

SURREY COUNTY COUNCIL

CABINET

DATE: 25 JANUARY 2022



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

LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES (\$151 OFFICER)

SUBJECT: 2021/22 MONTH 8 (NOVEMBER) FINANCIAL REPORT

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

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Purpose of the Report:

This report provides details of the County Council's 2021/22 financial position as at 30th November 2021 (M8) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M8, the Council is forecasting a full year £8m deficit** against the revenue budget. This represents a £9m improvement from M7, **due to the release of £8.8m contingency for the Dedicated Schools Grant (DSG) High Needs Block offset.**

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 make efforts to manage overspends within their budget envelopes.

Key Messages – Capital

- The M8 position shows a forecast spend of £184.9m against a budget of £202m, a variance of £17.1m.
- Details are set out in paragraphs 14 to 16 and Table 3.

Recommendations:

It is recommended that Cabinet:

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

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 M8, the Council is forecasting a full year £8m deficit against budget.**
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 November 2021

Directorate	2021/22	21/22 Outturn	Annual	Forecast	Change in
	YTD M8	Forecast at M8	Budget	Variance	forecast since last month
	£m	£m	£m	£m	£m
Adult Social Care	262.4	383.9	380.7	3.2	0.0
Public Service Reform & Public Health	20.0	34.1	34.1	0.0	0.0
Children, Families and Lifelong Learning	158.5	229.1	222.0	7.0	(0.1)
Comms, Public Affairs & Engagement	1.2	1.7	1.7	0.0	0.0
Community Protection Group	28.0	38.6	38.0	0.6	0.0
Customer & Communities	5.6	11.3	11.6	(0.2)	0.0
Environment, Transport & Infrastructure	84.4	131.0	135.0	(4.1)	(0.1)
People & Change	4.0	6.8	6.6	0.2	0.0
Prosperity Partnerships & Growth	0.8	1.3	1.3	0.0	0.0
Resources	47.5	71.4	70.3	1.1	0.0
Central Income & Expenditure	15.9	78.0	78.0	0.0	0.0
Total before DSG High Needs Block Offset	628.3	987.3	979.3	8.0	(0.2)
DSG High Needs Block Offset	0.0	32.7	32.7	0.0	(8.8)
Total Budget Envelopes	628.3	1,020.0	1,012.0	8.0	(9.0)
Central Funding	(702.9)	(1,012.0)	(1,012.0)	0.0	0.0
Overall after central funding	(74.6)	8.0	0.0	8.0	(9.0)

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

3. The **forecast deficit of £8m** predominantly consists of:
 - **Adult Social Care:** The forecast overspend remains at £3.2m 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. No change from M7.
 - **Children, Families and Lifelong Learning (CFL):** There is a £7.0m forecast overspend. This is an £0.1m improvement from M7, with no material changes in individual variances.

The CFL Directorate continues to work to mitigate the 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 £4.1m forecast underspend, a £0.1m improvement from M7, with no material changes in individual variances.
 - **Community Protection Group:** Forecast overspend remains at £0.6m, no change from M7. 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:** Forecast overspend remains at £1.1m, no change from M7. The pressure relates to anticipated overspends in a few of services, primarily within legal services relating to external legal fees for childrens' safeguarding cases, the non-achievement of efficiencies within Business Operations and a number of pressures within the Land & Property budgets.

- **DSG High Needs Block (HNB):** Forecast overspend remains at £32.7m. There has been no change in the underlying forecast since M7, however the contingency held for an increased contribution to the offsetting reserve has been released to meet the £8.8m forecast overspend. The variance has therefore reduced by £8.8m since M7.

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 M8. There is no change in the underlying forecast from M7.

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 release to cover 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 it and £6m is at risk based on current projections. Of that £6m, £5m has been included as not achievable in the variance at Month 8.
6. In addition to the cost containment not achieved, there have been additional costs of £8.5m mostly for Non-Maintained Independent (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.

Work continues to try and mitigate this to within budget.

Covid-19 update

7. For M8, the Directorates forecast a gross impact from Covid-19 of £100.9m (which is an £0.9m increase from M7). This is offset by £73.4m of specific grants, leaving a net impact of £27.5m. There were no new grants in M8 (the previous period saw the receipt of the Household Support Fund £5.3m & ASC Workforce Recruitment and Retention Fund £2.7m).
8. Directorates began the year with a budget allocation of £15.1m to cover Covid-19 costs, and a further £4.3m has been allocated in a budget reset at M6, providing £19.4m specifically to cover the Covid-19 impact on the budget. In total, Directorates can absorb £21.3m of the £27.5m impact, using the £19.4m of Covid-19 allocation and a further £1.9m from other budgets. A balance of £6.2m is therefore currently flagged as a risk against the £11m Covid-19 reserve (which is an increase of £0.6m from M7 relating to CFL and additional costs for alternative SEN, and movers into Surrey within SEND).

9. A further reset will be considered as the forecast develops over the remainder of the year as certainty on the impact and potential mitigations increases. Individual decisions to approve use of the reserve may be taken in specific/ urgent circumstances.

Digital Business & Insights (DBI) ERP Implementation “MySurrey”

10. The total increased revenue and capital cost of delivering the programme to a revised April 2022 go-live date for the implementation of the DBI project was set out in a report to the Cabinet in December 2021. The financial implications of the delay to go-live of the MySurrey system represents a total cost increase of £3.2m, comprising £1.25m in revenue costs and £1.91m in capital costs and will impact both the current and next financial years.
11. The additional revenue requirement of £1.25m was agreed to be funded from the corporate contingency budget for 2021/22. This budget is held to offset unexpected expenditure and mitigate inherent risks within the budget. The MySurrey implementation is a corporate programme bringing improvements across the Council. It is felt appropriate to utilise this corporate budget to cover these one-off corporate additional costs and enable the completion of the implementation of the new system.
12. It is anticipated that £450k of these additional costs will be incurred in the current financial year, with a further £800k during the early part of 2022/23. It is therefore proposed that the full £1.25m is funded from the corporate contingency budget for 2021/22, setting aside £800k to fund the costs anticipated next financial year. The £1.25m will reduce the contingency budget available to mitigate the projected overall Council overspend for 2021/22, however the level of contingency continues to exceed the forecast deficit and so a balanced outturn overall is anticipated.
13. The additional capital budget will be built into the capital programme. The resultant additional borrowing costs will be funded from within the Central Income and Expenditure budget initially, on the basis that once ongoing efficiencies are realised as a result of the new system, these costs are off-set before the recognition of efficiencies against other service budgets.

Capital Budget

14. **Forecast of £184.9m; £17.1m less than the budget of £202m, (£6.8m decrease from M7).** The overall position at M8 mainly relates to a net slippage and reprofiling of £15.1m and a net underspend of £2.0m.
15. Table 3 below provides a summary of the forecast full-year outturn at M8. It is proposed that the M9 forecast is used as a baseline to reset the Capital Programme for 2021/22 to provide a stable and deliverable budget for the remainder of the year.

Table 3 - Summary Capital Budget

Strategic Capital Groups	Annual Budget £m	M8 Outturn Forecast £m	M8 Forecast Variance £m	Change from M7 to M8 £m
Property				
Property Schemes	77.6	66.7	(10.9)	0.0
ASC Schemes	1.7	1.5	(0.2)	0.0
CFLC Schemes	1.2	0.9	(0.3)	(0.1)
Property Total	80.5	69.1	(11.4)	(0.1)
Infrastructure				
Highways and Transport	91.7	89.6	(2.1)	(3.0)
Infrastructure and Major Projects	6.5	5.3	(1.2)	(0.8)
Environment	4.4	6.7	2.3	0.0
Community Protection	3.1	2.3	(0.8)	(0.5)
Infrastructure Total	105.7	103.9	(1.8)	(4.3)
IT				
IT Service Schemes	15.8	11.9	(3.9)	(2.4)
IT Total	15.8	11.9	(3.9)	(2.4)
Total	202.0	184.9	(17.1)	(6.8)

16. The **change of £6.8m from M7 to M8** mainly relates to:

- **Highways and Transport – net £3m slippage**, of which £1.7m reflects a forecast slippage on Active Travel funded by grant, £0.4m slippage in Street Lighting LED Conversion, £0.6m on low emission buses and £0.3m slippage in Smallfield Safety Scheme - funded by CIL. All slippage is expected to be reprofiled into 2022/23. There is also £1.1m of accelerated spend offsetting the total Slippage, £0.8m in Bridge Strengthening & Earthworks and £0.3m in Flooding & Drainage.
- **Infrastructure & Major Projects - £0.8 slippage**, mainly due to £0.5m slippage in Electric Vehicle Charge Points, partly grant funded and to be re-profiled into 2022/23. There is also a £0.3m slippage in Farnham Schemes.
- **Community Protection - £0.5m slippage**, further delays in Vehicle & Equipment Replacement, to be re-profiled into 2022/23.
- **IT - £2.4m decrease** - relates to purchases for the Unicorn Network. This is due to the negotiation of a discount of £1.1m and slippage of £1.3m due to delays to anticipated receipt of the equipment until June 2022.

To establish a stable and deliverable baseline for assessment at full year outturn, the budget for the year will be reset based on M9 forecasts.

Consultation:

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

Risk Management and Implications:

18. 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:

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

Section 151 Officer Commentary:

20. 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.
21. 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:

22. 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.
23. 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:

24. 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.

25. 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

Annex:

Annex 1 – Forecast revenue budget as at 30th November 2021.

Forecast revenue budget as of 31st November 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 and Lifelong Learning	D Turner-Stewart	32.8	34.0	1.2	199.5	24.2	24.5	0.2
Family Resilience	C Curran	23.4	20.1	(3.3)	36.3	33.3	35.7	2.4
Corporate Parenting	C Curran	67.7	64.3	(3.4)	116.5	103.7	108.0	4.3
Quality and Performance	C Curran	6.0	5.6	(0.4)	11.1	9.0	9.1	0.1
Commissioning	C Curran	33.3	34.3	0.9	130.3	51.9	52.1	0.2
CFLC Exec Director	C Curran	(0.1)	0.3	0.4	(0.2)	(0.2)	(0.3)	(0.1)
Children, Families and Lifelong Learning		163.1	158.5	(4.6)	493.6	222.0	229.1	7.0
Public Health	S Mooney	19.9	19.7	(0.2)	33.4	33.4	33.4	0.0
Insight & Analytics	S Mooney	0.4	0.3	(0.1)	0.8	0.7	0.7	0.0
Public Health and PSR		20.4	20.0	(0.3)	34.2	34.1	34.1	0.0
Adult Social Care	S Mooney	254.8	262.4	7.6	516.6	380.7	383.9	3.2
Highways & Transport	M Furniss	38.9	34.2	(4.6)	71.3	58.3	56.5	(1.8)
Environment	M Heath	49.0	47.6	(1.4)	75.9	73.5	71.0	(2.5)
Infrastructure, Planning & Major Projects	M Heath	1.9	2.1	0.2	5.2	2.8	2.8	(0.0)
Leadership Team	M Heath	0.3	0.4	0.1	0.4	0.4	0.6	0.2
Environment, Transport & Infrastructure		90.1	84.4	(5.7)	152.8	135.0	131.0	(4.1)
Fire and Rescue	M Nuti	21.2	23.3	2.2	36.1	31.7	32.1	0.4
Trading Standards	M Nuti	1.4	1.4	(0.0)	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	0.1	0.1	0.0	0.1	0.1	0.1	0.0
Coroners	M Nuti	2.1	2.6	0.5	3.4	3.1	3.4	0.3
Community Protection		25.4	28.0	2.6	44.6	38.0	38.6	0.6
People & Change	T Oliver	4.4	4.0	(0.3)	6.7	6.6	6.8	0.2
Comms, Public Affairs & Engagement	T Oliver	1.1	1.2	0.0	1.7	1.7	1.7	0.0
PPG Leadership	T Oliver	0.2	0.2	0.0	0.3	0.3	0.3	0.0
Economic Development	T Oliver	0.7	0.6	(0.1)	1.1	1.1	1.1	0.0
Prosperity, Partnerships and Growth		0.9	0.8	(0.1)	1.3	1.3	1.3	0.0
Community Partnerships	M Nuti	0.9	0.7	(0.2)	1.5	1.5	1.4	(0.1)
Customer Services	M Nuti	1.8	1.7	(0.2)	2.9	2.7	2.7	(0.1)
AD Culture & Active Surrey	M Nuti	5.0	3.3	(1.7)	17.2	7.2	7.1	(0.1)
C&C Leadership	M Nuti	0.0	0.0	(0.0)	0.1	0.1	0.1	0.1
Customers and Communities		7.8	5.6	(2.1)	21.7	11.6	11.3	(0.2)
Land and Property	N Bramhall	15.6	16.8	1.2	34.4	24.4	24.8	0.3
Information Technology & Digital	B Rush	7.1	7.1	(0.0)	11.4	10.7	10.7	(0.0)
Business Operations	B Rush	(0.1)	(0.4)	(0.4)	(0.1)	(0.1)	(0.2)	(0.1)
Joint Orbis	B Rush	11.3	10.3	(0.9)	16.9	16.9	17.2	0.4
Finance	B Rush	4.0	3.7	(0.3)	11.7	5.9	5.9	(0.0)
Legal Services	B Rush	3.2	3.5	0.2	5.3	4.9	5.3	0.5
Democratic Services	B Rush	2.4	3.4	1.0	3.8	3.6	3.6	(0.0)
Executive Director Resources	B Rush	1.4	2.1	0.7	2.1	2.1	2.3	0.2
Twelve15	B Rush	(1.1)	(1.5)	(0.3)	19.6	(1.9)	(2.0)	(0.0)
Corporate Strategy and Policy	B Rush	1.6	1.5	(0.0)	2.4	1.9	1.9	(0.0)
Transformation and Strategic Commissioning	B Rush	1.0	0.8	(0.2)	1.4	1.4	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		46.4	47.5	1.1	109.5	70.3	71.4	1.1
Corporate Expenditure	B Rush	22.8	15.9	(6.9)	113.9	78.0	78.0	0.0
Total before DSG High Needs Block Offset		637.1	628.3	(8.8)	1,496.7	979.3	987.3	8.0
DSG High Needs Block Offset		0.0	0.0	0.0	32.7	32.7	32.7	0.0
Total Budget Envelopes		637.1	628.3	(8.8)	1,529.4	1,012.0	1,020.0	8.0
Central funding		(700.9)	(702.9)	(2.0)		(1,012.0)	(1,012.0)	0.0
Total Net revenue expenditure including DSG HNB		(63.8)	(74.6)	(10.8)	1,529.4	0.0	8.0	8.0