

## SURREY COUNTY COUNCIL

## CABINET

DATE: 26 APRIL 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 (S151 OFFICER)

SUBJECT: 2021/22 MONTH 11 (FEBRUARY) 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 28<sup>th</sup> February 2022 (M11) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

**Key Messages – Revenue**

- **At M11, the Council is forecasting a full year £0.6m forecast surplus** against the revenue budget, no change from M10.

The details are shown in Annex 1 and summarised in Table 1.

- Despite the forecast of a balanced outturn, it is still the expectation that Directorates continue to make efforts to manage spends within their budget envelopes, particularly where actions will impact on the deliverability of the 2022/23 budget.

**Key Messages – Capital**

- The M11 position shows a forecast spend of £162.3m against a budget of £170.6m, £8.2m less than the budget and a decrease of £6.8m from M10.
- Details are set out in paragraphs 12 to 14 and Table 3.

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

1. Note the Council's forecast revenue and capital budget positions.
2. Approves that £13m of funding from Surrey Heartlands Clinical Commissioning Group is transferred to reserves as set out in paragraphs 15 to 17.

## 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 M11, the Council is forecasting a full year £0.6m surplus 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 28<sup>th</sup> February 2022

Directorate	2021/22 YTD M11 - Actual £m	21/22 Outturn Forecast at M11 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	362.3	378.8	380.3	(1.5)	0.0
Public Service Reform & Public Health	28.9	34.1	34.1	0.0	0.0
Children, Families and Lifelong Learning	212.9	231.3	220.0	11.2	2.0
Comms, Public Affairs & Engagement	1.5	1.7	1.7	0.0	(0.0)
Community Protection Group	38.1	39.1	37.7	1.3	0.2
Customer & Communities	9.6	11.1	11.6	(0.5)	(0.2)
Environment, Transport & Infrastructure	116.5	129.3	135.0	(5.7)	(0.1)
People & Change	5.5	6.5	6.6	(0.1)	(0.1)
Prosperity Partnerships & Growth	1.1	1.3	1.3	(0.0)	(0.0)
Resources	62.3	70.6	70.8	(0.1)	(0.5)
Central Income & Expenditure	14.8	76.0	77.4	(1.3)	(1.3)
<b>Total before DSG High Needs Block Offset</b>	<b>853.6</b>	<b>979.9</b>	<b>976.5</b>	<b>3.4</b>	<b>0.0</b>
DSG High Needs Block Offset	0.0	35.0	32.8	2.2	(0.0)
<b>Total Budget Envelopes</b>	<b>853.6</b>	<b>1,014.9</b>	<b>1,009.4</b>	<b>5.6</b>	<b>0.0</b>
Central Funding	(933.9)	(1,015.6)	(1,009.4)	(6.2)	0.0
<b>Overall after central funding</b>	<b>(80.3)</b>	<b>(0.6)</b>	<b>0.0</b>	<b>(0.6)</b>	<b>0.0</b>

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

3. The **forecast Directorate underspend of £0.6m** predominantly consists of:
  - **Adult Social Care (ASC)** : The forecast is an underspend of £1.5m in 2021/22, no change from M10. The £1.5m underspend is due to care package expenditure pressures driven primarily by the pandemic mitigated by £9.4m of one-off or likely temporary in-year financial benefits.
  - **Children, Families and Lifelong Learning (CFL) Non DSG** – The £11.2m forecast overspend (£2m increase from M10) mainly consists of £2.7m forecast overspend within Area and Children with Disabilities (CWD) staffing budgets, £4.5m overspend on Special Educational Needs and Disabilities (SEND) home to school transport due to numbers of pupils and inflationary increases since September (SEND home to school transport is a non-DSG cost), £2.5m forecast overspend on external residential placements and £2.3m overspend in CWD care due to levels of demand. A CFL Finance Action Plan has been developed and a number of actions are either underway or being investigated to mitigate, as far as possible, the pressures within CFL outside of SEND. The focus is on staffing pressures and placement costs. Other mitigations being undertaken include the application of Troubled Families grant (£0.6m). A review of Transport is also underway.

Risks were previously quantified and captured within monthly monitoring to give as early warning as possible around variations. Both the DSG High Needs block overspend (below), and Transport variances declared in Month 10 were previously identified as risks.

- **Customer & Communities** - The £0.5m forecast underspend is due to additional libraries income, reduced spend on venue costs and equipment and prolonged staffing vacancies in Community Partnerships and Customer Services.
- **Community Protection Group (CPG)**: The £1.3m overspend (£0.2m increase from M10) is primarily due to an unfunded national firefighters pay award and other Fire service pressures £1m, and historic and special inquest costs in the Coroner's service £0.4m offset by £0.1 underspend in Trading Standards.
- **Environment, Transport & Infrastructure (ETI)**: There is a £5.7m forecast underspend in M11, an improvement of £0.1m from M10. The variance mainly relates to £4.5m due to improved recycling prices offset by increased waste volumes, £2.2m Highway's income and savings, offset by smaller pressures including bus service support and costs in the Environment service.
- **Resources - £0.1m underspend – £0.5m decrease from M10**, mainly due to a reduction in the overspend on the Orbis Joint Operating Budget relating to staffing, increased underspends across a number of areas in IT & Digital (IT&D) and an increased income projection for school meals within Twelve15.
- **Dedicated Schools Grant (DSG) High Needs Block (HNB)** – The £2.2m forecast overspend (no change from M10) is mainly due to revised estimates of cost containment and in-year mitigations but also includes an additional £0.5m of costs linked to changes in provision - mainly alternative provision with schools finding it difficult to settle children after absences, plus new placements likely to occur before year end.

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. The forecast has not changed from month 10. The forecast remains in excess of the budgeted contingency so there is a variance in the Directorate.

**Table 2 - DSG HNB Summary**

2021/22 DSG HNB Summary	
	£'m
DSG High Needs Block Grant (exc Academies)	156.5
Forecast outturn	191.5
Deficit/(surplus)	35.0
Budgeted overspend	(23.8)
Deficit/(surplus)	11.2
High Needs Block contingency budget	9.0
Overspend after release of contingency budget	2.2

5. As well as the forecast variance, **there remains a further risk of £0.9m** for this financial year. That consists of £0.7m of mitigations and cost containment which may not be delivered and £0.2m linked to potential additional growth.

The reason for the in-year overspend is as follows:

- **£5.7m** of cost containment is unlikely to be delivered, mainly the coming home project which has resulted in a reduction in social care rather than high needs costs. A team has been set up to develop plans for 2022/23 and this is reflected in the MTFS;
- **Partly offset by £3.3m** of in year mitigations identified to offset reduced cost containment;
- In year placement change and tribunal, which were contained to **£4.8m** compared to the estimated £7m to £9m;
- Full Year effect of 2021/22 placements after budget setting of **£4m**.

### **Covid-19 update**

6. For M11 the Directorates forecast a gross impact from Covid-19 of £106.8m (which is a £1.1m decrease from M10).
7. This is offset by £78.5m of specific grants (a £1.7m decrease from M10). The decrease from M10 is due to a £1m decrease in previously forecast expenditure for the Omicron Support Fund which SCC will instead utilise to support Surrey's Adult Social Care sector in Q1 2022/23 and a £0.7m decrease in forecast expenditure for the Practical Support Payment grant following updated information from District & Borough Councils.
8. This leaves a net of £28.3m to be addressed.
9. £23.6m has been funded through general Covid-19 emergency funding, including the £6.2m Covid-19 reset at M9.
10. The remaining £4.7m will be absorbed in the Directorate budget envelopes.
11. There is £4.9m available in reserve for future Covid-19 risks, if needed.

### **Capital Budget**

12. Forecast of £162.3m; £8.2m less than the reset budget of £170.6m. The net position at M11 mainly relates to slippage and reprofiling of £7.8m and an underspend of £0.7m. This represents a change of £6.8m from M10, explained below
13. Table 3 below provides a summary of the forecast full-year outturn at M11.

**Table 3 - Summary Capital Budget**

Strategic Capital Groups	Annual Budget £m	M11 Outturn Forecast £m	M11 Forecast Variance £m	Change from M10 to M11 £m
<b>Property</b>				
Property Schemes	54.9	50.0	(5.0)	(5.0)
ASC Schemes	1.5	1.5	(0.0)	0.0
CFLC Schemes	0.5	0.3	(0.2)	(0.2)
<b>Property Total</b>	<b>57.0</b>	<b>51.8</b>	<b>(5.2)</b>	<b>(5.2)</b>
<b>Infrastructure</b>				
Highways and Transport	86.9	85.6	(1.3)	(0.8)
Infrastructure and Major Projects	5.7	5.2	(0.5)	0.1
Environment	5.4	4.4	(1.0)	(0.6)
Community Protection	1.9	2.1	0.2	0.2
<b>Infrastructure Total</b>	<b>99.9</b>	<b>97.3</b>	<b>(2.6)</b>	<b>(1.1)</b>
<b>IT</b>				
IT Service Schemes	13.7	13.2	(0.5)	(0.5)
<b>IT Total</b>	<b>13.7</b>	<b>13.2</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Total</b>	<b>170.6</b>	<b>162.3</b>	<b>(8.2)</b>	<b>(6.8)</b>

14. The **change of £6.8m from M11 to M10** mainly relates to:

- **Property - £5m slippage** - mainly due to slippage in:
  - Schools Basic Need of £2.4m caused by delays in planning approvals leading to a delayed start.
  - £1.1m in Looked After Children schemes caused by delays in discharging planning conditions due to issues with responding to statutory deadlines. This is a key area that will be assessed in the Land and Property capital review.
  - £0.7m in SEND due to a combination of factors, including complex planning issues, site constraints, access, resources and construction difficulties and implementation of new consultant arrangements. This will also be picked in the review – see below.
  - £0.6m Temporary Mortuary Facility, caused by a change in strategy in January 2022 due to non-performance of the original solution not meeting the needs of service.
  - £0.4m each in the Cranleigh School Scheme (planning delays due to contractor, leading to a delayed start), and in Gypsy Roma and Traveller (GRT) sites (due to non-approval of the planning application for the Pendell site).
- Offsetting the above is:
  - Schools Recurring Maintenance £0.6m, due to the early completion on a number of projects.
  - Woodhatch Master planning £0.7m, due to two milestone payments and additional costs attributed to design works.

#### Review of Capital Monitoring and Forecasting

A review of capital monitoring processes and forecasting practices is underway to improve forecasts and understand recurring causes of delays to the progress of capital projects within Land & Property. This includes working more closely with planning and legal, recruitment of additional resource in Finance to support the

capital programme, an assessment of training needs and a review of existing tools and processes. For 2022/23 we have been discussing with the Strategic Capital Groups through the Capital Programme Panel the notion of over programming in an attempt to mitigate future slippage.

- **Highways and Transport - £0.8m slippage**, mainly in Bridge Strengthening & Earthworks £0.4m, Flooding & Drainage £0.1m, Traffic Signals £0.2m, Local Highway Schemes £0.2m. There is accelerated spend in Road Maintenance of £0.4m.
- **Environment - £0.6m slippage**, mainly Greener Homes of £0.6m – funded by grant.
- **IT Service Schemes - £0.5m underspend**, mainly in IT&D Infrastructure £0.2m and IT&D Hardware £0.2m and Agile Workforce Transformation £0.1m.

### **Additional funding from Surrey Heartlands Clinical Commissioning Group**

15. The Council is receiving £13m of funding from Surrey Heartlands CCG that had not been confirmed and was therefore not included in the M10 position.
16. £9m of this funding is a contribution towards the c.£12m of additional Adult Social Care care package expenditure that the Council has incurred in 2021/22 driven by the Covid-19 pandemic. Given the late confirmation of this funding, it is recommended the £9m is transferred to reserves so it can be drawn down in 2022/23 to be utilised as follows:
  - £6m to fund Discharge to Assess care package costs across the Surrey system in 2022/23.
  - £3m as a matched contribution by the NHS to the £3m Workforce Innovation Fund that the Council's Adult Social Care service has budgeted to set up in 2022/23. This fund will be deployed through collaboration with the Surrey Care Association and Surrey Heartlands CCG.
17. The remaining £4m from Surrey Heartlands CCG is part-match funding for the Council's £8m increased investment in Mental Health services for 2022/23. It is recommended that this £4m is also transferred to reserves so that it can be drawn down against agreed Mental Health spending plans. Further match funding opportunities will be explored in 2022/23.

### **Consultation:**

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

### **Risk Management and Implications:**

19. 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:**

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

### **Section 151 Officer Commentary:**

21. Although significant progress has been made to improve the Council's financial position, the medium term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding 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.
22. 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:**

23. 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.
24. 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:**

25. 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.
26. 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.

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**Consulted:**

Cabinet, Executive Directors, Heads of Service

**Annex:**

Annex 1 – Forecast revenue budget as at 28<sup>th</sup> February 2022



Forecast revenue budget as of 28<sup>th</sup> February 2022

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	42.2	34.6	(7.5)	199.7	21.9	21.8	(0.2)
Family Resilience	C Curran	30.8	28.2	(2.6)	36.2	33.3	35.7	2.4
Corporate Parenting	C Curran	93.4	92.9	(0.5)	116.6	103.7	108.0	4.4
Quality and Performance	C Curran	8.6	8.3	(0.3)	11.1	9.4	9.5	0.1
Commissioning	C Curran / D Turner-Stewart	46.2	49.1	2.9	132.5	51.9	56.5	4.6
CFLC Exec Director	C Curran	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.1)
<b>Children, Families and Lifelong Learning</b>		<b>221.0</b>	<b>212.9</b>	<b>(8.1)</b>	<b>496.0</b>	<b>220.0</b>	<b>231.3</b>	<b>11.2</b>
Public Health	S Mooney	28.3	28.3	(0.0)	33.4	33.4	33.4	0.0
Public Service Reform	S Mooney	0.6	0.6	0.0	0.8	0.7	0.7	0.0
<b>Public Health and PSR</b>		<b>28.9</b>	<b>28.9</b>	<b>(0.0)</b>	<b>34.2</b>	<b>34.1</b>	<b>34.1</b>	<b>0.0</b>
<b>Adult Social Care</b>	<b>S Mooney</b>	<b>348.9</b>	<b>362.3</b>	<b>13.4</b>	<b>518.3</b>	<b>380.3</b>	<b>378.8</b>	<b>(1.5)</b>
Highways & Transport	M Furniss	53.5	49.7	(3.7)	71.3	58.3	56.3	(2.0)
Environment	M Heath/ N Bramhall	67.4	63.5	(3.9)	75.9	73.5	69.5	(4.0)
Infrastructure, Planning & Major Projects	M Furniss	2.6	2.6	0.0	5.2	2.8	2.7	(0.2)
Leadership Team	M Furniss	0.3	0.7	0.4	0.4	0.4	0.8	0.4
<b>Environment, Transport &amp; Infrastructure</b>		<b>123.8</b>	<b>116.5</b>	<b>(7.3)</b>	<b>152.8</b>	<b>135.0</b>	<b>129.3</b>	<b>(5.7)</b>
Fire and Rescue	K Deanus	29.1	31.9	2.8	36.1	31.7	32.8	1.1
Trading Standards	K Deanus	1.9	1.8	(0.1)	3.9	2.0	1.9	(0.1)
Emergency Management	K Deanus	0.5	0.4	(0.1)	0.5	0.5	0.5	(0.0)
Health & Safety	K Deanus	0.3	0.2	(0.1)	0.7	0.3	0.3	(0.0)
Armed Forces & Resilience	K Deanus	0.1	0.1	0.0	0.1	0.1	0.1	0.0
Coroners	K Deanus	2.8	3.8	0.9	3.4	3.1	3.5	0.4
<b>Community Protection</b>		<b>34.6</b>	<b>38.1</b>	<b>3.5</b>	<b>44.6</b>	<b>37.7</b>	<b>39.1</b>	<b>1.3</b>
<b>People &amp; Change</b>	<b>T Oliver</b>	<b>6.0</b>	<b>5.5</b>	<b>(0.5)</b>	<b>6.7</b>	<b>6.6</b>	<b>6.5</b>	<b>(0.1)</b>
Communications, Public Affairs and Engagemen	T Oliver	1.6	1.5	(0.1)	1.7	1.7	1.7	0.0
PPG Leadership	T Oliver	0.2	0.3	0.0	0.3	0.3	0.3	0.0
Economic Growth	T Oliver	1.0	0.8	(0.1)	1.1	1.1	1.0	(0.0)
<b>Prosperity, Partnerships and Growth</b>		<b>1.2</b>	<b>1.1</b>	<b>(0.1)</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>(0.0)</b>
Community Partnerships	M Nuti	1.4	1.2	(0.2)	1.5	1.5	1.3	(0.2)
Customer Services	M Nuti	2.5	2.3	(0.2)	2.9	2.7	2.6	(0.2)
AD Culture & Active Surrey	M Nuti	6.6	5.9	(0.7)	17.2	7.2	7.1	(0.1)
Surrey Arts	M Nuti	0.1	0.1	0.0	0.1	0.1	0.1	(0.0)
<b>Customers and Communities</b>		<b>10.6</b>	<b>9.6</b>	<b>(1.1)</b>	<b>21.7</b>	<b>11.6</b>	<b>11.1</b>	<b>(0.5)</b>
Land and Property	N Bramhall	22.3	22.4	0.2	34.4	24.4	24.4	(0.0)
Information Technology & Digital	B Rush	9.8	9.3	(0.5)	11.4	10.7	10.4	(0.4)
Business Operations	B Rush	(0.1)	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)
Joint Orbis	B Rush	15.5	14.5	(0.9)	16.9	16.9	17.4	0.5
Finance	B Rush	5.4	4.0	(1.4)	11.7	5.9	5.8	(0.2)
Legal Services	B Rush	4.5	4.8	0.3	5.3	4.9	5.3	0.5
Democratic Services	B Rush	3.3	3.3	0.0	3.8	3.6	3.6	(0.0)
Executive Director Resources	B Rush	2.3	2.9	0.6	2.6	2.5	2.5	(0.0)
Twelve15	B Rush	(1.9)	(2.0)	(0.1)	19.6	(1.9)	(2.2)	(0.3)
Corporate Strategy and Policy	B Rush	1.9	1.8	(0.1)	2.4	1.9	1.8	(0.1)
Transformation and Strategic Commissioning	B Rush	1.3	1.0	(0.3)	1.4	1.4	1.2	(0.2)
Performance Management	B Rush	0.2	0.2	(0.0)	0.2	0.2	0.2	(0.0)
PPE	B Rush	0.3	0.3	(0.0)	0.4	0.4	0.4	0.0
<b>Resources</b>		<b>64.7</b>	<b>62.3</b>	<b>(2.4)</b>	<b>109.9</b>	<b>70.8</b>	<b>70.6</b>	<b>(0.1)</b>
<b>Corporate Expenditure</b>	<b>B Rush</b>	<b>46.8</b>	<b>14.8</b>	<b>(31.9)</b>	<b>113.5</b>	<b>77.4</b>	<b>76.0</b>	<b>(1.3)</b>
<b>Total before DSG High Needs Block Offset</b>		<b>888.2</b>	<b>853.6</b>	<b>(34.7)</b>	<b>1,500.8</b>	<b>976.5</b>	<b>979.9</b>	<b>3.4</b>
<b>DSG High Needs Block Offset</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>32.8</b>	<b>32.8</b>	<b>35.0</b>	<b>2.2</b>
<b>Total Budget Envelopes</b>		<b>888.2</b>	<b>853.6</b>	<b>(34.7)</b>	<b>1,533.6</b>	<b>1,009.4</b>	<b>1,014.9</b>	<b>5.6</b>
<b>Central funding</b>		<b>(913.6)</b>	<b>(933.9)</b>	<b>(20.2)</b>		<b>(1,009.4)</b>	<b>(1,015.6)</b>	<b>(6.2)</b>
<b>Total Net revenue expenditure including DSG HNB</b>		<b>(25.4)</b>	<b>(80.3)</b>	<b>(54.9)</b>	<b>1,533.6</b>	<b>(0.0)</b>	<b>(0.6)</b>	<b>(0.6)</b>

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