

**SURREY COUNTY COUNCIL****CABINET****DATE: 30 MAY 2023**

**REPORT OF CABINET MEMBER: DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES**

**LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE & EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)**

**SUBJECT: 2022/23 OUTTURN FINANCIAL REPORT**

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

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<b>Purpose of the Report:</b>
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This report sets out Surrey County Council's 2022/23 financial performance for revenue and capital, including the year end Treasury Management and debt outturn position. Further details on Directorate budgets can be found in Annex 1.

**Key Messages – Revenue**

- The Council has worked hard over recent years to improve its financial resilience and strengthen financial management. This has enabled us to achieve a positive outturn position in an extremely challenging financial environment. The financial challenges are set to continue, and the Council will need to demonstrate the same diligence and commitment to strong financial management in the years to come in order safeguard our financial resilience, protect our services and deliver on “No One Left Behind.”
- Despite the financial year featuring some of the most severe pressures faced for many years, the Council has achieved a £0.7m surplus outturn for the year. The council utilised the base budget risk contingency to offset service overspends for the first time since it was created in the 2018/19 budget. This reflects the significant demand pressures and high inflation environment experienced throughout the year.
- The Council achieved £27.5m (c59%) of the £46.8m target of efficiencies set out at the beginning of the financial year, including those delivered through transformation programmes. Through budget recovery plans, implemented from September 2022, mitigations and alternative efficiencies of £12.5m were achieved to offset the forecast overspend position. Further details on efficiencies achieved and reasons for non-achievement are set out in paragraph 29-31.
- The level of unachieved efficiencies in 2022/23 is high, reflecting the challenging financial context in which the Council operated during this financial year. A proportion of the unachieved efficiencies will be achieved in future years. Where it is the case that efficiencies remain unachievable, the impact will be factored into the 2023/24 budget monitoring position and actions taken to mitigate.
- The revenue outturn shows an improvement of £2.9m from M11, mainly relating to:

- **Children, Families and Lifelong Learning improved by £1.1m** due to:
  - £0.4m improvement linked to risk provisions for placement costs in Education and Lifelong Learning not being needed
  - £0.3m improvement in the adult learning income position
  - Other small reductions across a number of services amounting to £0.3m
- **Environment, Transport & Infrastructure improved by £0.6m** due to a number of smaller variances, including highway works delayed by adverse weather in March and additional income and recharges across the Directorate.
- **Central Funding improved by £3.7m.** The final positions of the 2021/22 business rate pool with Boroughs and Districts resulted in a business rate pool gain of £2.6m being recognised and an additional £1m of business rates related grant was received in March.

**Offset by increased spend of £2.8m, primarily due to:**

- **Adult Social Care deteriorated by £0.4m** due to a reduction in Better Care Fund income following reconciliation of the seven pooled budgets across Surrey's health & social care system, partially offset by an improvement in the care package budget position in the last month.
- **Central Income & Expenditure deteriorated by £2.0m**, relating mainly to a reduced return from investment properties of £1.9m due to recent disposals (Ramsey House & Pixham) and a £0.3m overspend against the feasibility fund supporting the capital programme, offset by £0.3m additional interest income due to both higher cash balances and higher interest rates than forecast.

**Key Messages – Capital**

- The Council set a capital budget for 2022/23 of £212.1m in February 2022. The budget was reset at month 9 to £210m, taking into account carry forwards, acceleration, known delays and in-year approvals. Following a year-end adjustment relating to delegated schools capital budgets, the final budget for the year across was £211.1m. Capital spend managed by the Strategic Capital Groups was £199.4m, which is a variance to budget of £11.7m (5.5%). In addition, a further £2.9m of spend was incurred relating to Your Fund Surrey.
- The variance of £11.7m was made up of £11.2m net slippage and a net underspend of £0.5m. This represents additional slippage of £1.7m from the M11 forecasts. Details are set out in Table 5.

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

1. Note the Council's revenue and capital positions for the year.
2. Approve the contribution of the £0.7m residual surplus to the General Fund Balance, maintaining the balance at c4.5% of the net revenue budget.
3. Approve a reserve contribution of £10.5m to the Budget Equalisation Reserve in relation to additional Business Rate Grant received late in the financial year. This is based on anticipated deficits in Borough and Districts collection funds relating to Government reliefs granted for retail and hospitality sectors during the pandemic (paragraph 28).
4. Approve capital carry forwards of £11.2m, consisting of £18.3m of slippage offset by £7.1m of accelerated spend. Of the slippage, £14.2m is requested to be carried forward into the 23/24 capital programme, with the remaining £4.1m in 2024/25 (paragraph 46 - 47)

## 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.

### Executive Summary:

#### Revenue Budget

1. The Council has worked hard over recent years to improve its financial resilience. Ensuring a stronger financial base from which to deliver services and putting in place robust financial management arrangements has enabled us to achieve a positive outturn position for 2022/23 despite significant challenges related to increased cost of living, global financial uncertainty, high inflation, interest rate rises, government policy changes and continued increasing demand for our key services.
2. The challenging financial environment is set to continue, and the Council will need to demonstrate the same diligence and commitment to strong financial management in the years.
3. **Table 1** below shows the revenue financial position for the year by Service. Annex 1 (attached) provides a more detailed service outturn.

**Table 1 - Summary revenue financial position as at 31 March 2023**

Directorate	2022/23 Budget £m	2022/23 Actual £m	2022/23 Outturn Variance £m	Change in forecast since last month £m
Adult Social Care	404.2	406.6	2.4	0.4
Public Service Reform & Public Health	36.4	36.4	(0.0)	(0.0)
Children, Families and Lifelong Learning	228.6	246.4	17.8	(1.1)
Comms, Public Affairs & Engagement	2.2	1.9	(0.3)	(0.1)
Surrey Fire and Rescue	34.3	37.0	2.7	0.2
Customer & Communities	18.3	18.2	(0.0)	(0.1)
Environment, Transport & Infrastructure	139.3	138.9	(0.3)	(0.6)
Prosperity Partnerships & Growth	1.6	1.5	(0.1)	0.2
Resources	104.2	104.2	(0.0)	0.0
Central Income & Expenditure	28.4	27.9	(0.5)	2.0
<b>Total before DSG High Needs Block Offset</b>	<b>997.2</b>	<b>1,018.9</b>	<b>21.7</b>	<b>0.9</b>
DSG High Needs Block Offset	27.2	25.6	(1.6)	0.0
<b>After DSG High Needs Block offset</b>	<b>1,024.4</b>	<b>1,044.5</b>	<b>20.1</b>	<b>0.9</b>
Contingency	17.0	0.0	(17.0)	0.0
<b>Total Budget Envelopes</b>	<b>1,041.4</b>	<b>1,044.5</b>	<b>3.1</b>	<b>0.9</b>
Central Funding	(1,041.4)	(1,045.1)	(3.7)	(3.7)
<b>Overall after central funding</b>	<b>(0.0)</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>(2.8)</b>

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

4. A budget of £1,042m was approved by Council on 8<sup>th</sup> February 2022. The Budget was later adjusted to £1,041.4m, due to final movements in Dedicated School Grant funding allocations within the Childrens, Families & Lifelong Learning Directorate and final Public Health Grant allocations for the year.
5. During the year the impact of high inflation was monitored closely and in November 2022, the residual budget risk contingency was released to support the prolonged period of high inflation experienced this financial year and the associated forecast directorate overspends.

6. The final outturn shows a surplus of £0.7m, which includes the full use of the £20m contingency, as set out below.
7. The Directorate outturn variances can be summarised as follows:

#### **Adult Social Care (ASC) Directorate**

8. The final outturn position was an overspend of £2.4m. Significant budget variances included:
- Care package pressures totalling £13.6m across all client groups due to non-achievement of efficiencies relating to market pressures and capacity challenges, increased costs of care due to higher acuity of care needs, growing post pandemic demand and rising assessed fees & charges debt. The biggest overspend related to the Older People care package budget (£8.5m).

Mitigated by:

- £3.2m draw down from reserves earmarked for ASC in previous years.
  - £2.1m of one-off in-year benefits relating to the settlement of prior year accruals.
  - An underspend of £1.9m on ASC's staffing budget including reduced Better Care Fund income where posts funded by Surrey's Better Care Fund were vacant.
  - £1.8m of ASC Discharge Fund grant monies announced in year by government that were used to contribute towards the cost of pathway 3 discharges into long term residential or nursing care placements funded by ASC in line with the plan agreed with health partners.
  - £1.5m of Contain Management Outbreak Fund monies utilised as a contribution towards the cost of additional care package expenditure caused by the ongoing impacts of the Covid-19 pandemic.
  - £0.7m of other benefits including higher than budgeted income for the Improved Better Care Fund grant and a small underspend against some of ASC's wider service contracts and grants.
9. 2022/23 was the first year since 2017/18 in which the ASC service overspent against its approved budget. Although it was not possible to achieve a fully balanced budget, the action taken by the ASC Senior Leadership Team (SLT) to slow down the rate of increased care package spending and identify other mitigations wherever possible as part of budget recovery plans agreed in November 2022 meant that the scale of overspend was a lot lower than would otherwise be the case. Nonetheless it is important to recognise that ASC's final 2022/23 outturn position relied on £10.5m of one-off or likely temporary benefits which are not expected to be repeated to the same extent in 2023/24. As such, continued action by ASC SLT will be necessary to manage the ongoing financial challenges to contain spending within ASC's approved 2023/24 budget.

#### **Public Service Reform and Public Health (PSR&PH) Directorate**

10. The Public Service Reform and Public Health directorate delivered a balanced revenue outturn position.
11. In addition to the £36.4m spent on base budget services, the PSR&PH directorate managed four other programmes in 2022/23:
- i. Contain Outbreak Management Fund (COMF): SCC received £33.7m of funding across 2020/21 and 2021/22 to support Covid-19 prevention and recovery initiatives. £23.1m was spent across 2020/21 and 2021/22 with further expenditure of £5.9m 2022/23 leaving £4.7m of funding remaining against commitments in 2023/24.

- ii. Mental Health Investment Fund (MHIF): the MHIF was created as part of the 2022/23 budget, to enable the delivery of the outcomes in Priority Two of the Health and Wellbeing Strategy focused on prevention, removing barriers, and supporting people to become proactive in improving their emotional health and wellbeing. The Council invested £6.5m and secured match funding of £4m from Surrey Heartlands Integrated Care Board. As approved by the Surrey Wider Commissioning Committees in Common in September 2022, just under £1m was paid to Community Foundation Surrey attracting £1m match funding from the charity to create a Mental Health Scale Up Fund. The Council is managing deployment of the remaining £9.5m of MHIF monies with bids invited against a set of criteria in line with the ambitions of the fund. The first round of bidding was completed in late 2022/23 and payments will be made in May 2023. Further evaluation of bids and deployment of funds will continue in 2023/24.
- iii. Changing Futures Programme: this programme is targeted at improving outcomes for adults experiencing multiple disadvantage. The Council was successful in bidding for £2.8m of funding covering the period up to 2023/24, of which £1.9m has been received to date. £0.9m was spent against approved projects in 2022/23. Discussions are ongoing with health partners regarding sustainable funding for these initiatives in the longer term.
- iv. Supplementary Substance Misuse Treatment & Recovery Grant: A ringfenced grant to support additional interventions related to substance misuse treatment and recovery. £0.6m was spent in 2022/23 and a further funding tranche is expected in 2023/24.

#### **Children, Families and Lifelong Learning (CFLL) Directorate**

12. CFLL outturn is an overspend of £17.8m with significant variances in a number of key areas. In-year scrutiny of costs and a temporary recruitment freeze have brought the overall forecast down from a peak of £25m.
13. The largest overspend was within home to school travel assistance of £12m. This was a result of rapid increases in demand following the COVID pandemic and the re-opening of schools which came to light after the 22/23 budget setting process. This was further compounded by high fuel costs and driver shortages within the provider market. Significant work to address the issues in this area has brought the overspend down from a peak projection of £15m.
14. Children Looked After (CLA) numbers have remained fairly stable during the year, however significant increases in average costs, particularly in residential and supported accommodation have created the overspend of £6.2m within the placements budget.
15. Children with Disabilities (CWD) care budgets have also been impacted by rising inflation and demand causing an overspend of £3.4m.
16. A staffing overspend of £1.8m due to the level of agency workers has occurred, even with the current levels of vacancies.
17. These overspends were offset by the application of £4.6m of COVID-19 grant to fund relevant costs which are set out in more detail below.
18. Other significant offsetting contributions came from the claw-back of unspent funding from family centres £0.7m resulting from delays during the implementation of the new contract and subsequent lower spend.

## **DSG High Needs Block Safety valve**

19. In March 2022 the Council entered into a Safety Valve agreement with the Department for Education (DfE) which saw the Council set to receive an additional £100m in funding should it meet a planned trajectory over the next 5 to 6 years. This meant that the level of the offsetting reserve changed, as the contributions required were those needed to match the commitment within the agreement, rather than being a like for like match to offset the accumulated deficit.
20. The Council has now successfully completed the first year of the agreement and the progress and delivery achieved has been recognised by the DfE, resulting in £12m of funding being brought forward into 2023/24. This means that at the end of 2022/23 the Council has received £64m of the £100m funding.
21. The safety valve agreement was set with a projected in-year deficit for 2022/23 of £33m. Due to the delivery of £1m of 'stretch efficiencies' and funding adjustments in-year, the actual outturn was an overspend of £31.1m so an improvement of £1.9m, providing some more headroom in future years of the agreement.
22. The High Needs offsetting reserve budget was set at £27.2m, before the Safety Valve agreement was signed. As per the Safety Valve agreement, to reach the Council's agreed contribution when taking into account the existing reserve balance, an in-year contribution of £25.6m was required. The reduction of £1.6m was able to be passed through as a mitigation within the General Fund to other in-year overspends.

## **Surrey Fire & Rescue Service**

23. The Surrey Fire & Rescue Service reported an overspend of £2.7m at the end of the year. Pressures included increased "logistics" costs (including fuel, vehicle repairs, communications, etc) of £1m, additional recruitment and training costs following transfers to the London Fire Brigade £0.7m, costs of annual leave on overtime following a national court ruling £0.4m, costs associated with ill health retirements £0.4m and other smaller items.

## **Environment, Transport, and Infrastructure (ETI) Directorate**

24. ETI reported an underspend of £0.3m at the end of the year, as a number of pressures and efficiencies were managed within the overall budget envelope. Key issues included waste management contract inflationary increases which were offset by improved prices for dry mixed recyclables (£2m). Highways & Transport pressures including higher energy costs for street lights (£0.6m) and a reduced on-street parking surplus (£0.6m) were offset by reduced costs of concessionary fares (£1.3m) due to lower passenger numbers, and reduced highway maintenance costs including winter gritting (£0.6m).

## **Customer and Communities (C&C) Directorate**

25. C&C reported a full year balanced position after £0.1m of budget recovery plans and £0.7m of Covid funding, this is no overall change since than last month. Overall, pressures in the Coroner's service mainly due to pathologist and transportation costs (£0.5m) were offset by additional income (£0.4m) and reduced staffing costs (£0.2m) in other services.

## **Resources Directorate**

26. The Directorate reported a full year balanced position, after £1.2m of budget recovery plans, which is no change from last month. Overall, there was £1.8m of overspends mainly due to inflationary pressures on utilities, building supplies and food (£0.4m), delays to efficiencies related to the implementation of MySurrey and office moves (£0.7m) plus higher than budgeted Children's safeguarding cases in Legal (£0.8m). This was offset by underspends as a result of budget recovery plans to use one-off reserves and hold vacancies without impacting front line delivery (£1.2m), reduced spend on non-staffing costs in the Orbis joint operating budget (£0.3m) and there was also additional income in some services (£0.2m).

## **Central Income & Expenditure**

27. The final Central Income and Expenditure budget position was a £0.5m underspend. This was made up of a number of offsetting pressures and efficiencies, most notably lower than forecast returns from the council's investment property portfolio of £1.9m due to agreed recent disposals, £0.3m overspend on the feasibility fund, supporting the capital programme, offset by lower than budgeted spend on redundancies, improved evaluation of the Minimum Revenue Provision required, based on the 2021/22 capital outturn and funding position and improved interest income due to higher than budgeted cash balances and interest rates.
28. The £20.0m contingency budget has been fully utilised. £3.0m was allocated towards the additional costs associated with the pay award and associated real living wage payments and £17m to offset Directorate demand and inflationary pressures.

## **Central Funding**

29. Central Funding ended the year with £3.7m over recovery reflecting the final positions of the 2021/22 business rate pool with Boroughs and Districts of £2.6m and an additional £1m of business rates related grant was received in March.
30. Additional Business Rate Grant of £10.5m was received late in 2022/23. The funding from Government was based on the anticipated deficits in Borough and Districts collection funds relating to reliefs granted for retail and hospitality sectors during the pandemic. Full details of how this translates to final collection fund positions will be evident in late summer 2023. It is therefore prudent to transfer this grant to the Budget Equalisation Reserve whilst clarifying the future impact on Business Rates collection funds and Business Rates funding.

## 2022/23 Efficiency Programme Outturn

31. The 2022/23 budget included an efficiency target of £46.8m. At outturn, £27.5m (59%) has been achieved with the remaining £19.3m (41%) unachieved. Efficiencies by Directorate are shown in **Table 4** below.

**Table 4 – Final Efficiency outcome**

Directorate	Full Year Target	Achieved	Un-achieved
	£m	£m	£m
Adult Social Care	19.4	13.8	5.7
Children, Families, Lifelong Learning	13.8	3.5	10.3
Community Protection Group	0.1	0.1	0.0
Customer & Communities	0.9	0.9	0.0
Environment, Transportation & Infrastructure	6.5	6.0	0.5
Public Health	0.4	0.4	0.0
Resources	3.8	2.8	1.1
Central Income and Expenditure	1.7	0.0	1.7
<b>Total</b>	<b>46.8</b>	<b>27.5</b>	<b>19.3</b>
		59%	41%

32. The £19.3m non-delivery is comprised of the following:

- a. **ASC underachievement £5.7m:** £2.9m market management (market pressures), £2.5m strength-based reviews (workforce capacity and increased needs), £2.1m learning disabilities (external factors and capacity), £1.5m due to delays in a new policy for how to support people with more complex needs at home. This is partially offset by increased efficiencies for Older People in-house homes (£1.5m), Continuing Health Care (£1.4m) and Section 117 Aftercare funding (£0.3m). The £5.7m unachievable is part of ASC's forecast outturn. This shortfall has been partially mitigated by additional income, staffing underspend and ASC's recovery plan.
- b. **CFL underachievement £10.3m:** in Home to School travel assistance relating to containing cost inflation (£1.4m), new practice models for CLA not yet reducing numbers by the level required (£2.2m) and other approaches to reducing CLA placement costs (£2m), lobbying for additional UASC grant has not been successful (£1.1m), reductions in agency staffing costs (£1.4m) and other staffing proposals (£2m) have not been achieved.
- c. **Resources underachievement £1.1m:** mainly linked to delays in implementing DBI and Agile Office programmes.
- d. **CIE underachievement £1.7m:** unallocated accelerated twin track efficiencies, relating to additional income and transport efficiencies.
- e. **ETI underachievement £0.5m:** primarily delays to enforcement activity (parking, bus lanes and moving traffic offences) which will be delivered through a new contract in 2023/24.

33. The level of unachieved efficiencies in 2022/23 is high, reflecting the challenging financial context in which the Council operated during this financial year. A proportion of the unachieved efficiencies will be achieved in future years. Where it is the case that the efficiency remains unachievable, the impact on 2023/24 and beyond is being assessed in order to put appropriate mitigations in place.



## Transformation Programme

34. Of the £27.5m total efficiencies achieved in 2022/23, £10.2m was delivered through the Transformation Programme (62% of the £16.3m transformation efficiency target).
35. In order to achieve these permanent efficiencies and commitment to deliver further efficiencies and service improvements in future years, £20.0m of revenue funding was invested, made up of a base budget of £10m and a further £10m draw-down from prior year unspent allocations.

## Building Resilience for 2023/24 and the Future

36. The Council has worked hard over recent years to improve its financial resilience and financial management capabilities, building a stronger financial base from which to deliver services. We have reduced our financial risk, delivered service improvement, delivered ambitious investment in capital and transformation programmes and built back depleted reserves. This is reflected in the positive outturn position for 2022/23 presented in this report.
37. The 2022/23 financial year was challenging: increased cost of living, global financial uncertainty, high inflation and interest rate rises, alongside government policy changes and continued increasing demand for our key services, all contributed to a significant overspend being forecast for the majority of the year and a need to utilise the council's risk contingency budget.
38. Despite the positive outturn position, we will continue to face challenges to our financial position in the coming years. It is paramount that we continue to ensure that the Council is in a resilient financial position, so that there is no risk of us failing to deliver the crucial services for which we have responsibility in both the short and medium term. Our focus will continue to be on protecting service delivery to deliver on "No One Left Behind", a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies required to achieve a balanced budget position each year.
39. It proposed that the £0.7m surplus is transferred to the General Fund balance, increasing it to £49.1m maintaining the levels at c 4.5% of the net revenue budget.

## Covid-19

40. The Covid 19 pandemic continued to have an impact in 2022/23 and the majority of the remaining COVID-19 funding (£5.3m) provided by Government was drawn-down during the year to offset ongoing pressures relating to the pandemic, these can be summarised as follows:
  - **Children, Families & Lifelong Learning** – increase in costs within Children with Disabilities budgets (staffing and care costs) due to sustained increases in demand for these services post pandemic. There has also been a significant increase in the number of parent and child assessments compared to pre-pandemic levels. Other services saw a range of continued staffing pressures or reduced income from fees and charges (Adult Learning).
  - **Customers & Communities** – sustained loss of income in Cultural Services (libraries, heritage and Surrey Arts).
41. There remains £0.5m available in reserves for future Covid-19 risks, which is all anticipated to be used to fund additional staffing costs within Children with Disabilities in 2023/24 which have been in place since the pandemic to support the level of demand.

## 2022/23 Schools Outturn

42. Surrey's final DSG allocation for 2022/23 was estimated at £539.7m net (£1,031m gross including academies recoupment and academy and college SEND places). In total (excluding the additional safety valve payment) the DSG blocks overspent by £27.8m, which is summarised in Table 2 below:

**Table 2 - Dedicated Schools Grant variances 2022/23**

<b>Block</b>	<b>Over/(under) £m</b>
Schools	(1.0)
Centrally managed schools block	(0.8)
High needs	31.3
Early years	(1.7)
	<b>27.8</b>
Planned use of previous years DSG*	(1.0)
Safety valve payment 22/23	(23.5)
In-year movement	<b>3.3</b>

\* One off exceptional payment to Surrey Special Schools and Pupil Referral Units (PRU) for 22/23

## Schools Balances

43. Surplus balances held by individual Surrey maintained schools have decreased overall by £0.3m. Table 3 sets out the variances:

**Table 3 – Schools Balances**

Total net surpluses (excluding schools converting to academies before 31 Mar 2023)

	<b>31 March 22 £m</b>	<b>31 March 23 £m</b>	<b>(Increase)/ Decrease £m</b>
Nursery	0.9	0.9	0
Primary	26.4	25.5	0.9
Secondary	11.3	11.4	(0.1)
Special	4.7	5.2	(0.5)
PRU	0.7	0.7	(0.0)
<b>Total</b>	<b>44.0</b>	<b>43.7</b>	<b>0.3</b>

## Capital Budget

44. The Council set a capital budget for 2022/23 of £212.1m in February 2022. The budget was reset at month 9 to £210m, taking into account carry forwards, acceleration, known delays and in-year approvals. Following a year-end adjustment relating to delegated schools' capital budgets, the final budget for the year across was £211.1m.

45. Against the £211.1m budget, the capital spend on schemes managed by the Strategic Capital Groups was £199.4m, which is a variance of £11.7m (5.5%). In addition, a further £2.9m of capital spend was incurred relating to Your Fund Surrey.

46. The variance of £11.7m represents additional slippage of £1.7m from the M11 forecasts, due mainly to:

- Highways and Transport schemes – decrease of £3.5m, mainly related to road and bridge maintenance schemes which were delayed due to wet weather in March.
- Surrey Fire and Rescue – decrease of £0.3m due to changes in the timing of deliveries of vehicles and equipment.

Offset by;

- Property schemes – increase of £1.4m – mainly related to acceleration in corporate and schools maintenance programmes.
- Environment schemes – increase of £0.5m due to changes across a number of schemes, including grant funded Natural Capital works agreed following the budget reset.

47. **Table 5** below provides a summary of the outturn for the 2022/23 Capital budget:

**Table 5 - Summary capital spend for 2022/23**

Strategic Capital Groups	Budget £m	Final Outturn £m	Outturn variance £m	Overspend / (underspend) £m	Acceleration or (slippage) £m	Change from M11 to outturn £m
<b>Property</b>						
Property	75.8	76.3	0.5	0.0	0.5	1.4
ASC Schemes	1.6	1.7	0.1	0.1	0.0	0.2
CFLC Schemes	3.4	2.7	(0.7)	0.3	(0.9)	0.1
<b>Property Total</b>	<b>80.8</b>	<b>80.7</b>	<b>(0.2)</b>	<b>0.3</b>	<b>(0.5)</b>	<b>1.7</b>
<b>Infrastructure</b>						
Highways and Transport	85.7	78.3	(7.3)	(0.6)	(6.7)	(3.5)
Infrastructure and Major Projects	12.3	12.4	0.2	0.3	(0.2)	(0.2)
Environment	14.3	10.0	(4.3)	(0.4)	(3.8)	0.5
Surrey Fire and Rescue	2.5	2.5	(0.0)	(0.1)	0.1	(0.3)
<b>Infrastructure Total</b>	<b>114.8</b>	<b>103.2</b>	<b>(11.5)</b>	<b>(0.8)</b>	<b>(10.7)</b>	<b>(3.4)</b>
<b>IT</b>						
IT Service	15.5	15.5	(0.0)	(0.0)	0.0	0.1
<b>IT Total</b>	<b>15.5</b>	<b>15.5</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.1</b>
<b>Total Strategic Capital Groups</b>	<b>211.1</b>	<b>199.4</b>	<b>(11.7)</b>	<b>(0.5)</b>	<b>(11.2)</b>	<b>(1.6)</b>
<b>Your Fund Surrey</b>		2.9				
<b>Commercial Spend</b>		0.0				
<b>Final Outturn</b>		<b>202.3</b>				

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

### Carry forward

48. For 2022/23, £18.3m of carry forward requests are proposed by Capital Programme Panel (CPP). £14.2m is to be profiled into 2023/24 and the remaining £4.1m will be added into 2024/25. All 2023/24 carry forwards have been challenged by CPP and have been profiled into the first six months of the financial year. Offsetting the carry forwards is £7.1m of accelerated spend from 2023/24 delivered in 2022/23.

49. The net effect of carry forward and accelerated spend is an increase of £7m in the 2023/24 budget from £319.3m to £326.3m.

### Feasibility Fund

50. The Feasibility fund used for progressing capital projects into delivery and bringing schemes forward from pipeline had an outturn position of £7.7m, against a budget of £7.4m. The residual £0.3m overspend is included in the revenue outturn position set out above. This overspend is largely due to a timing difference of when projects will be capitalised.

### Balance Sheet Indicators

51. The Council reports on a quarterly basis on the following key balance sheet indicators, which are presented in **Annex 2** (attached) and cover the following:

- a. Debt; and
- b. Treasury Management.

52. The Council's overdue debt stood at £38.4m at 31<sup>st</sup> March 2023, (vs £25.6m at 31 March 2022), an increase of £12.8m over the year. The increase is primarily due to increased debt relating to Clinical Commissioning Groups, offset by a decline in general debt. **Annex 2** provides further details on this.

53. The Council has continued its policy of minimising cash balances and managing interest rate volatility by internal and short-term borrowing. **Annex 2** provides a further explanation of the impact of this policy on the Council's Balance Sheet.

#### **Consultation:**

54. Executive Directors and Cabinet Members have confirmed the outturn positions for their revenue and capital budgets.

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

55. 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 Leadership 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:**

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

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

57. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.

58. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 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 the stable provision of services in the medium term.

59. 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:**

60. 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.
61. 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:**

62. 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.
63. 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

#### **Annexes:**

- Annex 1 – Detailed Revenue Outturn position
- Annex 2 – Balance sheet Indicators – Debt and Treasury Management

## Detailed Revenue Outturn position

21/22 Outturn variance £m	Service	Cabinet Member	Net budget £m	Outturn £m	Outturn variance £m
(0.1)	Education and Lifelong Learning	C Curran	21.6	21.2	(0.3)
2.5	Family Resilience	S Mooney	35.4	36.8	1.4
3.6	Corporate Parenting	S Mooney	105.5	115.1	9.6
0.0	Quality and Performance	S Mooney	9.6	9.4	(0.2)
5.0	Commissioning	S Mooney	53.2	64.8	11.6
(0.2)	CFLC Exec Director	S Mooney	3.3	(1.0)	(4.3)
<b>10.9</b>	<b>Children, Families and Lifelong Learning</b>		<b>228.6</b>	<b>246.4</b>	<b>17.8</b>
0.0	Public Health	M Nuti	34.5	34.5	(0.0)
(0.0)	Public Service Reform	M Nuti	1.9	1.9	(0.0)
<b>(0.0)</b>	<b>Public Health and PSR</b>		<b>36.4</b>	<b>36.4</b>	<b>(0.0)</b>
<b>(1.9)</b>	<b>Adult Social Care</b>	<b>M Nuti</b>	<b>404.2</b>	<b>406.6</b>	<b>2.4</b>
(2.7)	Highways & Transport	M Furniss / K Deanus	56.7	56.7	(0.0)
(4.6)	Environment	M Heath/ N Bramhall	74.7	74.8	0.1
(0.1)	Infrastructure, Planning & Major Projects	M Furniss	3.0	2.6	(0.4)
0.4	Leadership Team	M Furniss	1.5	1.5	0.0
0.0	Feasibility	M Furniss	2.8	2.8	0.0
(0.1)	Emergency Management	K Deanus	0.5	0.5	0.0
<b>(7.1)</b>	<b>Environment, Transport &amp; Infrastructure</b>		<b>139.3</b>	<b>138.9</b>	<b>(0.3)</b>
<b>1.3</b>	<b>Surrey Fire and Rescue</b>	<b>D Turner- Stewart</b>	<b>34.3</b>	<b>37.0</b>	<b>2.7</b>
0.0	Armed Forces & Resilience	K Deanus	0.1	0.1	(0.0)
0.0	Comms, Public Affairs & Engagement	T Oliver	2.1	1.8	(0.3)
<b>0.0</b>	<b>Communications, Public Affairs and Engagement</b>		<b>2.2</b>	<b>1.9</b>	<b>(0.3)</b>
0.0	PPG Leadership	T Oliver	0.3	0.2	(0.0)
(0.1)	Economic Growth	M Furniss	1.3	1.3	(0.0)
<b>(0.0)</b>	<b>Prosperity, Partnerships and Growth</b>		<b>1.6</b>	<b>1.5</b>	<b>(0.1)</b>
(0.2)	Community Partnerships	D Turner-Stewart	1.5	1.4	(0.1)
(0.2)	Customer Services	D Turner-Stewart	2.9	2.8	(0.1)
(0.2)	AD Culture & Active Surrey	D Turner-Stewart	7.5	7.3	(0.2)
0.0	Surrey Arts	D Turner-Stewart	0.4	0.3	(0.0)
(0.1)	Trading Standards	D Turner-Stewart	2.0	1.9	(0.1)
0.0	Health & Safety	D Turner-Stewart	0.3	0.3	(0.0)
0.5	Coroners	K Deanus	3.8	4.3	0.5
<b>(0.2)</b>	<b>Customers and Communities</b>		<b>18.3</b>	<b>18.2</b>	<b>(0.0)</b>
(0.0)	Land and Property	N Bramhall	29.3	30.1	0.7
(0.4)	Twelve15	D Lewis	18.5	18.5	(0.0)
(0.7)	Information Technology & Digital	D Lewis	2.0	1.8	(0.2)
(0.4)	Finance	D Lewis	6.5	6.2	(0.3)
(0.2)	People & Change	T Oliver	6.0	5.8	(0.2)
0.4	Joint Orbis	D Lewis	4.9	5.7	0.8
0.4	Legal Services	D Lewis	3.8	3.7	(0.1)
(0.1)	Business Operations	D Lewis	4.4	4.5	0.2
(0.0)	Democratic Services	D Lewis	(1.5)	(1.6)	(0.1)
(0.1)	Corporate Strategy and Policy	D Lewis	1.6	1.4	(0.2)
(0.0)	Executive Director Resources	D Lewis	21.4	21.2	(0.2)
(0.2)	Transformation and Strategic Commissioning	D Lewis	7.2	6.8	(0.4)
(0.0)	Performance Management	D Lewis	0.2	0.1	(0.0)
<b>(1.2)</b>	<b>Resources</b>		<b>104.2</b>	<b>104.2</b>	<b>(0.0)</b>
<b>(0.3)</b>	<b>Corporate Expenditure</b>	<b>D Lewis</b>	<b>28.4</b>	<b>27.9</b>	<b>(0.5)</b>
	<b>Total before DSG High Needs Block</b>				
<b>1.4</b>	<b>Offset</b>		<b>997.2</b>	<b>1,018.9</b>	<b>21.7</b>
<b>2.5</b>	<b>DSG High Needs Block Offset</b>		<b>27.2</b>	<b>25.6</b>	<b>(1.6)</b>
<b>3.9</b>	<b>Total Budget Envelopes</b>		<b>1,024.4</b>	<b>1,044.5</b>	<b>20.1</b>
<b>0.0</b>	<b>Contingency</b>		<b>17.0</b>	<b>0.0</b>	<b>(17.0)</b>
<b>3.9</b>	<b>Total Budget Envelopes</b>		<b>1,041.4</b>	<b>1,044.5</b>	<b>3.1</b>
<b>(4.9)</b>	<b>Central funding</b>		<b>(1,041.4)</b>	<b>(1,045.1)</b>	<b>(3.7)</b>
<b>(1.0)</b>	<b>Total Net revenue expenditure including DSG HNB</b>		<b>(0.0)</b>	<b>(0.7)</b>	<b>(0.7)</b>

## Balance Sheet Indicators

## Debt

1. During the last quarter of 2022/23 the Council raised invoices totalling £160m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total of £38.4m of overdue debt at the end of March 2023, no significant movement since the last quarter.
2. Unsecured social care overdue debt has increased by £0.4m over the quarter. 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 decreased by £0.2m since the last quarter.
4. Clinical commissioning group (CCG) debt has increased by £0.3m 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 31 March 2023

Account group	<1 month £m	1-12 months £m	1 to 2 years £m	over 2 years £m	Gross debt £m	Overdue debt £m
Care debt – unsecured	6.5	8.8	4.8	4.4	24.5	17.9
Care debt – secured	1.0	3.3	2.8	4.1	11.1	
<b>Total care debt</b>	<b>7.5</b>	<b>12.0</b>	<b>7.6</b>	<b>8.4</b>	<b>35.6</b>	<b>17.9</b>
Schools, colleges and nurseries	2.1	0.0	0.0	0.0	2.1	0.1
Clinical commissioning groups	21.1	16.1	0.4	0.6	38.2	17.1
Other local authorities	2.7	0.3	-0.2	0.0	2.7	0.1
General debt	5.1	1.7	0.8	0.6	8.2	3.2
<b>Total non-care debt</b>	<b>30.9</b>	<b>18.2</b>	<b>1.0</b>	<b>1.2</b>	<b>51.3</b>	<b>20.4</b>
<b>Total debt</b>	<b>38.4</b>	<b>30.2</b>	<b>8.6</b>	<b>9.7</b>	<b>86.9</b>	<b>38.4</b>
Q3 2022/23	17.1	30.1	8.1	9.6	65.0	38.4
Change	21.3	0.0	0.6	0.0	21.9	(0.0)

\* 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

5. At year end, the debt provision is calculated based on the type and age of the debt. The older the debt the more is adjusted for non-recoverability. The below table highlights that even though total overdue debt has increased over the year, when secured and CCG debt is removed the debt position that the Council makes a bad debt provision for has decreased by £2.3m.

Table 2: Comparison of Annual debt position

Years	1-12 months £m	1 to 2 years £m	over 2 years £m	Aged debt £m	(Secured debt) £m	Overdue debt £m
Q4 2022/23	30.2	8.6	9.7	48.4	(10.1)	38.4
Q4 2021/22	19.1	6.6	8.9	34.6	(9.0)	25.6
(Decrease) / Increase in Debt	11.0	2.1	0.8	13.9	(1.1)	12.8
For Debt provision (excl Clinical commissioning groups and secured debt) :						
Q4 2022/23	10.8	5.4	5.0	21.2		21.2
Q4 2021/22	15.0	4.0	4.5	23.5		23.5
(Decrease) / Increase in Debt for the debt provision	(4.2)	1.4	0.5	(2.3)		(2.3)

## Treasury Management

- 9
- 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 £461.02m and has not increased this year.
  - As at 31 March 2023, the weighted average interest rate of the Council's long term debt portfolio is 3.64%. The Treasury Strategy, approved by County Council in February 2022, continued the policy of internal borrowing and where necessary, to borrow short-term to meet cash flow liquidity requirements. Table 3 below shows a net £27m increase in the Council's short-term borrowing activity since 31 December 2022.

Table 3: Short term borrowing as at 31 March 2023

	£m
Debt outstanding as at 31 December 2022	107
Loans raised	172
Loans repaid	(145)
Quarter movement	27
Current Balance as at 31 March 2023	134

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

- The weighted average interest rate of the Council's short term external debt is 3.64% at 31 March 2023 (0.14% March 22).



## Investments

9. The Council's average daily level of investments has been £113.7m during 2022/23 (up to the end of Q4), compared to an average of £59.6m during 2021/22 (Q4). This reflects the Council's strategic policy to maintain sufficient liquidity during this time and continue to borrow over shorter periods when appropriate. The higher cash balances reflect the borrowing undertaken in March 2022 and some significant grant income receipts during 2022/23 including in respect of the Council's Safety Valve agreement.
10. The Bank of England (BoE) base rate was increased twice in February and March to 4.25% with further increases forecasted in the next 6 months, to a near 4.50% level. 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 2022/23 due to cash balances being held to maintain sufficient liquidity and to reduce credit risk exposure.
11. Table 4 shows the weighted average return on all investments the Council received in the quarter to 31 March 2023 is 3.67%. This compares to a 3.85% average Bank of England (BoE) base rate for the same period.
12. Table 4: Weighted average return on investments compared to Bank of England (BoE) base rate.

Period	2022/23		2021/22		2020/21	
	Average BoE Base Rate	Weighted return on investments	Average BoE Base Rate	Weighted return on investments	Average BoE Base Rate	Weighted return on investments
Quarter 4 (Mar)	3.85%	3.67%	0.45%	0.28%	0.10%	0.01%
Quarter 3 (Dec)	2.82%	2.56%	0.13%	0.03%	0.10%	0.03%
Quarter 2 (Sep)	1.61%	1.48%	0.10%	0.02%	0.10%	0.14%
Quarter 1 (Jun)	0.95%	0.77%	0.10%	0.01%	0.10%	0.31%

Note: All numbers in all tables have been rounded - which may cause a casting difference

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