

SURREY COUNTY COUNCIL

CABINET

DATE: 26 SEPTEMBER 2023

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

LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES (S151 OFFICER)

SUBJECT: 2023/24 MONTH 4 (JULY) FINANCIAL REPORT

ORGANISATION STRATEGY
 PRIORITY AREA: NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / TACKLING HEALTH INEQUALITY / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES / HIGH PERFORMING COUNCIL



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| Purpose of the Report: |
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This report provides details of the County Council's 2023/24 financial position, for revenue and capital budgets, as at 31st July 2023 (M4) and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M4, the Council is forecasting an overspend of £21.1m against the 2023/24 revenue budget** approved by Council in February 2023. This represents a deterioration of £2.8m since the June position. The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- In addition, **£19.2m of net risks** to the forecast position have been quantified (further details in paragraph 3). **Historically risks are higher in the early part of the financial year** as the likelihood they will materialise, and the financial impact, is not yet clear.
- **Directorates will take action to mitigate** the forecast overspend and maximise the opportunities to offset risks, in order to contain costs within available budget envelopes.
- The Council continues to be forward looking and ambitious. However, local government continues to work in a challenging environment of sustained and significant pressures, which have resulted in service delivery in some specific areas not keeping pace with the changing landscape and demands. The Council wants to address these issues and as such has **identified a further £3.5m of investment required during this financial year, in addition to the £5.7m approved in July, to drive vital service improvements.**
- The additional investment is proposed to be funded from the Council's contingency budget, leaving £10.8m of contingency available to fund the forecast overspend.
- The remaining contingency budget is insufficient to offset the current forecast overspend, placing additional importance on the need to mitigate the remaining net forecast overspend of £10.3m.
- Alongside, the identification of these areas of focus, the Council has assessed the level of reserves, balancing the need to ensure ongoing financial resilience with the need to ensure funds are put to best use. The level of reserves held by the Council provides additional financial resilience should the forecast overspend not be effectively mitigated.

Key Messages – Capital

- The M4 position shows a forecast spend of £292.1m against a budget of £326.4m, **spend of £34.3m less than budget**, mainly due to projected slippage in programmes within Highways & Transport and Land & Property.
- The Capital Programme Panel will continue to review the capital position and identify opportunities to accelerate spend to offset the forecast slippage. A reset of the capital budget will be carried out for month 5 to ensure that the budget reflects spend profiles more accurately taking into account additional in-year approvals, reflecting the current supplier market and wider economic impact on programme delivery.

Each quarter, key balance sheet indicators are reported; these are set out in Annex 2.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue and capital budget positions for the year and the need for mitigating actions to be developed to offset the projected revenue overspend.
2. Approves £3.5m of additional revenue spend (as set out in paragraph 9), in response to the Council's recognition of the need to accelerate the improvements in service delivery in the following specific areas:
 - in-house Intensive Family Support Service
 - Quality Assurance and Performance in childrens' services
 - Surrey LINK Card; and
 - Surrey's street scene

This temporary increase in spend is proposed to be funded from the Council's contingency budget. Ongoing implications of these additional investments will be considered and factored into the 2024/25 budget planning process where appropriate and affordable.

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 M4, the Council is forecasting a full year overspend of £21.1m against the revenue budget, a deterioration of £2.8m since June. Table 1 below shows the forecast revenue budget outturn for the year by Directorate (further details are set out in Annex 1):

Table 1 - Summary revenue budget forecast variances as of 31st July 2023

| | M4 Forecast £m | Annual Budget £m | M4 Forecast Variance £m |
|---|-------------------|---------------------|-------------------------------|
| Adult Social Care | 441.2 | 438.9 | 2.3 |
| Public Service Reform & Public Health | 37.8 | 37.8 | 0.0 |
| Children, Families and Lifelong Learning | 272.2 | 256.0 | 16.2 |
| Environment, Transport & Infrastructure | 153.3 | 152.2 | 1.1 |
| Surrey Fire and Rescue | 39.2 | 38.7 | 0.5 |
| Customer & Communities | 20.8 | 20.7 | 0.1 |
| Resources | 83.2 | 82.4 | 0.8 |
| Communications, Public Affairs and Engagement | 2.4 | 2.2 | 0.2 |
| Prosperity, Partnerships & Growth | 2.1 | 2.2 | (0.1) |
| Central Income & Expenditure | 71.0 | 71.0 | 0.0 |
| Total before Funding | 1,123.1 | 1,102.0 | 21.1 |
| Corporate Funding | (1,102.0) | (1,102.0) | 0.0 |
| Overall | 21.1 | 0.0 | 21.1 |

2. The £21.1m forecast Directorate overspend relates primarily to the following:

- **Adult Social Care - £2.3m overspend, £0.3m deterioration** since June. The forecast overspend relates to demand and market pressures on care packages and the forecast impact of assessed fees & charges debt across the year, requiring increases to the bad debt provision or write off where debt is deemed irrecoverable. Within the latest position there is also a £2.2m shortfall against the strengths-based practice efficiency target, the delivery of which is impacted by a focus on fulfilling statutory obligations in the context of the new CQC assurance regime. This is forecast to be fully offset by overachievement of efficiencies relating to the completion of the closure of in-house Older People care homes. The £0.3m deterioration since June is due to increased care package demand, particularly for older people and people with a mental health condition.
- **Children, Families and Lifelong Learning - £16.2m overspend, £2.0m deterioration** since June. The forecast overspend position is due to number of factors:
 - Social Care Placements £12.2m overspend due to a national lack of market sufficiency and price inflation, meaning children are having to be placed in extremely high-cost placements, as there are no viable alternatives. Further risks remain for placements, with the current forecast assuming approaches to increase the use of in-house provision will be delivered by the end of the year. Initial conversations with other County Council's suggest this is an issue affecting a large proportion due to the lack of alternative options in the placement market.
 - Demand pressures within Area Care (£1m) and Care Leavers (£1m) reflecting a continuation of the demand experienced in 2022/23.
 - An additional pressure of £2.0m is forecast in month 4 in relation to Home to School Transport Assistance (H2STA); despite the net increase in transport budgets of £14.6m for 2023/24, the H2STA budget is experiencing significant pressures from unit costs over and above what was anticipated. Average taxi and coach costs increased by 11% and 10% respectively between May and June 2023.
- **Environment, Transport & Infrastructure - £1.1m overspend, £0.7m deterioration** since June. The deterioration reflects a reconsideration of the degree to which Highway pressures (including reduced income linked to a slow-down in the housing market, and employment of additional highway inspectors) can be mitigated or offset within the wider budget. Other pressures include £0.3m in the Planning, Performance & Support service due to additional project management capacity to support service improvements and legislative change and dedicated resources to support community engagement activities and events; £0.1m due to an additional interim director to

support the Planning, Place and Infrastructure services; and £0.1m additional resource in Emergency Management.

- **Surrey Fire and Rescue - £0.5m overspend, unchanged** since June, due to the national pay award agreed in March at a higher rate than budgeted for, partly mitigated by vacancies.
- **Resources - £0.8m overspend, £0.1m improvement** since June. The overspend is mainly due to the anticipated reduction in income from the provision of payroll services caused by a decrease in customer numbers (£0.3m) as well as staffing pressures in Legal Services and People & Change due to agency and restructure costs (£0.4m). The improvement this month is due to recruitment delays in several services.
- **Customer & Communities - £0.1m overspend, £0.1m improvement** since June. The reduced overspend position relates to recruitment delays in several services. The overall overspend position is due mainly to under recovery of income in Libraries. The income budget was set at 2019/20 levels as footfall continued to recover after the pandemic, however it is now considered unlikely that income will fully recover. The service is seeking new revenue streams to replace income reductions due to changes in demand for services to mitigate this overspend.
- **Communications, Public Affairs and Engagement - £0.2m overspend, unchanged** since June, mainly due to staffing and the creation of a Resident Intelligence Unit, which will collect, interpret and report resident insights and intelligence and guide, support and track engagement and consultation across the entire organisation. Costs will be incurred from the Autumn.

3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £19.2m, consisting of quantified risks of £20.0m, offset by opportunities of £0.8m. These figures represent the weighted risks and opportunities, taking into account the full value of the potential risk or opportunity adjusted for assessed likelihood of the risk occurring or opportunity being realised.
4. Directorates are expected to take action to mitigate these risks and maximise the opportunities available to offset them, in order to avoid these resulting in a forecast overspend against the budget set. In addition, the Council holds a contingency budget to further mitigate against the risk of the forecast overspend not being mitigated.

Dedicated Schools Grant (DSG) update

5. The table below shows the projected forecast year end outturn for the High Needs Block. The forecast at month 4 is in-line with the budget.

Table 2 - DSG HNB Summary

| 2023/24 DSG HNB Summary | Budget £m | Forecast £m |
|---------------------------------|--------------|----------------|
| Education and Lifelong Learning | 231.7 | 231.7 |
| Place Funding | 22.7 | 22.7 |
| Children's Services | 2.3 | 2.3 |
| Corporate Funding | 2.0 | 2.0 |
| Total expenditure | 258.7 | 258.7 |
| DSG High Needs Block | (218.3) | (218.3) |
| Deficit | 40.4 | 40.4 |

6. The first monitoring report for the safety valve agreement in 2023/24 was submitted in May and has been approved by the DfE, signalling a release of a further £3m, bringing the total paid to £67m. The report confirmed the Council remains on track with its agreed trajectory, although also noted continued pressures both within the system and through rising

inflation. DfE reporting requirements are now for 3 submissions during each financial year with the next submission being due on 15 September.

In-year additions:

7. The Council continues to be forward looking and ambitious. However, local government continues to work in a challenging environment of sustained and significant pressures, which has resulted in service delivery in some specific areas not keeping up pace with the changing landscape and demands.
8. The Council wants to address these issues and as such has identified a number of specific areas where investment in improvements is recommended. In July Cabinet approved improvement investment of £5.7m and it is now proposed that a further £3.5m is agreed, taking the total additional investment to £9.2m.
9. The areas identified for improvement are:
 - **£1.2m to develop an in-house Intensive Family Support Service (IFSS)** - a targeted early help programme for families needing significant additional support but not requiring a statutory social work intervention. The IFSS will complement the existing early help functions across the county and further strengthen Surrey's early help offer. The proposal has been developed to build on the learning from the recent Joint Targeted Area Inspection into Early Help provision in Surrey.
 - **£0.6m of investment to increase staffing in a range of services in the Quality Assurance and Performance** department which contribute to safeguarding, family support, practice quality or statutory compliance across the CFLL directorate.
 - **£0.8m contribution to the introduction of Surrey LINK Card**, offering half adult fare to children and young people.
 - **£0.9m in relation to Surrey's street scene – our roads, highways verges, and localised flooding** – as well as our management of tree felling and planting. Over the last couple of months, Officers from our Highways and Countryside Teams, along with Cabinet Members and Senior Leaders in the organisation have worked to review service delivery and put in place both immediate actions where possible and further opportunities for investment that will result in noticeable improvements for residents. This funding is requested in addition to the £2.5m approved in June.
10. It is proposed that the contingency budget is utilised to fund these areas of spend, leaving a residual contingency budget of £10.8m, which is insufficient to offset the current forecast overspend. The council recognises the additional pressure the utilisation of the contingency budget puts on the need to mitigate the net forecast overspend of £10.3m. However, it also recognises the importance of investing in these areas of improvement to avoid material service detriment. Alongside, the identification of these areas of focus, the Council has assessed the level of reserves, balancing the need to ensure ongoing financial resilience with the need to ensure funds are put to best use. The level of reserves held by the Council provides additional financial resilience should the forecast overspend not be effectively mitigated.
11. Any ongoing implications of this additional investment will be factored into the 2024/25 budget planning process.

Capital Budget

12. The 2023/24 Capital Budget was approved by Council on 7th February 2023 at £319.3m, with a further £92.7m available to draw down from the pipeline and £15m budgeted for Your Fund Surrey. After adjustments for 2022/23 carry forward and acceleration, the revised budget is £326.4m.

13. Capital expenditure of £292.1m is forecast against the budget, a forecast variance of £34.3m. This decrease relates mainly to projected slippage of £22.3m in Highways and Transport, and £16.6m in Property Schemes.

14. Table 3 below provides a summary of the forecast full-year outturn at M4.

Table 3 - Summary capital budget

| Strategic Capital Groups | Annual Budget | 2023-24 Outturn Forecast at M4 | M4 Forecast Variance | M3 Forecast Variance | Change from M3 to M4 | Increase / Decrease / Unchanged |
|-----------------------------------|---------------|--------------------------------|----------------------|----------------------|----------------------|---------------------------------|
| | £m | £m | £m | £m | £m | |
| Property | | | | | | |
| Property Schemes | 115.6 | 98.8 | (16.7) | (16.7) | (0.0) | Decrease |
| ASC Schemes | 1.7 | 1.6 | (0.1) | (0.1) | 0.0 | Unchanged |
| CFLC Schemes | 2.8 | 3.0 | 0.2 | 0.0 | 0.2 | Increase |
| Property Total | 120.1 | 103.4 | (16.6) | (16.8) | 0.2 | Increase |
| Infrastructure | | | | | | |
| Highways and Transport | 150.4 | 128.1 | (22.3) | (23.5) | 1.2 | Increase |
| Infrastructure and Major Projects | 33.4 | 31.3 | (2.1) | (2.2) | 0.2 | Increase |
| Environment | 10.6 | 13.5 | 2.9 | 2.1 | 0.8 | Increase |
| Surrey Fire and Rescue | 7.6 | 6.9 | (0.7) | (0.7) | 0.0 | Unchanged |
| Infrastructure Total | 202.0 | 179.8 | (22.2) | (24.4) | 2.2 | Increase |
| IT | | | | | | |
| IT Service Schemes | 4.4 | 8.8 | 4.5 | 5.1 | (0.6) | Decrease |
| IT Total | 4.4 | 8.8 | 4.5 | 5.1 | (0.6) | Decrease |
| Total | 326.4 | 292.1 | (34.3) | (36.1) | 1.8 | Increase |

15. The forecast variances relate to:

Property Schemes- £16.6m less than budget. Due to delays to the delivery of the SEND Programme (-£15m). To ensure places are delivered in line with safety valve target, temporary accommodation solutions are being put in place. Delays are also expected on Supported Independent Living and smaller delays elsewhere due to scope changes. Acceleration of Schools Basic Need and Corporate Parenting partially offset the slippage.

- **Highways and Transport Schemes - £22.3m less than budget.** Purchase of low emission buses is delayed whilst contracts are finalised, and further delays are expected due to long lead in and manufacturing times (£11.1m). Slippage on Active Travel, due to schemes being subject to public consultation, with uncertainty about the timing and response (£4.5m). £2.8m of slippage on Local Highways schemes, £2.1m on Road Safety Schemes, £1.2m slippage on Bridge Strengthening, and £0.7m on Safety Barriers, reflecting risk within the current programme.
- **Infrastructure and Major Projects - £2.1m less than budget** due to slippage on the Housing Infrastructure Fund (£3.7m) and Farnham Schemes (£1.5m), offset by £3.1m increase on smaller schemes where budgets are yet to reflect approvals. This will be reflected as part of the upcoming budget reset.
- **Environment Schemes - £2.9m more than budget.** This is due to forecast spend of £3.6m on Sustainable Warmth grants approved since the budget was agreed, offset by slippage on the Basingstoke Canal due to preparatory work needed before planning permission is granted (£0.5m) waste recycling initiatives (£0.2m).
- **Surrey Fire & Rescue Service - £0.7m less than budget** due to slippage on appliance and equipment purchases due to long lead times.
- **IT Service Schemes - £4.5m variance** due to the Digital Business & Insights project. Overall spend remains in line with Cabinet approvals and budgets will be reset to match the profile of spend.

Consultation:

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

Risk Management and Implications:

17. 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:

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

Section 151 Officer Commentary:

19. 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.
20. 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.
21. The Council has a duty to ensure its expenditure does not exceed the resources available. As such, 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.
22. The Section 151 Officer supports the use of part of the contingency budget to fund the required additional spend identified to drive improvements in service delivery. The Section 151 Officer confirms that a review of the Council reserve balances compared to the risk benchmark has concluded that there is sufficient capacity to provide the necessary financial resilience should mitigating actions be insufficient to offset the current forecast overspend. The ongoing financial implications of these additional investments will be factored into the budget setting process for 2024/25.

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.

Report Author:

Leigh Whitehouse, Executive Director of Resources, leigh.whitehouse@surreycc.gov.uk.

Consulted:

Cabinet, Executive Directors, Heads of Service

Annex:

Annex 1 – Detailed Outturn position

Annex 2 – Balance Sheet indicators – Q1 2023/24

Detailed Revenue Outturn position

| Service | Cabinet Member | Gross | Net | Forecast | Outturn |
|---|--------------------------|------------------|-------------------|-------------------|----------------|
| Family Resilience | S Mooney | £40.5m | £35.4m | £35.4m | £0.0m |
| Education and Lifelong Learning | C Curran | £287.8m | £28.4m | £28.4m | £0.0m |
| Commissioning | S Mooney | £157.9m | £69.7m | £71.7m | £2.0m |
| Quality & Performance | S Mooney | £10.5m | £9.7m | £9.7m | £0.0m |
| Corporate Parenting | S Mooney | £135.3m | £116.5m | £130.7m | £14.2m |
| Exec Director of CFLL central costs | S Mooney | £-3.7m | £-3.7m | £-3.7m | £0.0m |
| Children, Families and Lifelong Learning | | £628.2m | £256.0m | £272.2m | £16.2m |
| Public Health | M Nuti | £35.8m | £35.8m | £35.8m | £0.0m |
| Public Service Reform | M Nuti | £2.3m | £2.0m | £2.0m | £0.0m |
| Public Health and PSR | | £38.1m | £37.8m | £37.8m | £0.0m |
| Adult Social Care | M Nuti | £604.1m | £438.9m | £441.2m | £2.3m |
| Highways & Transport | M Furniss / K Deanus | £80.8m | £63.6m | £64.3m | £0.7m |
| Environment | M Heath/ N Bramhall | £83.5m | £81.2m | £81.2m | £0.0m |
| Infrastructure, Planning & Major Projects | M Furniss | £5.6m | £2.8m | £2.9m | £0.1m |
| Planning Performance & Support | M Furniss | £4.0m | £4.0m | £4.3m | £0.3m |
| Emergency Management | K Deanus | £0.7m | £0.5m | £0.6m | £0.1m |
| Environment, Transport & Infrastructure | | £174.5m | £152.2m | £153.3m | £1.1m |
| Surrey Fire and Rescue | D Turner- Stewart | £44.5m | £38.7m | £39.2m | £0.5m |
| Armed Forces and Resilience | K Deanus | £0.1m | £0.1m | £0.1m | £0.0m |
| Communications | T Oliver | £2.1m | £2.1m | £2.3m | £0.2m |
| Communications, Public Affairs and Engagement | | £2.2m | £2.2m | £2.4m | £0.2m |
| PPG Leadership | T Oliver | £0.3m | £0.3m | £0.3m | £0.0m |
| Economic Growth | M Furniss | £1.8m | £1.8m | £1.8m | (£0.1m) |
| Partnerships, Prosperity and Growth | | £2.2m | £2.2m | £2.1m | (£0.1m) |
| Community Partnerships | D Turner-Stewart | £1.9m | £1.9m | £1.9m | £0.0m |
| Customer Services | D Turner-Stewart | £3.1m | £2.9m | £3.2m | £0.3m |
| Customer Experience | D Turner-Stewart | £0.5m | £0.5m | £0.5m | £0.0m |
| Cultural Services | D Turner-Stewart | £18.5m | £8.3m | £8.6m | £0.3m |
| Customer and Communities Leadership | D Turner-Stewart | £2.7m | £2.2m | £1.7m | (£0.4m) |
| Registration and Nationality Services | D Turner-Stewart | £2.5m | £-1.5m | £-1.5m | (£0.0m) |
| Trading Standards | D Turner-Stewart | £4.0m | £1.9m | £1.9m | (£0.0m) |
| Health & Safety | D Turner-Stewart | £0.0m | £0.0m | £0.0m | £0.0m |
| Coroners | K Deanus | £4.5m | £4.5m | £4.5m | (£0.0m) |
| Customers and Communities | | £37.7m | £20.7m | £20.8m | £0.1m |
| Land & Property | N Bramhall | £32.9m | £25.1m | £25.1m | £0.0m |
| Information Technology & Digital | D Lewis | £21.0m | £20.2m | £20.2m | £0.0m |
| Twelve15 | D Lewis | £20.5m | £-1.3m | £-1.4m | (£0.0m) |
| Finance | D Lewis | £12.7m | £7.6m | £7.6m | (£0.1m) |
| People & Change | T Oliver | £8.1m | £7.6m | £7.8m | £0.3m |
| Legal Services | D Lewis | £6.3m | £5.9m | £6.0m | £0.1m |
| Joint Orbis | D Lewis | £6.2m | £6.2m | £6.2m | £0.1m |
| Democratic Services | D Lewis | £4.0m | £3.8m | £3.8m | (£0.0m) |
| Business Operations | D Lewis | £2.5m | £0.7m | £1.0m | £0.3m |
| Executive Director Resources (incl Leadership Office) | D Lewis | £3.5m | £3.5m | £3.8m | £0.2m |
| Corporate Strategy and Policy | D Lewis | £1.1m | £1.1m | £1.1m | (£0.0m) |
| Transformation and Strategic Commissioning | D Lewis | £1.7m | £1.7m | £1.6m | (£0.1m) |
| Procurement | D Lewis | £0.1m | £0.1m | £0.1m | £0.0m |
| Performance Management | D Lewis | £0.2m | £0.2m | £0.2m | £0.0m |
| Resources | | £120.8m | £82.4m | £83.2m | £0.8m |
| Central Income & Expenditure | D Lewis | £94.9m | £71.0m | £71.0m | £0.0m |
| Overall before funding | | £1,747.2m | £1,102.0m | £1,123.1m | £21.1m |
| Corporate funding | | | £-1,102.0m | £-1,102.0m | £0.0m |
| Overall | | £1,747.2m | £0.0m | £21.1m | £21.1m |

Balance Sheet Indicators

Prudential Indicators (capital expenditure, borrowing and commercial & service investments)

1. The Council measures and manages its capital expenditure, borrowing and commercial and service investments with reference to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Table 1 :Estimates of Capital Expenditure

| | 2022/23 Actual | 2023/24 Forecast | 2024/25 Budget | 2025/26 Budget | 2026/27 Budget | 2027/28 Budget | Total Budget |
|------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|--------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Capital Programme - Budget | 199 | 292 | 333 | 222 | 164 | 178 | 898 |
| Capital Programme - Pipeline | 0 | 0 | 221 | 217 | 158 | 44 | 640 |
| Your Fund Surrey | 3 | 15 | 15 | 15 | 15 | 0 | 45 |
| Sub-total Capital Programme | 202 | 307 | 570 | 454 | 338 | 221 | 1,583 |
| Commercial Spend | 0 | 26 | 1 | 3 | 0 | 0 | 4 |
| TOTAL | 202 | 333 | 571 | 457 | 338 | 221 | 1,587 |

Estimates of Capital Financing Requirement

2. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces by the annual Minimum Revenue Provision and capital receipts used to replace debt.

Table 2 :Estimates of Capital Financing Requirement

| As at 31 st March | 2022/23 Actual | 2023/24 Forecast | 2024/25 Budget | 2025/26 Budget | 2026/27 Budget | 2027/28 Budget |
|------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Capital Programme | 940 | 1,161 | 1,509 | 1,728 | 1,893 | 1,989 |
| Investment Programme | 442 | 459 | 451 | 445 | 436 | 427 |
| TOTAL CFR | 1,382 | 1,620 | 1,960 | 2,173 | 2,329 | 2,417 |

Proportion of Financing Costs to Net Revenue Stream

3. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants.

Table 3 : Proportion of Financing Costs to Net Revenue Stream

| | 2022/23 actual | 2023/24 Forecast | 2024/25 Forecast | 2025/26 Forecast | 2026/27 Forecast | 2027/28 Forecast |
|--|----------------|------------------|------------------|------------------|------------------|------------------|
| Ratio of Financing Costs to Net Revenue Stream | 4.0% | 5.0% | 6.2% | 8.0% | 9.0% | 9.9% |

Net Income from Commercial and Service Investments to Net Revenue Stream

4. This is an indicator of affordability and highlights the net financial impact on the authority of its entire non-treasury investment income.

Table 4: Net Income from Commercial and Service Investments to Net Revenue Stream

| | 2022/23 actual | 2023/24 Forecast | 2024/25 Forecast | 2025/26 Forecast | 2026/27 Forecast | 2027/28 Forecast |
|---|----------------|------------------|------------------|------------------|------------------|------------------|
| Total net income from service and commercial investments (£m) | 23.10 | 20.10 | 21.10 | 21.30 | 21.30 | 21.30 |
| Proportion of net revenue stream | 2.22% | 1.82% | 1.85% | 1.90% | 1.91% | 1.92% |

Treasury Management – Borrowing

5. The Council borrows to finance its capital spending that is not funded from grants, third party contributions, capital receipts or reserves. The Council's long-term debt stands at £461.0m and has not increased this year.
6. As at 30 June 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 2023, continued the policy of internal borrowing and where necessary, to borrow short-term to meet cash flow liquidity requirements. Table 5 below shows a net £32m decrease in the Council's short-term borrowing activity since 31 March 2023.

Table 5: Short term borrowing as at 30 June 2023

| | £m |
|--------------------------------------|-------|
| Debt outstanding as at 31 March 2023 | 134 |
| Loans raised | 70 |
| Loans repaid | (102) |
| Quarter movement | (32) |
| Current Balance as at 30 June 2023 | 102 |

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

7. The weighted average interest rate of the Council's short term external debt is 4.06% at 30 June 2023 (0.67% at June 2022).

Investments

8. The Council's average daily level of investments has been £76.5m during 2023/24 (up to the end of Q1), compared to an average of £125.7m during 2022/23 (Q1). The lower cash investment balances reflect management of the council's cash flow and the lower short-term borrowing undertaken.
9. The Bank of England (BoE) base rate was increased twice in April and June to 5.00% with further increases forecasted in the next 3 months, to a near 5.50% 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 2023/24, MMF investments ensure sufficient liquidity and to reduce credit risk exposure.
10. Table 6 shows the weighted average return on all investments the Council received in the quarter to 30 June 2023 is 4.33%. This compares to a 4.52% average Bank of England (BoE) base rate for the same period.
11. Table 6: Weighted average return on investments compared to Bank of England (BoE) base rate.

| | 2023/24 | | 2022/23 | | 2021/22 | |
|-----------------|-----------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Period | 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) | 4.52% | 4.33% | 0.95% | 0.77% | 0.10% | 0.01% |
| Quarter 3 (Dec) | - | - | 1.61% | 1.48% | 0.10% | 0.02% |
| Quarter 2 (Sep) | - | - | 2.82% | 2.56% | 0.13% | 0.03% |
| Quarter 1 (Jun) | - | - | 3.85% | 3.67% | 0.45% | 0.28% |

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

Debt

12. During the three months to 30 June 2023, the Council raised invoices totalling £145m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total £61.4m of overdue debt at the end of June, an increase of £23.0m since the last quarter.

13. In June 2023, MySurrey (the Council's new ERP system) was implemented. This significantly affected the debt position in June due to initial transition and implementation activities, specifically relating to allocating receipts and raising invoices. The general non-care debt position as at July 2023 presents a significant improvement in the overdue debt position (reduced by £20m), reflecting the specific issues in June have been addressed.

14. Unsecured social care overdue debt has increased by £3.5m 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.

15. Table 7: Age profile of the Council's debt as at 30 June 2023

| Account group | <1 month | 1-12 months | 1 to 2 years | over 2 years | Gross debt | Overdue debt | Q4 Overdue debt Change | |
|---------------------------------|-------------|-------------|--------------|--------------|-------------|--------------|------------------------|-------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Care debt – unsecured | 4.7 | 11.7 | 5.3 | 4.4 | 26.2 | 21.4 | 17.9 | 3.5 |
| Care debt – secured | 0.3 | 4.1 | 3.1 | 3.6 | 11.1 | | | |
| Total care debt | 5.0 | 15.8 | 8.5 | 8.0 | 37.3 | 21.4 | 17.9 | 3.5 |
| Schools, colleges and nurseries | 4.3 | 1.3 | 0.0 | 0.0 | 5.7 | 1.4 | 0.1 | 1.3 |
| Integrated Care Boards | 0.0 | 22.7 | 8.0 | 0.3 | 31.0 | 31.0 | 17.1 | 13.9 |
| Other local authorities | 0.2 | 1.8 | 0.1 | 0.0 | 2.1 | 1.8 | 0.1 | 1.8 |
| General debt | 2.3 | 4.1 | 0.7 | 1.0 | 8.0 | 5.7 | 3.2 | 2.6 |
| Total non-care debt | 6.8 | 29.9 | 8.7 | 1.4 | 46.8 | 39.9 | 20.4 | 19.5 |
| Total debt | 11.8 | 45.6 | 17.2 | 9.4 | 84.0 | 61.4 | 38.4 | 23.0 |
| Q4 2022/23 | 38.4 | 30.2 | 8.6 | 9.7 | 86.9 | 38.4 | | |
| Change | (26.6) | 15.5 | 8.6 | (0.3) | (2.9) | 23.0 | | |

* 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