

SURREY COUNTY COUNCIL

CABINET

DATE: 30 NOVEMBER 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 6 (SEPTEMBER) FINANCIAL REPORT

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

Purpose of the Report:

This report provides details of the County Council's 2021/22 financial position as at 30th September 2021 (M6) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M6, the Council is forecasting a full year £18.5m 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.

Key Messages – Capital

- The M6 forecast shows a forecast spend of £192.7m against budget of £202m, a variance of £9.4m.
- Details are set out in paragraphs 8 to 10 and Table 3.

Recommendations:

It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions.
2. Approve the Empty Homes Proposals outlined in Paragraph 11

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 M6, the Council is forecasting a full year £18.5m deficit against budget, including an additional £6.9m 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 30th September 2021

Directorate	2021/22 YTD M6 £m	21/22 Outturn Forecast at M6 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	197.2	384.4	380.7	3.7	(0.0)
Public Service Reform & Public Health	(8.6)	34.0	34.0	0.0	0.0
Children, Families, Learning & Community	123.0	229.8	222.1	7.7	(0.9)
Comms, Public Affairs & Engagement	0.9	1.7	1.7	0.0	(0.0)
Community Protection Group	20.9	38.4	38.0	0.4	(0.1)
Customer & Communities	5.2	11.6	11.5	0.1	(0.0)
Environment, Transport & Infrastructure	61.8	133.2	135.0	(1.8)	(1.7)
People & Change	3.1	6.7	6.6	0.2	0.0
Prosperity Partnerships & Growth	0.5	1.3	1.3	0.0	0.0
Resources	35.1	71.7	70.4	1.3	0.2
Central Income & Expenditure	15.0	87.1	87.1	0.0	0.0
Total before DSG High Needs Block Offset	454.1	999.8	988.2	11.6	(2.6)
DSG High Needs Block Offset	0.0	30.7	23.8	6.9	1.9
Total Budget Envelopes	454.1	1,030.5	1,012.0	18.5	(0.7)
Central Funding	(520.0)	(1,012.0)	(1,012.0)	0.0	0.0
Overall after central funding	(65.9)	18.5	0.0	18.5	(0.7)

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

3. The forecast deficit of £18.5m predominantly consists of:
- Adult Social Care:** The £3.7m forecast overspend (No Change from M5) 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.
 - Children, Families and Lifelong Learning (CFL):** The £7.7m forecast overspend position is predominantly due to high numbers of agency and locum staff in social worker posts (£3.3m), increased numbers of Looked After Children in external residential placements (£1.7m), in-house fostering (£0.5m) and in-house residential (£0.3m). Area Care (£0.3m) and CWD Care (£1.0m) budgets are overspending due to the levels of demand in these areas. The Key Lines of Enquiry efficiency (£0.5m) has not been achieved and is also causing a pressure.

The CFL Directorate is working to mitigate these projected costs to support both the in-year position and reduce the impact on future trajectories in the MTFS.
 - Environment, Transport & Infrastructure (ETI):** There is a £1.8m underspend. This is primarily in the waste service and is due to reduced prices for managing dry mixed recycling, partially offset by increased waste volumes. Prices are volatile but have improved this year and it is assumed

that improvement will be sustained. The directorate is showing an improvement of £1.7m from M5.

- Resources:** There is a £1.3m overspend, an increase of £0.2m from M5. The increase relates to continued pressures within Land and Property and the extension of a number resources required for the DB&I project. The overall projected overspend for the Directorate is due mainly to external fee pressures within Legal Services, pressures in Land and Property and the non-achievement of efficiencies within ORBIS.
- DSG High Needs Block (HNB):** The required contribution to the offset reserve has increased from £23.8m to £30.7m due to cost containment measures currently being insufficient to hold the contribution to £23.8m. The overspend has increased by £1.9m from M5 due to the confirmation of transfers required for the new academic year and reduced in-year mitigations. This has an increased impact on the profile for 22/23 as the increased costs will be felt for a full academic year. The impact on the 22/23 offset requirement is being assessed against current MTFs assumptions. Further details on the in-year position are set out below.

DSG update

- The table below shows the projected forecast year end outturn for the HNB at M6.

Table 2 - DSG HNB Summary

2021/22 DSG HNB Summary	
	£'m
DSG High Needs Block Grant (exc Academies)	157.3
Forecast outturn	188.0
Deficit/(surplus)	30.7
Budgeted overspend	(23.8)
Deficit/(surplus)	6.9
High Needs Block contingency budget	9.0
remaining contingency budget after deficit	2.1

The forecast has increased by £1.9m in Month 6 due to confirmed movers for the new academic year and revising down expected delivery of cost containment through pathway movers now the new term has started.

- The additional deficit forecast of £6.9m is the estimated impact of cost containment and additional risks for the full financial year. Work continues to try and mitigate this down to within budget.
- The forecast includes £28m of cost containment. Of this £3.6m remains at high risk of non-delivery.
- 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

likely risk is £1.9m at month 6 given the current forecast position. The service is working to further mitigate these risks. The total risk is therefore £5.5m (£3.6m + £1.9m)

Capital Budget

8. 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.
9. Table 3 below provides a summary of the forecast full-year outturn at M6. Against the budget of £202.0m, forecast capital spend is £192.7m; a net variance of £9.4m. We are working with services to bring suitable projects forward, prioritising those that generate revenue efficiencies.

Table 3 - Summary Capital Budget

Strategic Capital Groups	M6 Outturn Forecast £m	Budget £m	M6 Forecast Variance £m
Property			
Property Schemes	66.5	77.6	(11.1)
ASC Schemes	1.6	1.7	(0.1)
CFL Schemes	1.0	1.2	(0.2)
Property Total	69.1	80.5	(11.4)
Infrastructure			
Highways and Transport	92.1	91.7	0.4
Infrastructure and Major Projects	6.1	6.5	(0.5)
Environment	6.7	4.4	2.3
Community Protection	2.9	3.1	(0.1)
Infrastructure Total	107.8	105.7	2.0
IT			
IT Service Schemes	15.8	15.8	0.0
IT Total	15.8	15.8	0.0
Total	192.7	202.0	(9.4)

10. The **forecast variance of £9.4m** mainly consists of:
 - **Property: £11.1m reduced spend** 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.
 - **Highways: £0.4m increased spend** due to the addition of ULEV (Ultra Low emission Vehicles) for Community Transport approved in M6 at £1m, which is offset by underspends on other schemes.
 - **Infrastructure & Major Projects: £0.5m reduction on in-year spend** on the Housing Infrastructure Fund A320 scheme.
 - **Environment: £2.3m increased spend**, mainly related to the recently approved additional spend of £1.8m in Greener Homes.

Empty Homes Proposal

11. On the 24 November 2020 Cabinet approved the Empty Homes proposal, which is aimed at reducing the number of empty properties across the county. It allows District and Borough Councils who change their empty homes policies to qualify for reimbursement of SCC's share of the additional council tax raised. We have received an application relating to 2020 from Waverley with a total value of £589,970. In-line with the internal process "approval will be granted by SCC's S151 officer in consultation with the Executive Director and Cabinet Member responsible for the service that the proposal aligns with. In addition applications in excess of £500k will be taken to Cabinet for formal ratification before being approved".

This proposal consists of 2 elements

Economic development projects to the value of £45,000, which have been approved by Michael Coughlin and the Leader.

Climate change projects to the value of £544,970, which have been approved by Katie Stewart and Cllr Bramhall.

Total value £589,970

Additional Council Tax was raised through these measures and the redistribution has been assumed within the budget for council tax income.

The application has also been approved from a finance perspective by the Section 151 Officer and Cllr Rush.

Consultation:

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

Risk Management and Implications:

13. 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:

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

Section 151 Officer Commentary:

15. 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.

16. 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:

17. 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.
18. 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:

19. 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.
20. 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 30th September 2021.

Annex 2 – Q2 Balance Sheet Indicators

Forecast revenue budget as of 30th September 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	23.1	28.8	5.7	200.2	24.3	24.5	0.2
Family Resilience	C Curran	17.9	15.2	(2.7)	36.2	33.3	35.5	2.2
Corporate Parenting	C Curran	50.5	49.6	(0.9)	116.5	103.8	108.1	4.3
Quality and Performance	C Curran	4.5	4.6	0.1	11.1	9.0	9.2	0.2
Commissioning	C Curran	23.5	24.6	1.1	130.3	51.8	52.2	0.4
CFLC Exec Director	C Curran	(0.1)	0.2	0.3	(0.2)	(0.2)	0.3	0.5
Children, Families and Lifelong Learning		119.5	123.0	3.4	494.1	222.1	229.8	7.7
Public Health	S Mooney	14.0	(8.8)	(22.8)	33.4	33.4	33.4	0.0
Insight & Analytics	S Mooney	0.3	0.2	(0.0)	0.5	0.5	0.5	0.0
Public Health and PSR		14.3	(8.6)	(22.8)	34.0	34.0	34.0	0.0
Adult Social Care	S Mooney	189.7	197.2	7.5	518.2	380.7	384.4	3.7
Highways & Transport	M Furniss	29.1	24.7	(4.4)	71.3	58.3	58.0	(0.3)
Environment	M Heath	36.8	34.9	(1.8)	75.9	73.5	71.9	(1.6)
Infrastructure, Planning & Major Projects	M Furniss	1.5	1.9	0.4	5.2	2.8	2.8	(0.0)
Leadership Team	M Furniss	0.2	0.2	0.0	0.4	0.4	0.6	0.2
Environment, Transport & Infrastructure		67.6	61.8	(5.8)	152.8	135.0	133.2	(1.8)
Fire and Rescue	M Nuti	15.8	17.3	1.5	36.1	31.7	32.0	0.3
Trading Standards	M Nuti	0.9	1.1	0.2	3.9	2.0	2.1	0.0
Emergency Management	M Heath	0.2	0.3	0.0	0.5	0.5	0.5	(0.0)
Health & Safety	M Nuti	0.3	0.3	0.0	0.7	0.5	0.5	(0.0)
Armed Forces & Resilience	M Nuti	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Coroners	M Nuti	1.5	1.9	0.4	3.4	3.1	3.3	0.2
Community Protection		18.8	20.9	2.1	44.6	38.0	38.4	0.4
People & Change	T Oliver	3.3	3.1	(0.2)	6.7	6.6	6.7	0.2
Comms, Public Affairs & Engagement	T Oliver	0.9	0.9	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 Development	T Oliver	0.5	0.4	(0.1)	1.1	1.1	1.1	(0.0)
Prosperity, Partnerships & Growth		0.7	0.5	(0.1)	1.3	1.3	1.3	0.0
Community Partnerships	M Nuti	0.7	0.5	(0.1)	1.5	1.5	1.5	(0.1)
Customer Services	M Nuti	1.4	1.2	(0.2)	2.9	2.7	2.7	0.0
AD Culture & Active Surrey	M Nuti	0.2	0.1	(0.1)	1.9	0.4	0.4	0.0
Libraries Service	M Nuti	3.3	3.2	(0.1)	7.6	6.5	6.7	0.1
Surrey Arts	M Nuti	0.2	0.3	0.1	4.4	0.4	0.4	0.0
Heritage	M Nuti	0.4	0.5	0.0	1.3	0.9	0.9	0.0
Registrars	M Nuti	(0.5)	(0.6)	(0.0)	2.0	(1.1)	(1.1)	0.0
Customers and Communities		5.6	5.2	(0.4)	21.6	11.5	11.6	0.1
Land and Property	N Bramhall	11.2	12.2	1.0	34.5	24.5	24.9	0.4
Information Technology & Digital	B Rush	5.3	5.3	(0.0)	11.4	10.7	10.7	0.0
Business Operations	B Rush	(0.1)	(0.0)	0.0	(0.1)	(0.1)	(0.1)	0.1
Joint Orbis	B Rush	8.4	8.1	(0.4)	16.9	16.9	17.2	0.4
Finance	B Rush	2.9	1.6	(1.3)	11.7	5.9	5.9	0.0
Legal Services	B Rush	2.3	2.6	0.3	5.3	4.9	5.3	0.5
Democratic Services	B Rush	1.8	3.0	1.2	3.8	3.6	3.6	(0.0)
Executive Director Resources	B Rush	1.0	1.1	0.1	2.1	2.1	2.2	0.2
Twelve15	B Rush	(0.6)	(0.8)	(0.2)	19.6	(1.9)	(2.0)	(0.1)
Corporate Strategy and Policy	B Rush	1.3	1.3	(0.0)	2.3	1.8	1.8	(0.0)
Transformation and Strategic	B Rush	0.7	0.5	(0.2)	1.5	1.5	1.4	(0.0)
Performance Management	B Rush	0.1	0.2	0.1	0.2	0.2	0.2	0.0
PPE	B Rush	0.0	0.0	0.0	0.4	0.4	0.4	(0.0)
Resources		34.6	35.1	0.5	109.5	70.4	71.7	1.3
Corporate Expenditure	B Rush	18.3	15.0	(3.3)	114.2	87.1	87.1	0.0
Total before DSG High Needs Block Offset		473.2	454.1	(19.1)	1,498.7	988.2	999.8	11.6
DSG High Needs Block Offset		0.0	0.0	0.0	23.8	23.8	30.7	6.9
Total Budget Envelopes		473.2	454.1	(19.1)	1,522.6	1,012.0	1,030.5	18.5
Central funding		(513.9)	(520.0)	(6.2)		(1,012.0)	(1,012.0)	0.0
Total Net revenue expenditure including DSG HNB		(40.6)	(65.9)	(25.3)	1,522.6	(0.0)	18.5	18.5

Balance Sheet Indicators

Debt

1. During the three months to 30 September 2021, the Council raised invoices totalling £127m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total £31.0m of overdue debt at the end of September, an increase of £4.3m since the last quarter.
2. Unsecured social care overdue debt has increased by £1.1m over the quarter, of which, £370k is due from estates awaiting probate and a further £330k is awaiting the appointment of an external Deputy for Property and Affairs. Both the Probate Office and the Court of Protection continue to experience delays in processing applications.

The Financial Assessments & Income Collection Team in ASC responsible for the recovery of social care debt take a range of actions to recover unsecured debts, in addition to undertaking probate searches, the team agree instalment arrangements, pursue recovery action, including via the Council's legal services team if necessary and take action to secure the debt where possible.

3. General debt increased has increased by £3.2m since the last quarter, although this is largely due to newer debts becoming overdue which are expected to be paid.
4. Clinical commissioning group (CCG) debt has increased by £0.9m since the last quarter, although as with general debt the increase largely related to more recent debts and services are actively following up with CCGs to ensure the overdue debt is paid.

Table 1: Age profile of the Council's debt as at 30 September 2021

Account group	<1 month £m	1-12 months £m	1 to 2 years £m	over 2 years £m	Total debt £m	Overdue debt £m
Care debt - unsecured	4.4	8.4	3.5	3.9	20.2	15.8
Care debt - secured	-0.0	2.6	2.2	4.0	8.7	N/A*
Total care debt	4.4	11.0	5.7	7.9	28.9	15.8
Schools, colleges & nurseries	0.8	0.3	-0.0	0.1	1.1	0.3
Clinical commissioning groups	3.6	7.4	0.3	0.6	11.9	8.3
Other local authorities	0.7	0.1	0.1	0.0	0.9	0.2
General debt	3.5	5.4	0.5	0.5	9.9	6.3
Total non-care debt	8.6	13.2	0.8	1.2	23.7	15.1
Total debt	12.9	24.2	6.5	9.0	52.6	31.0
Q1 2012/22	14.3	20.2	6.4	8.3	49.2	26.6
Change	-1.4	4.0	0.1	0.7	3.4	4.3

* Secured care debt does not become due until either the property is sold or after 90 days following the death of the resident, whichever is earlier.

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

Treasury Management

5. 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 £432.3m and has not increased this year.

6. As at 30 September 2021, the weighted average interest rate of the Council's long term debt portfolio is 3.89%. The Treasury Strategy, approved by County Council in February 2021, 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 £34m decrease in the Council's short-term borrowing activity since 30 June 2021.

Table 2: Short-term borrowing as at 30 September 2021

	£m
Borrowing outstanding as at 30 June 2021	184
Loans raised	50
Loans repaid	(84)
Current Balance as at 30 September 2021	150

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

7. The weighted average interest rate of the Council's short term external debt is 0.09% at 30 September 2021.

Investments

8. The Council's average daily level of investments has been £58m during 2021/22, compared to an average of £57.1m during 2020/21. 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 in the 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 2021/22 due to the lower cash balances held and the need to maintain high liquidity.
9. **Table 3** shows the weighted average return on all investments the Council received in the quarter to 30 September 2021 is 0.02%. 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
22 quarter 2	0.10%	0.02%
22 quarter 1	0.10%	0.01%
21 quarter 4	0.10%	0.01%
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