growing from 2.5% in 2018 to 2.8% now, the current balance remains low and we should continue to look to increase the General Fund towards 5%.

8. In addition to the General Fund, we hold earmarked reserves and contingencies specifically intended to manage short and medium-term risk. Going into 2021/22, these are held at £53.8m, growing to £57.8m as a result of the recommendations in this report. Combined with the General Fund, the Council therefore holds a total of £85.9m general reserves and contingencies; 8.6% of the net budget.
9. Despite the extraordinary external circumstances, we have continued to hold a tight grip of our finances and risks and continue to build reserves in a way that is proportionate and allows us to ensure continued sustainability of the revenue budget. This enables us to commence 2021/22 with optimism that the budget set in February remains deliverable despite ongoing CV-19 uncertainty.

CV-19 Overview

10. The full impact of CV-19 began weeks after the Council had approved a budget of £968.4m on 4th February 2020. The financial impact of CV-19 began in March with national lockdowns, cessation of non-essential activities and rapid spread through the communities. Surrey County Council has played a key role in tackling the virus in Surrey by:
 - Hosting the LRF Cells
 - Minimising spread in care homes
 - Helping to manage the spread of the virus in the Community
 - Working with the NHS on hospital discharges
 - Providing financial support to key service providers and partners
 - Sourcing, storing, and distributing PPE
 - Providing safe County facilities
 - Managing increased Waste volumes
 - Safely providing School Meals
 - Providing free school meals vouchers over holiday periods to those families and children most in need
11. The financial impact of CV-19 in 2020/21 is set out below:
 - Surrey County Council received £58.7m of MHCLG Emergency Grant and £4.6m of MHCLG Income Compensation Scheme; £63.3m total
 - £0.9m was spent in 2019/20 and a further £56.2m deployed in 2020/21 through a series of budget resets
 - A £6.2m balance will therefore be added to the CV-19 contingency in 2021/22
 - In addition, £81m of specific grants were used to fund the CV-19 response, bringing total costs in 2020/21 to £137m (c.13% of the budget)
 - The £137m total impact includes:
 - £41.7m of specific CV-19 grants to support infection control, rapid testing in ASC services and ASC workforce capacity
 - £25.2m additional costs of hospital discharge, care package expenditure and ASC staffing costs
 - £9.0m ASC provider support
 - £10.1m Contain Outbreak Management Fund and Rapid Test Fund
 - £6.6m Local Resilience Forum Cells expenditure
 - £4.9m Increased costs of Waste Management

- £12.6m lost income

Adult Social Care (ASC) Directorate

12. The final outturn position was an underspend of £9.7m made up of a £14.3m underspend against ASC's original BAU budget and a £4.6m overspend against ASC's CV-19 budget allocation. The key budget variances that contributed to the £14.3m underspend were:
 - £9.2m underspend on care package expenditure, primarily for Learning Disabilities/Autism and Older People. Much of this underspend was caused by the pandemic, in terms of underusage against care plans and sadly increased deaths.
 - £2.6m staffing underspend against ASC's BAU budget. It is important to note though that £4.9m of additional ASC staffing costs were charged against Surrey's CV-19 funding.
 - £1.8m underspend against other expenditure budgets that it had been anticipated may be required to fund for care packages but were temporarily not required for this purpose in 2020/21 due to the impact of the pandemic.
 - £1.0m underspends for wider contracts & grants, in part due to circumstances caused by the pandemic.
 - £0.6m lower than budgeted core Better Care Fund (BCF) income in line underspends against some ASC services funded by the BCF.
13. ASC incurred £57.9m of additional costs related to the CV-19 pandemic in supporting ASC providers, additional internal staffing costs and other additional costs, plus spent a further £19.3m on care for people supporting following hospital discharge. This combined gross ASC CV-19 expenditure of £77.2m was funded by £41.7m of specific ASC CV-19 grants, £16m of hospital discharge cost reimbursement from NHS England and £4.2m of other NHS CV-19 funding that ASC successfully bid for.
14. ASC's final year end position identified £14.2m of efficiencies to report against ASC's 2020/21 target of £12.3m.
15. Although significant temporary reductions in care package spending driven by the pandemic combined with additional CV-19 funding led to a significant underspend in 2020/21, the full year budget position is much more challenging with delivery of planned efficiencies necessary to achieve the 2021/22 budget.

Public Health

16. Public Health has delivered a balanced revenue outturn position. The Directorate's gross spend has increased by £8.8m, largely funded from specific grants relating to Covid-19, particularly Contain Outbreak Management and Targeted Community Testing. The increased activity will be maintained in 2021/22 as Public Health continues to play a key part in our response to the pandemic.

Children, Families and Lifelong Learning (CFL) Directorate

17. CFL reported a full year overspend of £12.3m. A key area of risk for the Council is in Special Educational Needs and Disabilities (SEND), which is funded through the Dedicated Schools Grant (DSG) High Needs Block (HNB). The Council was originally budgeting to overspend by £23.8m on the DSG HNB. The final spend was £34.5m, a full year overspend of £10.7m on the DSG HNB budget, largely due to higher volumes and unit costs than forecast as well as some aspects of the cost containment plan not being delivered.
18. Family Resilience staffing budgets were overspent by £2.3m. This was a result of the level of agency/locum workers and the increased costs associated, not including additional staff costs to respond to CV-19 which were covered by grant funding.
19. The overspends were partly offset by a number of the contingencies being released as part of outturn contributing to an underspend in Corporate Parenting of £1.2m.

2020/21 Schools Outturn

20. Surrey's final DSG allocation for 2020/21 was estimated at £488.2m net (£906.0m gross of academies and college SEND places). In total the DSG blocks overspent by £33.0m, which is summarised in Table 2 below:

Table 2 - Dedicated Schools Grant variances 2020/21

Block	Over(under) £m
Schools	(1.9)
(less planned use of previous year underspend)	1.2
Centrally managed schools block	(0.1)
High needs	34.5
Early years	(0.7)
	33.0

21. The underspend on schools was mainly due to the following:
 - a. Business rates changes related to academy conversions (£0.2m)
 - b. Local learning funds set aside for initiatives to improve inclusion (£0.2m); and
 - c. Sums set aside for growing schools (£1.0m); these budgets require specific annual approval from Schools Forum
 - d. School specific contingency not used (£0.2m): this is deducted from maintained primary schools' budgets by agreement with Schools Forum on the understanding that underspends are returned to schools in future years
 - e. Various miscellaneous services (£0.3m) eg travellers, SAFE schools support, behaviour support, exclusions.

The schools outturn will be discussed with the Schools Forum on 14 May 2021.

Note: the school's budget was supported by £1.2m of underspent funding brought forward from previous years, mainly to fund the local learning fund and support to schools from SAFE

22. The early years underspend was largely due to an underspend on the Early Intervention Fund, which is intended to support early years children with special educational needs and other disadvantaged children who might need additional support to access the free early years entitlement. This budget was increased by £2m in 2020/21 (from £1.4m to £3.4m). This was offset in part by overspends on basic hourly rate payments to providers, largely attributable to payment of protected funding and changes in the termly variation in take-up due to the impact of COVID-19.

Schools Balances

23. Surplus balances held by individual Surrey maintained schools have increased by £7.9m in 2020/21. Table 3 explains the reasons for this decrease:

Table 3 – Schools Balances

	£m
Surplus balances held by schools maintained by Surrey at 1 April 2020	39.1
Increase in year	8.5
Less balances transferred to Schools converting to Academies during the year	(0.8)
Add deficits funded by Surrey when inadequate schools converted to sponsored Academies	0.2
Surplus balances held by schools maintained by Surrey at 31 March 2021	47.0

Environment, Transport, and Infrastructure (ETI) Directorate

24. ETI reported an underspend of £1.6m. The Directorate saw £2.0m increased waste costs, £1.1m CV-19 increased costs and £0.6m non achievement of prior year efficiencies. These additional costs were offset by £4.5m Highways and Transport underspends including a refinancing of the street lighting PFI contract and £0.8m other underspends including Planning income.

Community Protection (CPG)

25. Community Protection Group reports a full year overspend of £0.8m. There have been additional costs in the Coroner Service (£1.0m) including increased pathology and hospital fees. There were also costs of managing a backlog of cases and increasing CV-19 costs totalling £0.6m. These costs are offset by underspends elsewhere in the Group totalling (£0.7m).

Strategy and Commissioning

26. The Directorate has reported a £6.1m underspend. There has been a £7.5m reduction in expenditure on Home to School Transport due a significant reduction in journey numbers following lockdown restrictions. Providers were paid at 50% of normal rates for these periods when journeys were not being undertaken which generated the underspend.
27. This saving has been offset by £2.0m non achievement of additional health income efficiency.

Resources Directorate

28. The Resources directorate underspent by £2.6m. A £0.5m pressure in Legal Services has been offset by an underspend in IT&D of £1.1m due to bringing contracts in-house and absorbing costs, in addition to a number of smaller variances. There has been a CV-19 related underspend of £1.4m due to an improvement in projected loss of income from school meals and reduced costs associated with re-opening operational buildings in a CV-19 compliant way. There were a number of smaller underspends across the Directorate of £0.4m.

2020/21 Efficiency Program Outturn

29. The 2020/21 budget included an efficiency requirement of £38.1m. At outturn, £29.4m (77%) has been achieved despite the impact of CV-19, with the remaining £8.7m (23%) unachieved. The unachieved elements are captured in the 2021/22 budget. Directorate efficiencies are shown in **Table 4** below.

Table 4 – Final Efficiency outcome

Directorate	Full Year Target	Outturn	Variance	Last Month
	£m	£m	£m	£m
Adult Social Care	12.3	14.2	(1.9)	(3.5)
Children, Families, Lifelong Learning	8.9	3.4	5.5	5.3
Public Health	0.3	0.3	(0.0)	0.0
Environment, Transportation & Infrastructure	2.5	1.1	1.4	1.6
Community Protection group	1.6	1.1	0.5	0.5
Strategy & Commissioning	2.0	0.0	2.0	2.0
Communities & Transformation	1.6	1.3	0.3	0.3
HR & Communications	0.2	0.2	0.0	0.0
Deputy Chief Executive	0.2	0.2	0.0	0.0
Resources	4.1	3.7	0.4	0.4
Central Income & Expenditure	4.4	3.9	0.5	0.0
TOTAL	38.1	29.4	8.7	6.6

30. The £8.7m non-delivery is comprised of the following:

- a. CFL (£5.5m): planned reduction in contribution to the High Needs Block (£5.1m) offsetting reserve not possible due to increased demand and unit costs causing an overspend, CV-19 closures and restrictions resulted in £0.2m additional SOLD income and £0.2m reduced costs of reunification not being achievable.
- b. £2m undeliverable from joint placement reviews with Health.
- c. £0.5m of CPG (Fire & Coroners), £0.4m of Resources (Business Ops), £0.3m of CT and, £0.3m of ETI (Environment) efficiencies flagged as non-deliverable due to CV-19).
- d. £0.7m in ETI for reallocation of parking surplus (reliant on changes to local committees) undeliverable, £0.4m delayed incl. bus lane enforcement, waste minimisation & recycling initiatives.

Offset by:

- e. £1.9m over achievement of target in ASC relating to temporary one-off factors in particular issues driven by the pandemic.

Transformation Programme

31. Of the £29.4m total efficiency, £18.9m was delivered through the Transformation Programme. In order to achieve this permanent efficiency, £13m of one-off funding was invested. This resulted in the achievement of £18.9m (78%) permanent efficiencies against the £24.2m transformation target. The investment was funded by a £7.5m revenue budget and the remainder by flexible use of capital receipts, as enabled by the MHCLG guidance and approved by full Council in February 2020. The costs incurred were less than the original allocation of £22.5m for 2020/21, due to changing requirements and reprofiling of planned expenditure against some of the transformation projects. £9.5m unused capital receipts will be available in 2021/22 to be drawn down if needed to progress the refreshed Transformation Programme.
32. A further £1.7m of capital receipt funding was used to meet the costs of the Agile Office Programme, including the relocation of the Council's Headquarters. This is reported separately from the Transformation Programme but is a key part of reducing office running costs and moving the Council's headquarters back into Surrey.

Capital Budget

33. The Capital Outturn for 2020/21 is £241.3m against a budget of £244.0m; resulting in slippage of £2.7m. Forecast slippage decreased by £5.4m from M11. This is as a result of the following variances:
- a. **Property schemes – increase of £2.3m** – mainly related to:
 - Schools Basic Need – increase of £1m
 - Capital costs transferred from the Joint Venture with Places for People of £1m
 - Woodhatch Master Planning – (approved in February) £0.3m
 - b. **Highways and Transport schemes – decrease of £1.3m** – mainly related to:
 - Surrey Flood Alleviation - slippage of £0.4m on Byfleet and Alfold schemes
 - A217 Reigate to Horley Safer Road Scheme £0.3m slippage
 - LEPS funded schemes slippage of £1.0m
 - Minor variations on a number of other schemes – slippage of £0.8m
 - The above decreases are partly offset by accelerated spend in Highways and Bridges (£1.2m)
 - c. **Community Protection – increase of £0.3m** – accelerated Vehicle & Equipment replacement spend
 - d. **Grant funded schools expenditure of £4.6m** – controlled by Schools, forming part of final outturn.

34. **Table 5** below provides a summary of the outturn for the 2020/21 Capital budget:
Table 5 - Summary capital spend for 2020/21

Strategic Capital Groups	Original Budget £m	Restated Budget £m	Full Year Outturn £m	Outturn Variance to Budget £m	Change from M11 £m	Increase / Decrease / Unchanged
Property						
Property Schemes	78.5	135.6	134.8	(0.8)	2.3	Increase
ASC Schemes	1.9	1.9	1.5	(0.4)	(0.2)	Decrease
CFLC Schemes	1.7	0.6	0.1	(0.5)	(0.1)	Decrease
Property Total	82.0	138.1	136.4	(1.7)	2.0	Increase
Infrastructure						
Highways and Transport	70.5	84.2	84.0	(0.2)	(1.3)	Decrease
Environment	2.6	2.1	2.0	(0.1)	0.0	Unchanged
Community Protection	3.8	3.9	3.7	(0.2)	0.3	Increase
Infrastructure Total	76.8	90.2	89.7	(0.5)	(1.0)	Decrease
IT						
IT Service Schemes	15.9	15.4	10.5	(4.9)	(0.1)	Decrease
CFLC - EMS	0.9	0.3	0.2	(0.2)	0.0	Unchanged
IT Total	16.8	15.7	10.6	(5.1)	(0.1)	Decrease
Total	175.7	244.0	236.7	(7.3)	0.8	Increase
Delegated School Expenditure	0.0	0.0	4.6	4.6	4.6	Increase
Total Inc. Schools	175.7	244.0	241.3	(2.7)	5.4	Increase

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

Balance Sheet Indicators

35. The Council reports on a quarterly basis on the following key balance sheet indicators, which are presented in **Annex 2** (attached) and cover the following:

- a. Debt; and
- b. Treasury Management.

36. The Council's overdue debt stood at £25.5m at the 31 March 2021, a reduction of £0.6m over the year. **Annex 2** provides further details on this.

37. The Council has continued its policy of minimising cash balances and exposure to low interest rates on short-term investments by internal and short-term borrowing. **Annex 2** provides a further explanation of the impact of this policy on the Council's Balance Sheet.

Consultation:

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

Risk Management and Implications:

39. 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:

40. The report considers financial and value for money implications throughout and future budget monitoring reports into 2021/22 will continue this focus.

Section 151 Officer Commentary:

41. 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.
42. 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, considering all material, financial and business issues and risks.

Legal Implications – Monitoring Officer:

43. 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.
44. 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:

45. 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.
46. 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.

Report Author:

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Consulted:

Cabinet, Executive Directors, Heads of Service

Annexes:

Annex 1 – Detailed Revenue Outturn position

Annex 2 – Balance sheet Indicators – Debt and Treasury Management

Detailed Revenue Outturn position

Service	Cabinet Member	Prior year Outturn £m	Full year budget £m	Full Year Outturn £m	Full year net variance £m
Delegated Schools	J Iles	0.0	0.0	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	98.7	50.8	60.5	9.6
Corporate Parenting	M Lewis	96.0	90.0	88.8	(1.2)
Family Resilience	M Lewis	38.0	41.0	43.8	2.8
Quality & Performance	M Lewis / J Iles	8.2	9.2	8.7	(0.4)
Directorate wide savings	M Lewis / J Iles	(1.0)	10.2	11.7	1.5
Children, Families, Learning		239.8	201.1	213.4	12.3
Public Health	S Mooney	30.0	32.2	32.2	0.0
Adult Social Care	S Mooney	362.6	382.2	372.6	(9.7)
Highways & Transport	M Furniss	54.6	58.1	53.6	(4.5)
Environment	N Bramhall	73.3	71.9	73.3	1.4
Leadership Team (ETI)	M Furniss /N Bramhall	0.9	1.5	2.0	0.4
ETI CV-19	M Furniss /N Bramhall	0.0	5.2	6.2	1.1
Environment, Transport & Infrastructure		128.9	136.8	135.1	(1.6)
Fire and Rescue	D Turner-Stewart	31.3	32.0	31.6	(0.5)
Trading Standards	D Turner-Stewart	1.8	2.3	2.0	(0.2)
Chief of Staff	D Turner-Stewart	0.1	0.0	0.0	0.0
Emergency Management	D Turner-Stewart	0.4	0.5	0.5	(0.0)
Coroner	D Turner-Stewart	2.5	2.1	3.0	1.0
Health & Safety	D Turner-Stewart	0.0	0.1	0.1	0.0
CP CV-19	D Turner-Stewart	0.0	0.1	0.7	0.6
Armed Forces and Resilience	D Turner-Stewart	0.1	0.1	0.1	0.0
Community Protection		36.2	37.2	38.0	0.8
Human Resources & Organisational	T Oliver	2.9	6.6	6.1	(0.5)
Communications	T Oliver	1.2	1.3	1.3	(0.1)
HR & Comm CV-19	T Oliver	0.0	0.4	0.4	(0.0)
HR & Communications		4.0	8.3	7.8	(0.5)
Transformation Support Unit	T Oliver	1.2	0.8	0.8	0.0
Customer Services	M Nuti	2.9	2.9	2.8	(0.2)
Community Partnerships	M Nuti	0.0	1.4	1.3	(0.0)
Libraries, Registrars & Culture	M Nuti	0.0	10.7	10.0	(0.6)
C&T CV-19	T Oliver / J Iles	0.0	(0.1)	0.3	0.5
Community & Transformation		4.1	15.6	15.2	(0.3)
Strategic Commissioning	M Lewis / J Iles	6.6	51.5	45.9	(5.6)
Insight, Analytics & Intelligence	D Turner-Stewart	2.6	2.0	1.8	(0.3)
S&C CV-19	J Iles	0.0	1.7	1.4	(0.3)
Strategy & Commissioning		9.2	55.2	49.0	(6.1)
Strategic Leadership	T Oliver	1.3	1.5	1.4	(0.1)
Economic Growth	C Kemp	0.7	0.8	0.7	(0.1)
DCEX CV-19	C Kemp	0.0	0.0	0.0	0.0
Deputy CEX		2.0	2.3	2.2	(0.1)
Joint Operating Budget ORBIS	B Rush	33.7	17.5	17.3	(0.2)
Land & Property	T Oliver	17.8	28.0	27.9	(0.1)
Information Technology & Digital	B Rush	9.8	10.7	9.5	(1.2)
Finance	B Rush	1.7	5.7	5.7	(0.1)
Legal Services	B Rush	4.2	4.1	4.7	0.6
Democratic Services	B Rush	3.0	3.2	3.0	(0.2)
Business Operations	B Rush	0.0	(0.3)	(0.3)	0.0
Resources Leadership	B Rush	0.0	0.8	0.8	0.0
Twelve15	B Rush	0.0	1.3	1.3	(0.1)
Resources CV-19	T Oliver/B Rush	0.0	3.4	2.0	(1.4)
Resources		70.2	74.6	72.0	(2.6)
Directorate Total		887.0	945.6	937.6	(7.9)
Central Income and Expenditure	B Rush	56.4	77.8	79.5	2.3
Central Funding	B Rush	(933.1)	(1,023.4)	(1,024.9)	(2.2)
Contributions to/from Reserves/Contingencies		(10.5)	0.0	3.9	3.9
Outturn surplus		(0.2)	(0.0)	(3.9)	(3.9)

Balance Sheet Indicators

Debt

1. For the year to March 2021, the Council raised invoices totalling £433m. At the year-end, the gross debt outstanding on these invoices was £58.3m (c13%), representing a reduction of £6.6m from quarter 3. At year-end 2019/20 gross debt outstanding was £49.4m. The overdue debt is the gross debt less those balances not immediately due (i.e. less than 30 days old). The Overdue debt has seen a reduction of £3.6m since quarter 3.
2. Work continues across ASC, Legal Services and Finance to review and address issues related to the recovery of income due from ASC assessed charges, which is a very complex area. As part of this an external legal firm has been engaged to help follow up some historic debts on a pilot basis and this has already had some success. This and other measures to improve debt recovery will continue to be considered.
3. Table 1 below shows the age profile of the debts as at 31st March 2021.

Table 1 – Age profile of the Council’s debt as at 31 March 2021

	<1 month	1-12 Months	1-2 Years	Over 2 Years	Gross Debt	Overdue Debt
Account Group	£m	£m	£m	£m	£m	£m
Care Debt - Unsecured	4.6	6.6	2.6	5.9	19.7	15.1
Care Debt - Secured	0.0	2.6	2.2	3.8	8.6	8.5
Total Care Debt	4.6	9.2	4.8	9.7	28.3	23.6
Schools, Colleges and Nurseries	0.5	0.0	0.1	0.0	0.6	0.2
Clinical Commissioning Groups	8.0	3.5	0.1	0.5	12.1	4.2
Other Local Authorities	8.0	1.1	0.0	0.0	9.1	1.2
General Debt	4.5	2.7	0.5	0.5	8.2	3.6
Total Non-Care Debt	21.0	7.3	0.7	1.0	30.0	9.2
Total Debt	25.6	16.5	5.5	10.7	58.3	32.8

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

Borrowing

4. Surrey County 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 £433.6m a reduction of £2.6m from 31 March 2020
5. As at 31 March 2021, the weighted average interest rate of the Council's long-term debt portfolio was 3.88%. 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 shows a net £53m increase in the Council's short-term borrowing activity since 1st April 2020.

Table 2 - Short-term borrowing as at 31 March 2021

	£m
Debt outstanding as at 31 March 2020	218.5
Net movement since start of year	53
Current balance as at 31st March 2021	271.5

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

6. The weighted average interest rate of the Council's short-term external debt is 0.09% at 31st March 2021.

Cash Investments

7. The Council's average daily level of cash investments was £57.1m during 2020/21, compared to an average of £41.5m during 2019/20. 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 low cash balances held and the need to maintain high liquidity.
8. Table 3 shows the weighted average return on all investments the Council received in the quarter to 31st March 2021 is 0.01%. This compares to the -0.09% average 7-day London Interbank Bid Rate (LIBID) for the same period.

Table 3 – Weighted average return on investments compared to 7-day LIBID

	Average 7- day LIBID	Weighted return On investments
2020/21 Quarter 4	-0.09%	0.01%
2020/21 Quarter 3	-0.08%	0.03%
2020/21 Quarter 2	-0.06%	0.14%
2020/21 Quarter 1	-0.04%	0.31%
2019/20 Quarter 4	0.43%	0.63%
2019/20 Quarter 3	0.57%	0.68%
2019/20 Quarter 2	0.57%	0.71%
2019/20 Quarter 1	0.57%	0.75%