

## SURREY COUNTY COUNCIL

## CABINET

DATE: 26 OCTOBER 2021



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

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

SUBJECT: 2021/22 MONTH 5 (AUGUST) FINANCIAL REPORT

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

<b>Purpose of the Report:</b>
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This report provides details of the County Council's 2021/22 financial position as at 31<sup>st</sup> August 2021 (M5) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

**Key Messages – Revenue**

- **At M5, the Council is forecasting a full year £19.1m deficit** against the revenue budget. The details are shown in Annex 1 and summarised in Table 1.
- Contingencies built into the 2021/22 budget exceed the forecast deficit and so a balanced outturn is anticipated. However, it is still the expectation that Directorates manage overspends within their budget envelopes.
- A budget reset of £7.3m to meet Covid-19 pressures is set out in paragraphs 7 to 10. The reset is funded through an application of £5m Contain Outbreak Management Fund (COMF) grant to qualifying Covid-19 pressures and the distribution of a recently confirmed £2.3m tranche of the Government's Income Compensation Scheme (ICS) grant. The reset therefore has no impact on the £11.1m Covid-19 reserve.

**Key Messages – Capital**

- The M5 forecast shows a forecast spend of £191.0m against budget of £202m, a variance of £11.0m.
- The variance mainly relates to an in-depth review of the corporate maintenance programme which identified risks in the scheduled works and resourcing in delivering the planned projects, taking account of and prioritising Health and Safety issues. In addition, following feasibility studies two projects changed scope. These changes resulted in a variance of £9.1m. In addition, there have been delays and reprofiling of several projects of £1.9m. Details are set out in paragraphs 11 to 13 and Table 4.

<b>Recommendations:</b>
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It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions.

2. Approve the reset of Directorate budgets to distribute Covid-19 funding set out in paragraphs 7 to 10.

**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 M5, the Council is forecasting a full year £19.1m deficit against budget, including an additional £5.0m contribution to the Dedicated Schools Grant (DSG) High Needs Block (HNB) offset reserve.**
2. Table 1 below shows the forecast revenue budget outturn for the year by service.

**Table 1 - Summary revenue budget forecast variances as of 31<sup>st</sup> August 2021**

Directorate	2021/22 YTD M5 £m	21/22 Outturn Forecast at M5 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	163.1	384.4	380.7	3.7	(2.8)
Public Service Reform & Public Health	(10.8)	34.0	34.0	0.0	0.0
Children, Families & Lifelong Learning	88.7	230.7	222.1	8.6	2.3
Comms, Public Affairs & Engagement	0.7	1.7	1.7	0.0	0.0
Community Protection Group	18.3	38.5	38.0	0.5	0.1
Customer & Communities	5.1	11.6	11.5	0.1	(0.0)
Environment, Transport & Infrastructure	49.2	134.9	135.0	(0.1)	0.0
People & Change	2.6	6.7	6.6	0.2	0.0
Prosperity Partnerships & Growth	0.4	1.3	1.3	0.0	0.0
Resources	32.7	71.5	70.4	1.1	0.1
Central Income & Expenditure	(62.4)	87.1	87.1	0.0	0.0
<b>Total before DSG High Needs Block Offset</b>	<b>287.6</b>	<b>1,002.3</b>	<b>988.2</b>	<b>14.1</b>	<b>(0.4)</b>
DSG High Needs Block Offset	0.0	28.8	23.8	5.0	0.0
<b>Total Budget Envelopes</b>	<b>287.6</b>	<b>1,031.1</b>	<b>1,012.0</b>	<b>19.1</b>	<b>(0.4)</b>
Central Funding	(353.5)	(1,012.0)	(1,012.0)	0.0	0.0
<b>Overall after central funding</b>	<b>(65.9)</b>	<b>19.1</b>	<b>0.0</b>	<b>19.1</b>	<b>(0.4)</b>

*Note: Numbers have been rounded which might cause a difference. The budget figures include the Covid-19 reset in paragraphs 7 to 10.*

3. The forecast deficit of £19.1m predominantly consists of:
  - **Adult Social Care:** The £3.7m forecast overspend (£2.8m improvement) is primarily a result of a significant increase in care package commitments since the start of the financial year. The average cost of care packages has increased substantially compared to pre-pandemic levels, due to increased needs and in part the impact of the discharge to assess system from hospitals. The improvement from M4 relates to the allocation of £3m of COMF funding to ASC care package pressures caused by the pandemic, offset by a small deterioration in the underlying position.
  - **Children, Families and Lifelong Learning (CFL):** The £8.6m forecast overspend (£2.3m deterioration) is mainly due to placement and staffing pressures within Children's Social Care.

- £3.3m of this is within the Area Care and Children with Disabilities (CWD) staffing budgets due to the high number of agency and locum staff currently employed.
- An increase in numbers of Looked After Children is also creating a forecast overspend of £1.5m for external residential placements because these have been in the more expensive types of placements, where one placement can be up to £250k per year.
- There is a £0.4m overspend Area Care and £1.0m on Children with Disabilities Care Budgets due to an increase in the spend on direct payments.
- The increase in Looked After Children numbers is also creating forecast overspends for in-house residential staffing of £0.5m and in-house fostering of £0.5m.
- There are additional staffing and tribunal costs in Education and Lifelong Learning (ELL) of £0.3m and an efficiency of £0.5m is included within the budget, for which the delivery plan needs to be formulated.
- The CFL Directorate is working to mitigate the projected costs set out above, with a plan of action being drafted.
- **DSG High Needs Block (HNB):** 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. This position remains unchanged from month 4 and further details are set out below.

### DSG update

4. The table below shows the projected forecast year end outturn for the HNB at M5.

**Table 2 - DSG HNB Summary**

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

The forecast includes £28m of cost containment. Of this £19.7m has already been delivered or is on track for delivery. £4.7m is on track for delivery but with some further work needed to achieve them and £4m is at risk based on current projections.

5. 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 remaining risk has reduced to £6.5m at month 5. The service is working to further mitigate these cost risks.

- The additional deficit forecast of £5m is the combined estimated impact of cost containment and additional risks for the full financial year. Work continues to try and mitigate this down to within budget.

### Covid-19 update

- At M5, Directorates forecast a gross impact from Covid-19 of £73.8m. This is offset by £54.0m of specific grant funding, leaving a net £19.9m. Of this, Directorates expect to absorb £15.4m within budget envelopes.
- A balance of £5.6m after allowing for the delivery of efficiencies is currently flagged as a risk against the Covid-19 reserve. This is shown in table 3 below:

**Table 3**

	£m
<b>Gross impact of costs and lost income</b>	73.8
<b>Offset by</b>	
- Specific grants	(54.0)
- Directorate budget envelopes	(15.4)
<b>Remaining pressure</b>	<b>4.4</b>
Impact on efficiency delivery	1.2
<b>Total unfunded impact</b>	<b>5.6</b>

- A review of the Contain Outbreak Management Fund (COMF) grant has identified that £2m of this Covid-19 impact can be funded through COMF. In addition, a further £2.3m of Income Compensation Scheme (ICS) funding from Government (relating to 2020/21) has been confirmed at M5, allowing a reset of £4.3m without impacting the reserve. Using this to reset part of the £5.6m impact leaves a remaining amount to be addressed of £1.3m. The remainder is in ETI where pressures from increased waste volumes may yet be met by reduced waste prices, if sustained. Using specific grants leaves the Covid-19 reserve static at £11.1m. Further decisions to approve use of the reserve may be taken in specific / urgent circumstances.
- In addition to the pressures identified here, a further £3m of COMF has been allocated to existing ASC pressures, as set out in paragraph 3. Annex 2 sets out the total proposed Covid-19 reset through COMF and ICS of £7.3m.

### Capital Budget

- In February 2021, Council approved a capital budget for 2021/22 of £184.9m. This was reset at Month 4 to £202.0m, reflecting the latest phasing of individual schemes and new allocations which have been approved by Cabinet since February.
- Table 4 below provides a summary of the forecast full-year outturn at M5. Against the budget of £202.0m, forecast capital spend is £191.0m; a net variance of £11.0m.

**Table 4 - Summary Capital Budget**

Strategic Capital Groups	M5 Outturn Forecast £m	Budget £m	Forecast Variance £m
<b>Property</b>			
Property Schemes	66.5	77.6	(11.1)
ASC Schemes	1.6	1.7	(0.1)
CFLC Schemes	1.0	1.2	(0.2)
<b>Property Total</b>	<b>69.1</b>	<b>80.5</b>	<b>(11.4)</b>
<b>Infrastructure</b>			
Highways and Transport	91.3	91.7	(0.4)
Infrastructure and Major Projects	6.3	6.3	0.0
Environment	4.8	4.6	0.2
Community Protection	3.6	3.1	0.6
<b>Infrastructure Total</b>	<b>106.1</b>	<b>105.7</b>	<b>0.4</b>
<b>IT</b>			
<b>IT Total</b>	<b>15.8</b>	<b>15.8</b>	<b>0.0</b>
<b>Total</b>	<b>191.0</b>	<b>202.0</b>	<b>(11.0)</b>

13. The **forecast variance of £11.0m** mainly consists of:

- **Property: £11.1m decrease** against the restated budget mainly relating to an in-depth review of the programme which identified risks in scheduled works and resourcing in delivering the planned projects, taking account of and prioritising Health & Safety issues as well as delays and slippage on a number of projects.
- **Community Protection £0.6m increase** against budget, reflecting accelerated spend on vehicle replacement.

**Consultation:**

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

**Risk Management and Implications:**

15. 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:**

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

**Section 151 Officer Commentary:**

17. 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.

18. 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:**

19. 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.
20. 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:**

21. 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.
22. 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 August 2021.

Annex 2 – Proposed Covid-19 reset through COMF and ICS

## Annex 1

### Forecast revenue budget as at 31<sup>st</sup> August 2021

Service	Cabinet Member	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
Education, Lifelong Learning & Culture	D Turner-Stewart	19.3	15.6	(3.6)	200.1	24.3	24.6	0.3
Corporate Parenting	C Curran	40.6	37.5	(3.1)	116.5	103.8	108.8	5.0
Commissioning - Ex Comms Team	C Curran	18.0	19.2	1.2	130.3	51.8	52.2	0.4
Family Resilience	C Curran	15.5	12.3	(3.3)	36.2	33.3	35.6	2.3
Quality & Performance	C Curran	3.8	3.8	0.1	11.1	9.0	9.2	0.2
Directorate wide savings	C Curran	(0.0)	0.3	0.3	(0.2)	(0.2)	0.3	0.5
<b>Children, Families and Lifelong Learning</b>		<b>97.2</b>	<b>88.7</b>	<b>(8.5)</b>	<b>494.0</b>	<b>222.1</b>	<b>230.7</b>	<b>8.6</b>
Public Health	S Mooney	11.8	(11.0)	(22.8)	33.4	33.4	33.4	0.0
Public Service Reform	S Mooney	0.2	0.2	(0.0)	0.5	0.5	0.5	0.0
<b>Public Health and PSR</b>		<b>12.0</b>	<b>(10.8)</b>	<b>(22.8)</b>	<b>34.0</b>	<b>34.0</b>	<b>34.0</b>	<b>0.0</b>
<b>Adult Social Care</b>	<b>S Mooney</b>	<b>157.4</b>	<b>163.1</b>	<b>5.8</b>	<b>516.5</b>	<b>380.7</b>	<b>384.4</b>	<b>3.7</b>
Highways & Transport	M Furniss	24.3	21.0	(3.3)	71.3	58.3	58.1	(0.2)
Environment	M Heath	30.6	26.5	(4.1)	75.9	73.5	73.5	0.0
Infrastructure Planning & Major Projects	M Furniss	1.2	1.5	0.3	5.2	2.8	2.8	(0.0)
Leadership Team (ETI)	M Furniss	0.2	0.2	(0.0)	0.4	0.4	0.4	(0.0)
<b>Environment, Transport &amp; Infrastructure</b>		<b>56.3</b>	<b>49.2</b>	<b>(7.1)</b>	<b>152.8</b>	<b>135.0</b>	<b>134.9</b>	<b>(0.1)</b>
Fire and Rescue	M Nuti	13.2	15.4	2.2	36.1	31.7	32.1	0.3
Trading Standards	M Nuti	0.8	0.9	0.1	3.9	2.0	2.1	0.0
Emergency Management	M Heath	0.2	0.2	0.0	0.5	0.5	0.5	(0.0)
Coroner	M Nuti	1.3	1.5	0.3	3.4	3.1	3.3	0.2
Health & Safety	M Nuti	0.2	0.2	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
<b>Community Protection</b>		<b>15.7</b>	<b>18.3</b>	<b>2.6</b>	<b>44.6</b>	<b>38.0</b>	<b>38.5</b>	<b>0.5</b>
<b>People &amp; Change</b>	<b>T Oliver</b>	<b>2.7</b>	<b>2.6</b>	<b>(0.2)</b>	<b>6.7</b>	<b>6.6</b>	<b>6.7</b>	<b>0.2</b>
Comms, Public Affairs & Engagement	T Oliver	0.7	0.7	(0.0)	1.7	1.7	1.7	0.0
PPG Leadership	T Oliver	0.1	0.1	0.0	0.3	0.3	0.3	0.0
Economic Growth	T Oliver	0.4	0.3	(0.2)	1.1	1.1	1.1	0.0
<b>Prosperity Partnerships &amp; Growth</b>		<b>0.5</b>	<b>0.4</b>	<b>(0.1)</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>0.0</b>
Customer Services	M Nuti	1.1	1.0	(0.1)	2.9	2.7	2.7	0.0
Community Partnerships	M Nuti	0.5	0.4	(0.1)	1.5	1.5	1.5	(0.1)
Libraries	M Nuti	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Cultural Services	M Nuti	2.8	3.6	0.8	17.2	7.1	7.3	0.1
<b>Customers and Communities</b>		<b>4.5</b>	<b>5.1</b>	<b>0.6</b>	<b>21.6</b>	<b>11.5</b>	<b>11.6</b>	<b>0.1</b>
Joint Operating Budget ORBIS	B Rush	7.0	9.0	2.0	16.9	16.9	17.2	0.4
Land & Property	N Bramhall	9.3	9.9	0.6	34.5	24.5	24.8	0.3
Information Technology & Digital	B Rush	4.5	4.4	(0.1)	11.4	10.7	10.7	(0.0)
Finance	B Rush	2.4	1.4	(1.0)	11.7	5.9	6.0	0.0
Performance Management	B Rush	0.1	0.1	(0.0)	0.2	0.2	0.2	0.0
Legal Services	B Rush	1.9	2.2	0.2	5.3	4.9	5.3	0.4
Democratic Services	B Rush	1.5	2.7	1.2	3.8	3.6	3.6	(0.0)
Business Operations	B Rush	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	0.1
Leadership Office	B Rush	0.5	0.5	(0.0)	1.2	1.2	1.3	0.0
Resources Leadership	B Rush	0.3	1.1	0.8	0.9	0.8	0.9	0.0
PPE	B Rush	0.0	0.0	0.0	0.4	0.4	0.4	0.0
Twelve15	B Rush	(0.3)	(0.1)	0.1	19.6	(1.9)	(2.0)	(0.1)
Strategy and Policy	B Rush	1.3	1.2	(0.0)	2.3	1.8	1.8	0.0
Transformation and Strategic Commissioning	B Rush	0.6	0.3	(0.2)	1.5	1.5	1.5	(0.0)
<b>Resources</b>		<b>29.2</b>	<b>32.7</b>	<b>3.5</b>	<b>109.6</b>	<b>70.4</b>	<b>71.5</b>	<b>1.1</b>
<b>Corporate Expenditure</b>	<b>B Rush</b>	<b>(68.7)</b>	<b>(62.4)</b>	<b>6.4</b>	<b>114.2</b>	<b>87.1</b>	<b>87.1</b>	<b>0.0</b>
<b>Total before DSG High Needs Block Offset</b>		<b>307.5</b>	<b>287.6</b>	<b>(19.8)</b>	<b>1,497.0</b>	<b>988.2</b>	<b>1,002.4</b>	<b>14.1</b>
<b>DSG High Needs Block Offset</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23.8</b>	<b>23.8</b>	<b>28.8</b>	<b>5.0</b>
<b>Total Budget Envelopes</b>		<b>307.5</b>	<b>287.6</b>	<b>(19.8)</b>	<b>1,520.8</b>	<b>1,012.0</b>	<b>1,031.2</b>	<b>19.1</b>
<b>Central funding</b>		<b>(345.2)</b>	<b>(353.5)</b>	<b>(8.4)</b>	<b>0.0</b>	<b>(1,012.0)</b>	<b>(1,012.0)</b>	<b>0.0</b>
<b>Total Net revenue expenditure including DSG HNB</b>		<b>(37.7)</b>	<b>(65.9)</b>	<b>(28.2)</b>	<b>1,520.8</b>	<b>0.0</b>	<b>19.1</b>	<b>19.1</b>



## Annex 2

### Proposed Covid-19 reset through COMF and ICS:

The proposed Covid-19 reset covers £3m allocated to existing Covid-19 pressures in ASC and £4.3m against the amount previously identified as chargeable to the Covid-19 reserve. The table below, shows the distribution of additional budget by Directorate.

Directorate	M4 Budget	Covid-19 Reset	M5 Budget
Adult Social Care	377.7	3.0	380.7
Public Service Reform & Public Health	34.0	0.0	34.0
Children, Families & Lifelong Learning	219.7	2.4	222.1
Comms, Public Affairs & Engagement	1.7	0.0	1.7
Community Protection Group	37.7	0.3	38.0
Customer & Communities	11.0	0.5	11.5
Environment, Transport & Infrastructure	135.0	0.0	135.0
People & Change	6.6	0.0	6.6
Prosperity Partnerships & Growth	1.3	0.0	1.3
Resources	69.2	1.1	70.4
Central Income & Expenditure	87.1	0.0	87.1
DSG High Needs Block Offset	23.8	0.0	23.8
<b>Total Budget</b>	<b>1,004.7</b>	<b>7.3</b>	<b>1,012.0</b>

The following table sets out the individual pressures funded through the reset:

Directorate	Pressure to be reset	£m
CFL	Additional staffing costs to cover increased workload	0.6
	SEND placement pressures for Summer term for 2020/21 academic year (April to August), for placements which could not be altered due to pandemic. The first two terms were funded by Covid-19 grant in previous financial year	0.7
	Outdoor Learning Loss of income	0.3
	Inability to deliver efficiencies linked to income reduction	0.7
CFL Subtotal		2.4
C&C	Inability to deliver efficiencies linked to income reduction	0.5
C&C Subtotal		0.5
CPG	Various including staff (overtime to cover sickness) and PPE	0.1
	Loss of Trading Standards income	0.2
	Coroners / death management costs	0.0
CPG Subtotal		0.3
Resources	Childcare court hearings delayed. Increased demand	0.2
	Ongoing costs of PPE Cell within Procurement	0.4
	Temporary Mortuary Provision (Headley Court)	0.4
	Staffing pressures across Directorate	0.1
Resources Subtotal		1.1
<b>Total reset of Covid-19 related impact, previously held as a risk against the CV-19 reserve</b>		<b>4.3</b>
ASC	Assignment of Contain Management Outbreak Fund to care packages pressures caused by the pandemic	3.0
<b>Overall Budget Reset at M5</b>		<b>7.3</b>