

SURREY COUNTY COUNCIL

CABINET

DATE: 20 JULY 2021



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

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR RESOURCES

SUBJECT: 2021/22 MONTH 2 (MAY) 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 31st May 2021 (M2) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M2, the Council is forecasting a full year £15.9m deficit**, against the budget approved by Council in February 2021. The details are shown in Annex 1 and summarised in Table 1.
- At M2, contingencies built into the 2021/22 budget exceed the forecast deficit and so a balanced outturn is expected. However, it is still the expectation that Directorates manage the overspend within their budget envelopes.

Key Messages – Capital

- The Council approved a capital budget for 2021/22 of £184.9m in February 2021
- The M2 capital forecast shows forecast spend of **£184.2m and net reduction of £0.7m**. The forecast will continue to be reviewed monthly. Details 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. Agree the carry forward of two amounts within the DSG schools block totalling £183k into 2021/22.

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:

1. At M2, the Council is forecasting a full year £10.9m deficit, with an additional £5.0m contribution to the Dedicated Schools Grant (DSG) High Needs Block (HNB) offset reserve, against the £1,003.6m budget approved by Council in February 2021.
2. Table 1 below shows the forecast revenue budget outturn for the year by service.

Table 1 - Summary revenue budget forecast variances as at 31st May 2021

Directorate	2021/22 YTD M2 £m	2021/22 Outturn Forecast at M2 £m	Annual Budget £m	Forecast Variance £m
Adult Social Care	64.3	384.2	377.7	6.5
Public Health	(27.2)	32.6	32.6	0.0
Children, Families & Lifelong Learning	91.8	223.8	219.6	4.2
Environment, Transport & Infrastructure	15.6	135.0	135.0	(0.0)
Community Protection	7.1	37.8	37.6	0.2
Community & Transformation	1.6	11.7	11.8	(0.0)
Transformation, Partnership & Prosperity Other	2.7	13.3	13.3	0.0
Resources	16.3	64.6	64.6	0.0
Central Income & Expenditure	15.5	87.6	87.6	0.0
Total before DSG High Needs Block Offset	187.8	990.8	979.8	10.9
DSG High Needs Block Offset	0.0	28.8	23.8	5.0
Total Budget Envelopes	187.8	1,019.6	1,003.6	15.9
Central Funding	(212.1)	(1,003.6)	(1,003.6)	0.0
Overall after central funding	(24.4)	15.9	0.0	15.9

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

3. The deficit is £15.9m. This predominantly consists of:
 - **Adult Social Care:** The £6.5m forecast overspend is a result of a significant increase in care package commitments from March to May, particularly for Older People. The reasons for the increase are being analysed and the Adults Leadership Team are considering means by which the forecast overspend could be mitigated and reduced in the remainder of the year.
 - **Children, Families and Lifelong Learning:** The £4.2m forecast overspend is mainly due to staffing pressures. £2.4m of this is within the Area Team and Children with Disabilities (CWD) teams due to the level of agency workers. There are £0.9m of other staffing pressures spread across the Directorate. CWD Care budgets are also forecast to overspend by £0.4m due to current levels of demand. The balance of £0.5m relates to efficiencies which are not expected to be delivered, based on the M2 review. Opportunities to mitigate the position are being reviewed.

- **Community Protection:** The overall overspend of £0.2m consists of a shortfall in Trading Standards income following the end of a contract (£0.1m) and various cost pressures in Coroners (£0.1m).
- **DSG High Needs Block:** An increase in the required contribution to the offset reserve from £23.8m to £28.8m due to cost containment measures currently being insufficient to hold the contribution to £23.8m.

DSG update

4. The table below shows the projected forecast year end outturn for the HNB at M2. To date the forecast is within the budgeted overspend and contingency.

Table 2 DSG HNB Summary

2021/22 DSG HNB Summary	
	£m
DSG High Needs Block Grant (exc Academies)	157.3
Forecast outturn	186.1
Deficit/(surplus)	28.9
Budgeted overspend	(23.8)
Deficit/(surplus)	5.0
High Needs Block contingency budget	9.0
Remaining contingency budget after deficit	4.0

5. To achieve a budgeted overspend of £23.8m requires £28m of cost containment. Of this, £17m has already been delivered however £5m remains at risk. Officers are continuing to work on management actions to mitigate this deficit.
6. At the beginning of the year a potential £13m of additional risks were identified based on potential increases in demand and patterns seen in previous years. The risk has reduced to £11.4m due to effective demand management. The service is working to mitigate these risks and the position will be monitored throughout the year.
7. Within the de-delegated schools block outturn of 20/21 there were underspends on the primary intervention (£131k) and Union facilities (£52k) budgets. Where required for the primary intervention funding, Schools forum has recommended they are carried forward into the 21/22 budget as part of the de-delegated budgets and associated funding formula calculations. The Union facilities budget is also to be carried forward into 21/22.

Covid-19 update

8. At M2 Directorates are forecasting a gross impact from Covid-19 of £61.4m. This is offset by £41.4m of specific grant funding, leaving a net balance of £20m to be managed.

9. The Directorates are expecting to absorb £17.3m of the impact within their budget envelopes, including £15.1m of Covid-19 specific amounts allocated in the 2021/22 budget.
10. A balance of £2.7m is therefore currently flagged as a risk against the £11m Covid-19 reserve. Individual decisions to approve the use of the reserve may be taken in specific or urgent circumstances.
11. 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

12. Where individual programmes cannot be delivered to budget, acceleration of other schemes will be considered as mitigation, where appropriate. The capital programme will be revised after quarter 1 to ensure that it is reflective of the 2021/22 capital budget.
13. In February 2021, Council approved a capital budget of £184.9m. At M2, forecasts show a net reduction of £0.7m.
14. Table 3 below, provides a summary of the forecast full-year outturn at M2 at £184.2m

Table 3 - Summary capital budget

Strategic Capital Groups	Outturn Forecast at M2 £m	Annual Budget £m	Forecast Variance £m
Property			
Property Schemes	66.3	72.0	(5.7)
ASC Schemes	1.7	1.9	(0.2)
CFL Schemes	1.2	1.8	(0.5)
Property Total	69.2	75.7	(6.5)
Infrastructure			
Highways and Transport	85.0	81.0	4.1
Infrastructure and Major Projects	5.7	5.5	0.2
Environment	4.4	4.7	(0.3)
Community Protection	4.3	4.4	(0.2)
Infrastructure Total	99.3	95.6	3.8
IT			
IT Service Schemes	15.6	13.7	2.0
IT Total	15.6	13.7	2.0
Total	184.2	184.9	(0.7)

15. The **net reduction of £0.7m** consists of:

- **Property £5.7m reduction.** This slippage relates to Wray Park (£7.5m) and Winter Depots (£2.7m). Additional complexity within the schemes is causing delay to delivery. There are minor variances across other schemes totalling £1.6m. These reductions are offset by total pipeline conversion schemes of £6.1m relating to Woodhatch master planning (£2.1m), Bookham Youth Centre (£2m) and Extra Care Housing (£2m).
- **Infrastructure £1.3m increase.** Reprofiling of the Housing Infrastructure Fund (HIF) A320 scheme and Flood Alleviation works has resulted in reductions of £0.8m and £0.7m respectively. To offset this slippage there have been additions to the forecast for
 - Countryside Visitor Improvement plan £0.3m
 - Highways and Transport increases of £4.1m relating to grant funded active travel schemes and other minor variances
 - Infrastructure and Major Projects increases of £1m as the Farnham Quick-Wins scheme is added to the programme.
- **IT increase of £2.0m** from carry forwards for Agile Workforce of £0.9m and Malware projects of £0.9m.

Consultation:

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

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. 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 Council has a duty to ensure its expenditure does not exceed the resources available. 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:

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Consulted:

Cabinet, Executive Directors, Heads of Service

Annex:

Annex 1 – Forecast revenue budget as at 31 May 2021.

Annex 1
Forecast revenue budget as at 31 May 2021

		Year to date	Year to date	Year to date	Full Year	Full year	Full Year	Full year net
		Budget	Actual	variance	Gross	net	net	forecast
		£m	£m	£m	budget	budget	forecast	variance
Service	Cabinet Member				£m	£m	£m	£m
Education & Lifelong Learning	D Turner-Stewart	7.6	46.3	38.7	174.6	22.4	22.4	(0.0)
Corporate Parenting	C Curran	16.1	8.6	(7.5)	108.7	96.6	97.3	0.7
Family Resilience	C Curran	9.2	4.7	(4.5)	43.5	40.0	42.5	2.5
Quality & Performance	C Curran	1.4	1.3	(0.1)	10.2	8.4	8.6	0.1
Directorate wide savings	C Curran	8.2	30.9	22.7	130.5	52.0	53.0	1.0
Children, Families, Learning		42.5	91.8	49.3	467.6	219.6	223.8	4.2
Public Health	S Mooney/L Bennett	1.1	(27.2)	(28.2)	32.6	32.6	32.6	0.0
Adult Social Care	S Mooney	62.9	64.3	1.4	505.5	377.7	384.2	6.5
Highways & Transport	M Furniss	9.7	7.4	(2.3)	70.9	58.3	58.3	0.0
Environment	M Heath	12.3	7.5	(4.7)	75.9	73.5	73.5	(0.0)
Infrastructure Planning & Major Projects	M Furniss	0.5	0.6	0.1	5.2	2.8	2.8	(0.0)
Leadership Team (ETI)	M Furniss /N Bramhall	0.1	0.1	(0.0)	0.4	0.4	0.4	(0.0)
Environment, Transport & Infrastructure		22.5	15.6	(6.9)	152.4	135.0	135.0	(0.0)
Fire and Rescue	M Nuti /K Deanus	5.3	5.9	0.7	36.0	31.6	31.6	0.0
Trading Standards	M Nuti	0.3	0.4	0.0	4.0	1.9	2.0	0.1
Chief of Staff	D Turner-Stewart	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emergency Management	D Turner-Stewart	0.1	0.1	(0.0)	0.5	0.5	0.5	(0.0)
Coroner	L Bennett	0.5	0.6	0.1	3.3	3.1	3.2	0.1
Health & Safety	M Nuti	0.1	0.1	(0.0)	0.7	0.5	0.5	(0.0)
Armed Forces and Resilience	M Nuti	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Community Protection		6.3	7.1	0.8	44.6	37.6	37.8	0.2
Human Resources & Organisational	T Oliver	1.1	0.9	(0.2)	6.5	6.5	6.5	0.0
Communications	T Oliver	0.3	0.3	0.0	1.7	1.7	1.7	0.0
Strategic Leadership	T Oliver	0.2	0.2	(0.0)	1.5	1.5	1.5	0.0
Economic Growth	N Bramhall	0.2	0.1	(0.1)	1.1	1.1	1.1	0.0
Insight, Analytics & Intelligence	B Rush	1.2	1.2	(0.0)	3.0	2.5	2.5	(0.0)
Transformation, Partnership &		3.0	2.7	(0.2)	13.8	13.3	13.3	0.0
Transformation Support Unit	T Oliver	0.1	0.1	0.0	0.8	0.8	0.8	0.0
Customer Services	M Nuti	0.5	0.4	(0.1)	2.9	2.7	2.6	(0.1)
Community Partnerships	M Nuti	0.2	0.2	(0.0)	1.5	1.5	1.5	(0.0)
Libraries, Registrars & Culture	M Nuti	1.1	0.9	(0.2)	17.3	6.7	6.8	0.1
Community & Transformation		1.9	1.6	(0.3)	22.5	11.8	11.7	(0.0)
Joint Operating Budget ORBIS	B Rush	2.8	6.5	3.7	16.9	16.9	16.9	0.0
Land & Property	N Bramhall	3.8	4.3	0.5	33.9	23.9	23.9	0.0
Information Technology & Digital	B Rush	1.7	1.7	(0.1)	11.2	10.5	10.5	0.0
Finance	B Rush	0.9	0.5	(0.4)	11.3	5.6	5.6	(0.0)
Legal Services	B Rush	0.8	0.8	0.1	5.1	4.7	4.7	(0.0)
Democratic Services	B Rush	0.6	1.8	1.2	3.8	3.6	3.6	(0.0)
Business Operations	B Rush	(0.1)	(0.1)	(0.0)	(0.3)	(0.3)	(0.2)	0.1
Resources Leadership	B Rush	0.1	0.5	0.4	0.9	0.8	0.9	0.0
Twelve15	B Rush	0.1	0.1	0.1	20.4	(1.1)	(1.1)	(0.0)
Resources		10.8	16.3	5.5	103.3	64.6	64.6	0.0
Corporate Expenditure	B Rush	3.7	15.5	11.8	115.6	87.6	87.6	0.0
Total before DSG High Needs Block Offset		154.6	187.8	33.2	1,457.9	979.8	990.8	10.9
DSG High Needs Block Offset		0.0	0.0	0.0	23.8	23.8	28.8	5.0
Total Budget Envelopes		154.6	187.8	33.2	1,481.7	1,003.6	1,019.6	15.9
Central funding		(220.7)	(212.1)	8.5	0.0	(1,003.6)	(1,003.6)	0.0
Total Net revenue expenditure including DSG HNB		(66.1)	(24.4)	41.7	1,481.7	0.0	15.9	15.9

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