

SURREY COUNTY COUNCIL

CABINET

DATE: 21 DECEMBER 2021



REPORT OF: 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 7 (OCTOBER) FINANCIAL REPORT

ORGANISATION STRATEGY: Growing A Sustainable Economy So Everyone Can Benefit/
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 31st October 2021 (M7) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M7, the Council is forecasting a full year £17m deficit** against the revenue budget. This represents a £1.5m improvement from M6. 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 M7 forecast shows a forecast spend of £191.7m against budget of £202m, a variance of £10.3m. We are actively working with Strategic Capital Groups to accelerate schemes from current and future years, prioritising those which cover their borrowing costs and deliver revenue efficiencies.
- Details are set out in paragraphs 11 to 13 and Table 3.

Recommendations:

It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions.
2. Approve the introduction of a new Highways Section 171 fee of £143 to recover the administrative cost involved in issuing licences for customers to undertake private works where access is required from the highway as outlined in paragraph 14.

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 M7, the Council is forecasting a full year £17m deficit against budget, including an additional £8.8m 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 31st October 2021

Directorate	2021/22 YTD M7 £m	Outturn Forecast at M7 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	226.4	383.9	380.7	3.2	(0.5)
Public Service Reform & Public Health	17.7	34.0	34.0	0.0	0.0
Children, Families and Lifelong Learning	134.4	229.2	222.0	7.1	(0.6)
Comms, Public Affairs & Engagement	1.0	1.7	1.7	0.0	(0.0)
Community Protection Group	24.2	38.6	38.0	0.6	0.2
Customer & Communities	6.5	11.3	11.5	(0.1)	(0.2)
Environment, Transport & Infrastructure	73.6	131.1	135.0	(4.0)	(2.2)
People & Change	3.6	6.7	6.6	0.2	(0.0)
Prosperity Partnerships & Growth	0.6	1.3	1.3	0.0	0.0
Resources	42.7	71.4	70.3	1.1	(0.2)
Central Income & Expenditure	15.4	87.1	87.1	0.0	0.0
Total before DSG High Needs Block Offset	546.1	996.3	988.2	8.2	(3.5)
DSG High Needs Block Offset	0.0	32.7	23.8	8.8	2.0
Total Budget Envelopes	546.1	1,029.0	1,012.0	17.0	(1.5)
Central Funding	(613.9)	(1,012.0)	(1,012.0)	0.0	0.0
Overall after central funding	(67.7)	17.0	0.0	17.0	(1.5)

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

3. The forecast deficit of £17m predominantly consists of:
 - **Adult Social Care:** The £3.2m forecast overspend is due to growth in care package commitments since the budget was set offset by a number of one-off or likely temporary measures this year. This is an improvement of £0.5m from M6, due largely to a one-off surplus against old year accruals and an increase of temporary staffing underspends, offset by an increase in care package spending. ASC care package commitments continued to increase in October, and would place increased pressure on next year's budget beyond what has been included in the Draft Budget if the position does not improve as planned in the remainder of the year.
 - **Children, Families and Lifelong Learning (CFL):** There is a £7.1m forecast overspend. This is an £0.6m improvement from M6 due to the application of grant funding to provide a one-off mitigation. There were also reductions in staffing forecasts across Area, CWD and No Wrong Door teams (£0.6m), but these were offset by an increase in CWD Care forecasts of £0.6m.

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 MTF5.

- **Environment, Transport & Infrastructure (ETI):** There is a £4.0m forecast underspend, a £2.2m improvement from M6. The improvement is mainly due to reduced waste tonnages and improved dry mixed recycling prices (£0.9m), and Highways (£1.2m) as the service are forecasting higher Government support for bus services than previously notified.
- **Community Protection Group:** There is a £0.6m forecast overspend, a £0.2m increase from M6. The pressure is primarily due to an unfunded national firefighters pay award and historic costs in the coroner's service in addition to increased Covid-19 related costs.
- **Resources:** There is a £1.1m forecast overspend, which is an improvement of £0.2m since M6. This is as a result of several small changes across the Directorate including improvements in income forecasts in Land & Property and additional funding for the Crisis Fund within Business Operations.
- **DSG High Needs Block (HNB):** The required contribution to the offset reserve has increased by £2m in M7 from £30.7m to £32.7m which represents an overspend of £8.8m on budget. This includes £0.6m of additional COVID funding, not included in the Month 5 budget reset.

Further details on the in-year position are set out below.

DSG update

4. The table below shows the projected forecast year end outturn for the HNB at M7. The forecast has increased by £2m.

Table 2 - DSG HNB Summary

2021/22 DSG HNB Summary	
	£'m
DSG High Needs Block Grant (exc Academies)	156.5
Forecast outturn	189.2
Deficit/(surplus)	32.7
Budgeted overspend	(23.8)
Deficit/(surplus)	8.8
High Needs Block contingency budget	9.0
remaining contingency budget after deficit	0.2

5. The forecast includes £28m of cost containment. Of this £19.7m has already been delivered or is on track to do so. £2.6m is on track for delivery with some further work needed to achieve and £6m is at risk based on current projections. Of that £6m, £5m has been included in the variance at Month 7.

6. In addition to the cost containment not delivered, there have been additional costs of £8.5m mostly for NMI provision. These costs and not achieved cost containment are offset by £4.7m of additional in-year mitigations which are being implemented to contain the forecast.
7. Work continues to try and mitigate this down to within budget. The pressures within 2021/22 have a compounding impact on the level of cost containment required in future years.

Covid-19 update

8. At M7, Directorates forecast a gross impact from Covid-19 of £100m. This is offset by £73.4m of specific grant funding, leaving a net £26.6m. Of this, Directorates expect to absorb £21m within budget envelopes.
9. A balance of £5.6m is therefore currently flagged as a risk against the £11m Covid-19 reserve and may require a further budget reset in 2021/22.
10. 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

11. **Forecast of £191.7m; £10.3m less than the budget of £202m (£0.8m decrease from M6).** The overall position at M7 mainly relates to slippage and reprofiling of £9.0m and an underspend of £1.4m
12. Table 3 below provides a summary of the forecast full-year outturn at M7. We are working with services to bring suitable projects forward, prioritising those that generate revenue efficiencies.

Table 3 - Summary Capital Budget

Strategic Capital Groups	Annual Budget £m	M7 Outturn Forecast £m	M7 Forecast Variance £m	Change from M6 to M7 £m
Property				
Property Schemes	77.6	66.7	(10.9)	0.2
ASC Schemes	1.7	1.5	(0.2)	(0.1)
CFLC Schemes	1.2	1.0	(0.2)	0.0
Property Total	80.5	69.2	(11.3)	0.1
Infrastructure				
Highways and Transport	91.7	92.7	0.9	0.6
Infrastructure and Major Projects	6.5	6.1	(0.4)	0.1
Environment	4.4	6.7	2.3	0.0
Community Protection	3.1	2.8	(0.2)	(0.1)
Infrastructure Total	105.7	108.2	2.5	0.6
IT				
IT Service Schemes	15.8	14.3	(1.5)	(1.5)
IT Total	15.8	14.3	(1.5)	(1.5)
Total	202.0	191.7	(10.3)	(0.8)

13. The **decrease of £0.8m from M6** mainly relates to:

- **Property - £0.2m increase:** £0.1m additional expenditure projected for Tadworth school and £0.1m new approval for Surrey Outdoor Learning & Development;
- **ASC - £0.1m decrease:** The revised forecast is reduced due to delayed In-House Improvement scheme and expected slippage in Major Adaptations;
- **Highways and Transport - £0.6m increase:** Related to accelerated spends of £0.8m in Bridge Strengthening & Earthworks and £0.3m Flooding and Drainage projects. These additional costs have been offset by £0.5m slippage in Highway Maintenance;
- **Infrastructure & Major Projects - £0.1 increase:** Mainly due to changes in timing of the projects;
- **Community Protection - £0.1m slippage:** Delays with procuring equipment for Safe and Well visits, interactive displays and equipment for prevention activities to support Fire Stations have resulted in a small reduction in expected costs; and
- **IT - £1.5m decrease:** There are £0.2m underspend for final costs for Agile Workforce Transformation and £1.3m slippage in DB&I project due to delay in the milestone date, leading to delayed payment dates. Overall the DBI programme is anticipating an overspend, caused by the delay to implementation, with the current year slippage and additional costs to be phased into 2022/23, pending Cabinet approval.

New Highways S171 fee

14. Customers (residents and private contractors) currently undertaking work that requires access to the highway need to apply to SCC for permission. At present this is administered under the Traffic Management Permit Scheme for which no charge has

been applied. However, after reviewing the current approach, a licence is required to be issued using Section 171 of the Highways Act. The administrative cost for which is £143. It is therefore proposed that a new Section 171 fee of £143 is introduced to recover the administrative cost.

Consultation:

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

Risk Management and Implications:

16. 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:

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

Section 151 Officer Commentary:

18. 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.
19. 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:

20. 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.
21. 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:

22. 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.
23. 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 31st October 2021.

Forecast revenue budget as of 31st October 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	27.2	26.6	(0.6)	199.5	24.2	24.5	0.2
Family Resilience	C Curran	20.6	17.2	(3.4)	36.3	33.4	35.7	2.3
Corporate Parenting	C Curran	59.0	57.3	(1.7)	116.4	103.7	108.0	4.3
Quality and Performance	C Curran	5.3	5.3	0.0	11.1	9.0	9.1	0.1
Commissioning	C Curran	27.8	27.8	0.0	130.3	51.9	52.2	0.3
CFLC Exec Director	C Curran	(0.1)	0.3	0.4	(0.2)	(0.2)	(0.3)	(0.1)
Children, Families and Lifelong Learning		139.7	134.4	(5.3)	493.4	222.0	229.2	7.1
Public Health	S Mooney	17.7	17.4	(0.3)	33.4	33.4	33.4	0.0
Insight & Analytics	S Mooney	0.3	0.3	(0.1)	0.6	0.6	0.6	0.0
Public Health and PSR		18.0	17.7	(0.4)	34.1	34.0	34.0	0.0
Adult Social Care	S Mooney	220.3	226.4	6.1	516.5	380.7	383.9	3.2
Highways & Transport	M Furniss	34.0	30.2	(3.8)	71.3	58.3	56.7	(1.6)
Environment	M Heath	42.9	40.9	(2.0)	75.9	73.5	70.9	(2.6)
Infrastructure, Planning & Major Projects	M Furniss	1.7	2.2	0.5	5.2	2.8	2.8	(0.1)
Leadership Team	M Furniss	0.2	0.3	0.1	0.4	0.4	0.6	0.2
Environment, Transport & Infrastructure		78.8	73.6	(5.2)	152.8	135.0	131.1	(4.0)
Fire and Rescue	M Nuti	18.5	20.2	1.7	36.1	31.7	32.1	0.4
Trading Standards	M Nuti	1.1	1.2	0.1	3.9	2.0	2.1	0.0
Emergency Management	M Heath	0.3	0.3	0.0	0.5	0.5	0.5	(0.0)
Health & Safety	M Nuti	0.3	0.2	(0.1)	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	1.8	2.3	0.5	3.4	3.1	3.4	0.3
Community Protection		22.0	24.2	2.2	44.6	38.0	38.6	0.6
People & Change	T Oliver	3.8	3.6	(0.2)	6.7	6.6	6.7	0.2
Comms, Public Affairs & Engagement	T Oliver	1.0	1.0	0.0	1.7	1.7	1.7	0.0
PPG Leadership	T Oliver	0.1	0.2	0.0	0.3	0.3	0.3	0.0
Economic Development	T Oliver	0.6	0.5	(0.2)	1.1	1.1	1.1	0.0
Prosperity, Partnerships and Growth		0.8	0.6	(0.1)	1.3	1.3	1.3	0.0
Community Partnerships	M Nuti	0.8	0.6	(0.2)	1.5	1.5	1.4	(0.1)
Customer Services	M Nuti	1.6	1.4	(0.2)	2.9	2.7	2.7	(0.1)
AD Culture & Active Surrey	M Nuti	3.9	0.1	(3.8)	1.9	0.4	0.3	(0.1)
Libraries Service	M Nuti	0.0	3.7	3.7	7.6	6.5	6.6	0.1
Surrey Arts	M Nuti	0.0	0.4	0.4	4.4	0.4	0.4	0.0
Heritage	M Nuti	0.0	0.5	0.5	1.3	0.9	0.9	0.0
Registrars	M Nuti	0.0	(0.3)	(0.3)	2.0	(1.1)	(1.1)	0.0
Customers and Communities		6.3	6.5	0.2	21.6	11.5	11.3	(0.1)
Land and Property	N Bramhall	13.3	14.6	1.2	34.4	24.4	24.8	0.3
Information Technology & Digital	B Rush	6.2	6.3	0.0	11.4	10.7	10.7	(0.0)
Business Operations	B Rush	(0.1)	(0.5)	(0.5)	(0.1)	(0.1)	(0.2)	(0.1)
Joint Orbis	B Rush	9.8	10.3	0.5	16.9	16.9	17.2	0.4
Finance	B Rush	3.4	2.7	(0.7)	11.7	5.9	5.9	(0.0)
Legal Services	B Rush	2.7	3.0	0.2	5.3	4.9	5.3	0.5
Democratic Services	B Rush	2.1	3.2	1.1	3.8	3.6	3.6	(0.0)
Executive Director Resources	B Rush	1.2	1.8	0.6	2.1	2.1	2.3	0.2
Twelve15	B Rush	(0.7)	(0.9)	(0.1)	19.6	(1.9)	(2.0)	(0.0)
Corporate Strategy and Policy	B Rush	1.6	1.5	(0.1)	2.3	1.8	1.8	(0.0)
Transformation and Strategic Commissioning	B Rush	0.9	0.7	(0.2)	1.5	1.5	1.4	(0.0)
Performance Management	B Rush	0.1	0.1	0.0	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		40.6	42.7	2.1	109.5	70.3	71.4	1.1
Corporate Expenditure	B Rush	21.1	15.4	(5.6)	114.2	87.1	87.1	0.0
Total before DSG High Needs Block Offset		552.3	546.1	(6.2)	1,496.4	988.2	996.3	8.2
DSG High Needs Block Offset		0.0	0.0	0.0	23.8	23.8	32.7	8.8
Total Budget Envelopes		552.3	546.1	(6.2)	1,520.2	1,012.0	1,029.0	17.0
Central funding		(612.3)	(613.9)	(1.6)		(1,012.0)	(1,012.0)	0.0
Total Net revenue expenditure including DSG HNB		(60.0)	(67.7)	(7.8)	1,520.2	(0.0)	17.0	17.0