

SURREY COUNTY COUNCIL

CABINET

DATE: 29 JUNE 2021



REPORT OF CABINET MEMBER: MRS BECKY RUSH, DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND RESOURCES

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

SUBJECT: 2021/22 MONTH 1 (APRIL) 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 provides details of the County Council's 2021/22 financial position as at 30th April 2021 (M1), and the expected outlook for the remainder of the financial year. M1 is a high-level review focussing on risks, opportunities and the impact of Covid-19.

The report sets out proposed increases to Public Health's budget, funded by additional Public Health grant.

Key Messages – Revenue

- **At M1, the Council is forecasting a balanced financial position**, against the budget approved by Council in February 2021. Net risks to the balanced BAU forecast of £6.7m are identified in paragraph 4. The contingency included in the base budget to cover risks and unforeseen events is greater than the level of risk identified to date.
- A reserve of £11.1m is available to meet costs of Covid-19 in 2021/22 where they exceed the £15.1m allocated in the budget. Principles for accessing this reserve are set out in paragraph 8.
- The Public Health Grant is £0.6m higher than anticipated in the budget approved by Council in February 2021. Paragraphs 15-17 sets out the use of this additional grant by Public Health.

Key Messages – Capital

- Risks and opportunities to delivering the Capital Budget were considered by Capital Programme Panel (CPP) at Month 1. CPP concluded that currently there is no variance to report
- However, not all risks and opportunities to delivering the budget can be validated at this early stage and further work will be undertaken with more certainty for M2. Where individual programmes cannot be delivered to budget, acceleration of other schemes will be considered in mitigation, where appropriate.

Recommendations:

It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions for the year.
2. Note the increase to Public Health's budget to fund PrEP (pre-exposure prophylaxis) medicine and other initiatives recommended by the Public Health Leadership Team and approved by the Executive Director of Resources

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.

Revenue Budget:

Risks and Opportunities

1. **At M1, the Council is forecasting a balanced financial position**, against the £1,003.6m budget approved by Council in February 2021.
2. Directorates have identified net risks of £6.7m, consisting of risks quantified at £13.1m and opportunities of £6.4m. Where possible, Directorates will take action to mitigate these risks and maximise the opportunities available to offset them. In addition, the budget includes a contingency in excess of the quantified risks, giving confidence that the budget remains balanced. A number of risks that are, at this stage, unquantifiable are also under continual review.

Table 1 - Summary revenue budget, risks and opportunities at 30th April 2021

Directorate	Budget £m	Risk £m	Opportunities £m	Net £m
Adult Social Care	377.2	5.5	(4.5)	1.0
Public Health	32.6	0.0	0.0	0.0
Children, Families, Lifelong Learning	243.7	3.1	0.0	3.1
Environment, Transport, & Infrastructure	139.4	1.8	(1.6)	0.2
Community Protection	37.3	0.6	0.0	0.6
Community & Transformation	11.7	1.0	0.0	1.0
Transformation, Partnerships and Prosperity Other	13.3	0.0	0.0	0.0
Resources	65.6	0.6	(0.3)	0.3
Central Income & Expenditure	82.8	0.5	0.0	0.5
Total Risks and Opportunities	1,003.6	13.1	(6.4)	6.7

*Community and Transformation consists of elements drawn out of CFL and TPP

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

3. The £13.1m quantified risks include the following main items:
 - **Adult Social Care:** Potential delays to the delivery of care package efficiencies in Adult Social Care with an estimated impact of £4m - £6m. Additional risks around staffing expenditure may also emerge from a review of the ASC staffing structure, however these are likely to be offset by ASC opportunities, set out in paragraph 6.
 - **Children, Families and Lifelong Learning:** Risks of £3.1m, primarily related to the potential for additional cost of agency staff in Corporate Parenting and

Family Resilience based on current staffing levels. Recruitment initiatives for directly employed staff are under way but may take time to offset increased costs. The DSG High Needs Block (HNB) also contains a number of risks associated with the cost containment activity. The current cost containment plan includes £19m of management actions. The level of action required may grow if demand follows a similar pattern to 2020/21. These are being tracked to ensure forecasts reflect their expected impact.

- **Environment, Transport and Infrastructure:** Risks of £1.8m predominantly related to Highways Contract Mobilisation costs (up to £0.5m), additional work in removing tree stumps and local transport scheme costs (£0.4m) and other marginal changes including delays in achieving prior-year efficiencies (£0.7m). The Directorate is pursuing mitigating actions within other budgets and exploring the use of residual grant balances to offset.
- **Community Protection:** Risks of £0.6m, primarily related to costs of projects re-phased from previous years including Fire and Rescue Pensions administration and learning and development costs. A carry forward is held in reserve to fund these costs if necessary.
- **Community and Transformation:** Covid-19 related risks of £1.0m, including £0.8m potential impact on Culture income and £0.2m ongoing costs of Community Helpline provision.
- **Resources:** Covid-19 related risks of £0.6m, including £0.3m ongoing costs of Personal Protective Equipment (PPE) provision and c.£0.3m other Covid-19 impacts across the Directorate.
- **Central Income and Expenditure:** Risks of £0.5m to borrowing costs if the Bank of England were to increase interest rates by 0.25% part way through the year. £0.6m was added to the Interest Rate Risk reserve (providing a total of £1.6m) as part of the 2020/21 outturn report to mitigate this risk across the medium-term.

4. The £6.4m quantified opportunities include the following main items:

- **Adult Social Care:** £4.5m opportunities from budgets for increased costs of sleep-ins that will not now be incurred following the Supreme Court ruling that confirms that sleeping in a care facility does count as time at work and budgeted contract inflation that may not be required in full.
- **Environment, Transport and Infrastructure:** £1.6m opportunities to use residual prior year grant and other income (£1.4m) and a potential for reduction in transport costs (£0.2m).
- **Resources:** £0.3m opportunities from the renegotiation of the Mobile Phone contract (benefit likely to be felt across all Directorates).

5. Through the budget envelope approach, Directorates are required to deliver services within their approved budget, so the first call on the opportunities identified here will be to offset the risks identified in section 5. Some of the risks are Covid-19 related, for which the Council holds a specific reserve. The approach to accessing this reserve is set out below.

Covid-19 update

6. The Covid-19 reserve currently stands at £11.1m. The reserve consists of £6.2m grant funding carried forward from 2020/21 with £4.9m set aside as a contingency from the 2021/22 allocation of £20m. As the reserve is limited and may not be sufficient to meet all Covid-19 impacts over the medium-term, a consistent approach to accessing the reserve is proposed, based on the following considerations:
- The reserve is finite and Government have indicated that no further funding is likely. Therefore, if Covid-19 has caused a fundamental and lasting change to a service, the impact should be mitigated within the Directorate budget envelope first, with Covid-19 funding restricted to any time-limited element. The ongoing effects will need to be built into the Medium-Term Financial Strategy planning process.
 - If existing efficiencies are in place to manage Covid-19 costs or lost income, consideration should be given to why the position has changed and what that indicates about the permanent budgetary impact of the service.
 - Some pressures may be mitigated by specific allocations from Government; these should be the first source of funding for these pressures, with the reserve only used if there is a demonstrable need for additional funding.
 - The impact of the pressure on the delivery of business as usual services will need to be considered, particularly whether the pressure can be mitigated within existing budgets.
7. The impact of Covid-19 will be tracked throughout the year and service budgets may be reset where necessary to allocate reserve funding to Covid-19 costs.
8. As the position evolves during the year, it may be that confidence in the sufficiency of the Covid-19 related budgets allows diversion of a proportion into recovery work as well as simply funding response work and consequential financial impacts of the pandemic.
9. In exceptional circumstances, it will be necessary to obtain approval for specific actions in direct response to Covid-19 to be funded from the reserve. This is likely to be the case where an immediate response is required and it is clear that the impact cannot be mitigated within existing Directorate budgets. In these cases, the delegated decision process will be followed in consultation with the Executive Director for Resources.

Capital Budget

10. A capital budget of £184.9m was approved by Council in February. The table below sets this out by Strategic Capital Group.

Table 2 - Summary capital budget

Strategic Capital Groups	Approved Budget 2021/22 £m
Property	
Property Schemes	72.0
ASC Schemes	1.0
CFLC Schemes	1.9
Property Total	74.9
Infrastructure	
Infrastructure and Major Projects	5.5
Highways and Transport	84.0
Environment	1.7
Community Protection	4.4
Infrastructure Total	95.6
IT	
IT Total	14.4
Total	184.9

11. Capital Programme Panel (CPP) reviewed risks and opportunities to delivering the budget at Month 1. CPP concluded that currently there is no variance to report. However, not all risks and opportunities to delivering the budget can be validated at this early stage and further work will be undertaken with more certainty for M2.
12. Where individual programmes cannot be delivered to budget, acceleration of other schemes will be considered as mitigation, where appropriate.

Public Health Grant Increases:

13. On 16th March Surrey County Council was notified that the Public Health ring-fenced grant for 2021/22 would be £38.6m. The 2021/22 budget was prepared on the basis of a core grant of £38.0m being received, leading to an increase of £0.6m. This is a 0.7% increase in the core award from 2020/21 and Surrey is now the third lowest allocation per head funding in the country, having been second in 2020/21.
14. The use of this increase is set out as follows:
 - **PrEP allocation** - Within the ring-fenced grant there is a specific allocation of £0.3m for PrEP (pre-exposure prophylaxis), which is a medicine for people at risk of HIV. The allocation is an extension on the 6-month allocation for PrEP awarded to Public Health in 2020/21.
 - **Other increases** - Since the budget was approved there have been some changes to the core work that require funding of £0.3m on a recurrent basis. In particular, the increase will be used for:

Initiative	Increase £000
Maintaining the Infection Prevention & Control nurse position (currently temporarily funded by Covid-19 funds)	48
Recruiting an Immunisation coordinator post with Surrey Heartlands (50% contribution)	34
Recruiting a Population Health management post (S13)	78
A contribution to school nurses and health visitors required increase	20
Trial of e-cigarettes for vulnerable smokers as part of the smoking cessation programme, dependent on evidence review	20
Extension of the Gypsy, Roma, Travellers (GRT) funding for First Community Health and Care	56
TOTAL	256

15. In line with the Financial Regulations, the Executive Director of Resources has approved the increase to the Public Health service budget to recognise the additional grant.

Consultation:

16. Executive Directors and Cabinet Members have confirmed the risks and opportunities to delivery of budget.

Risk Management and Implications:

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

Financial and Value for Money Implications:

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

Section 151 Officer Commentary:

19. 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.

20. 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:

21. 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.
22. 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:

23. 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.
24. 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:

Leigh Whitehouse, Executive Director of Resources, leigh.whitehouse@surreycc.gov.uk

Consulted:

Cabinet, Executive Directors, Heads of Service

This page is intentionally left blank