SURREY COUNTY COUNCIL

CABINET

DATE:	**27 FEBRUARY 2024**
REPORT OF CABINET MEMBER:	**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 9 (DECEMBER) 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**

Purpose of the Report:

This report provides details of the Council's 2023/24 financial position, for revenue and capital budgets, as at 31st December 2023 (M9) and the expected outlook for the remainder of the financial year.

Regular reporting of the financial position underpins the delivery of all priority objectives, contributing to the overarching ambition to ensure No One Left Behind.

Key Messages – Revenue

- Local government continues to work in a challenging environment of sustained and significant pressures. **At M9, the Council is forecasting an overspend of £3.3m against the 2023/24 revenue budget, after the application of the contingency budget. This is a £1.5m deterioration since M8.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- In October 2023, Cabinet agreed the use of the £20m corporate contingency budget to reduce the overall in-year forecast overspend position for 2023/24. This was to allow a focus on mitigating the residual forecast overspend. However, the in-year position has worsened over recent months and there is an increased risk that it will continue to do so.
- In response to this worsening in-year financial position, the residual level of risk for the remainder of the financial year and a significant medium term budget gap, the immediate implementation of spending control measures is being proposed (paragraph 4).
- 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 residual forecast overspend not be effectively mitigated.

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Key Messages – Capital

- At month 9, capital expenditure of £270.9m is forecast for 2023/24, a variance of £2.6m more than the re-set budget of £268.3m. This is an increase of £3.5m from the forecast at M8. There are a number of offsetting variances within this position and further details are set out in paragraphs 7-11.

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 budget (after the application of the full contingency budget) and capital budget positions for the year.
2. Notes the implementation of spending controls in order to reduce the forecast overspend position and contain costs within the available budget.
3. Notes the quarter end Balance Sheet Indicators as set out in Annex 2.

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:

1. At M9, the Council is forecasting a full year overspend of £3.3m against the revenue budget. This is a £1.5m deterioration since M8. 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 at 31st December 2023

	M9 Forecast £m	Annual Budget £m	Forecast Variance £m
Adult Social Care	441.4	439.4	2.1
Public Service Reform & Public Health	37.9	38.1	-0.1
Children, Families and Lifelong Learning	284.9	257.9	27.0
Environment, Transport & Infrastructure	154.8	154.3	0.5
Surrey Fire and Rescue	38.8	38.7	0.1
Customer & Communities	20.9	20.8	0.1
Resources	84.3	83.3	1.0
Communications, Public Affairs and Engagement	2.2	2.2	0.0
Prosperity, Partnerships & Growth	2.1	2.2	-0.1
Central Income & Expenditure	38.2	45.5	-7.3
Directorate Position	1,105.5	1,082.2	23.3
Contingency	0.0	20.0	-20.0
Corporate Funding	-1,102.2	-1,102.2	0.0
Overall	3.3	0.0	3.3

2. The £3.3m forecast overspend is made up of an overspend of £23.3m on Directorate positions, offset by the application of £20m contingency budget, as previously approved by Cabinet. The £23.3m underlying forecast overspend relates primarily to the following:

- **Adult Social Care - £2.1m overspend, £1.0m deterioration since last month**. There is significant pressure on care package budgets due to demand and market pressures and the forecast impact of assessed fees & charges debt across the year. An overspend of £8.1m is forecast for ASC's care package budget, which is being partially mitigated by additional grant funding and underspends elsewhere. The £1m deterioration since last month largely relates to increased Older People care package expenditure. 14

  Within the latest position there is a £3.7m shortfall across efficiencies relating to strengths based practice, demand management, changing care models and funding related to Section 117 aftercare and Continuing Health Care. The delivery of these efficiencies has been challenging and the service is refocusing in order to mitigate the underachievement as far as possible. Forecast overachievement of £2.9m for efficiencies relating to in-house delivered care services, primarily related to the closure of in-house Older People care homes, is part of the mitigation.

- **Children, Families and Lifelong Learning - £27.0m overspend, £6.5m deterioration since last month.** The increase from last month is due to an increase in the Home to School Travel Assistance (H2STA) pressures (price and volume) of £3m and the achievability of demand management stretch targets.

  The full year adverse outturn position is largely due to:
    i. social care placements and allowances (£16.1m pressure), with a national lack of market sufficiency and price inflation having a significant impact on external agency placements;
    ii. legislation that requires matching of special guardianship rates paid to those of fostering allowances (£1.7m pressure);
    iii. demand pressures within children with disability care budgets (£1.5m), reflecting a continuation of the demand experienced in 2022/23; and
    iv. growth in pupil numbers in excess of budgeted volumes along with significant price increases in H2STA (£7.7m pressures).

  This pressure is partially mitigated by improvements in costs for Unaccompanied Asylum Seeking Children (UASC) of £1.4m due to an increase in grant funding, an underspend on in-house fostering of £1.5m due to a lower number of children supported through in-house foster carers and a £0.7m underspend on in-house residential provision with staffing vacancies.

- **Environment, Transport & Infrastructure - £0.5m overspend, £0.7m improvement since last month.** Existing pressures include a net £0.2m within Highways & Transport due to a range of items including additional staffing (including inspectors), reduced income related to the housing market and delayed parking enforcement, partly offset by concessionary fares saving due to lower patronage and release of winter maintenance contingencies; £0.2m in Environment primarily due to treatment of ash dieback; and £0.1m in the Planning, Performance & Support service due to additional capacity to support service improvements and legislative change and resources to support community engagement. In addition, Highways & Transport has

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other pressures that are being monitored but are currently expected to be contained within the overall service budget envelope.

- **Surrey Fire and Rescue £0.1m overspend, £0.1m improvement since last month.** There is a £0.7m pressure due to a backdated national pay award agreed in March at a higher rate than budgeted for, partly mitigated by management of vacancies (£0.5m) and savings through partnership working (£0.1m).

- **Resources - £1.0m overspend, £0.2m deterioration since last month.** The increase this month is due grounds maintenance services. The responsibility for grounds maintenance transferred from Environment to Land & Property in November, however the spend in the first seven months was higher than budgeted due to contract increases and volumes leaving a pressure in Land & Property of £0.2m for the remainder of the year. Overall, there are several variances across the directorate. There is an overspend relating to an expected reduction in income of £0.3m from the provision of payroll services, due to decreases in customer numbers. There are also staffing pressures in Business Services (£0.2m), and an overspend on the reasonable adjustments budget in People & Change (£0.2m) and delayed facilities management efficiencies in Land & Property (£0.3m). These overspends are offset by staffing vacancies in other services (£0.2m).

- **Public Service Reform and Public Health - £0.2m underspend, unchanged since last month,** relating to recruitment delays within the Analytics & Insight team.

- **Customer & Communities - £0.1m overspend, unchanged** since last month. The overall overspend position is due mainly to under recovery of income in Libraries, offset by staffing underspends. The libraries' 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.

- **Central Income & Expenditure - £7.3m over-recovery, £5.2m improvement since last month,** relating to one-off additional business rate income from both the business rates pool gain and additional business rate multiplier compensation grant due to higher than forecast inflationary compensation. In addition, there is reduced spend against the corporate redundancy budget and a reduced uptake of the empty property subsidy. The increase in interest rates has resulted in pressures on the interest payable budget which is more than mitigated by the impact of reduced capital spend and increased interest income from the Council's short term cash investments, resulting in a net over-recovery against interest budgets.

3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £12.4m, consisting of quantified risks of £13.4m, offset by opportunities of £1m. 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 recognition of the worsening financial position, immediate in-year spending controls are being proposed to contain spending within available resources. The controls will include recruitment and procurement controls, including a freeze on non-essential spend. In addition, there will be 'deep dives' carried out into spend on Home to School Travel Assistance and Adults Social Care to ensure the

drivers for continued increasing pressures are understood and further mitigations identified. An action plan is being developed.

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 9 is in-line with the budget.

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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. As reported in Month 8, the second monitoring report for the safety valve agreement in 2023/24 was approved by the Department for Education, with a further £3m funding paid to SCC. This brings the total DfE contributions to date to £6m in this financial year and £70m in total. Reporting requirements are now for 3 submissions during each financial year with the latest one made in December. The report confirmed that the Council remains on track with its agreed trajectory, although also noted continued pressures both within the system and through rising inflation. DfE approval of the latest monitoring report will result in the final financial year payment of £3m, bringing the total DfE contribution to date to £73m.

Capital Budget

7. 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 £10m budgeted for Your Fund Surrey. After adjustments for 2022/23 carry forwards and acceleration, the revised budget was £326.4m.

8. During August a re-set of the capital budget was undertaken, to ensure that the budget reflected spend profiles more accurately, taking into account known delays, additional in-year approvals and reflecting the current supplier market and wider economic conditions impacting on programme delivery. The re-set budget is **£268.3m**.

9. Capital expenditure of **£270.9m** is forecast against this budget, which represents a forecast variance of £2.6m (an increase of £3.5m since month 8), as summarised below.

10. The Capital Programme Panel is leading an exercise to further review the areas of significant slippage to identify common risks and barriers to delivery and identify potential mitigations.

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Table 3 - Summary capital budget

Strategic Capital Groups	Annual Budget £m	2023-24 Outturn Forecast at M9 £m	M9 Forecast Variance £m	M8 Forecast Variance £m	Change from M8 to M9 £m	Increase / Decrease / Unchanged
Property						
Property Schemes	101.8	108.1	6.3	(0.7)	7.0	Increase
ASC Schemes	1.6	1.6	0.0	0.0	0.0	Unchanged
CFLC Schemes	2.4	2.4	0.0	0.0	0.0	Unchanged
Property Total	**105.8**	**112.1**	**6.3**	**(0.7)**	**7.0**	Increase
Infrastructure						
Highways and Transport	121.9	123.5	1.6	(0.0)	1.6	Increase
Infrastructure and Major Projects	15.9	14.0	(2.0)	(0.4)	(1.6)	Decrease
Environment	9.5	9.1	(0.3)	0.2	(0.5)	Decrease
Surrey Fire and Rescue	6.0	5.0	(1.0)	0.0	(1.0)	Decrease
Infrastructure Total	**153.4**	**151.6**	**(1.7)**	**(0.2)**	**(1.5)**	Decrease
IT						
IT Service Schemes	9.2	7.1	(2.1)	0.0	(2.1)	Decrease
IT Total	**9.2**	**7.1**	**(2.1)**	**0.0**	**(2.1)**	Decrease
Total	**268.3**	**270.9**	**2.6**	**(0.9)**	**3.5**	**Increase**

11. The overall variance is attributable to the following:

- **Property Schemes - £6.3m variance over budget.**
  The variance reflects the inclusion of spend in relation to the Agile Office Programme which was not in the re-set budget. In addition, there is acceleration of £1.3m on Looked After Children Schemes to reflect the acquisition of Homes of Multiple Occupancy for care leavers accommodation.

  This is offset by significant slippage across a number of schemes including Independent Living (£1.4m), SEND (£5.1m), Extra Care (£3.4m) and Alternative Provision (£2.8m), delays are caused in the main by the planning process much of which is outside the control of the council's planning team. These delays do not impact on MTFS 2024/25 efficiencies. In addition, there is a delay of c£2m on Depots following a decision to delay works until after the gritting season.

  The majority of the reduced SEND spend this year relates to the new Hopescourt school scheme (-£2m), the new school building remains on track to open in May 2025. The school will open as planned in September 2024 on the temporary site of the former Hurst Park Primary site. There are also smaller reductions due to delays relating to several other schools. The cost containment targets aligned with the Safety Valve Agreement for Financial Year 2023/24 are forecast to be on track, subject to all 234 additional places brought on from September 2023 places being filled. Along with the phasing in of additional places from projects delivered in previous years, the programme will create around 270 new places from September 2024.

- **Infrastructure - £1.7m variance under budget** due to a number of offsetting cases of acceleration and slippage. Significant variations within Highways & Transport include acceleration of bridge strengthening (£2.8m), flooding & drainage (£1.3m) and safety barrier schemes (£1.4m) offset by slippage on the acquisition of ultra low emission buses (£3.3m) and local transport schemes (£0.8m). Within Infrastructure Planning & Major Projects there is £1.1m of slippage in relation to the A320 works and smaller variations on other schemes. Slippage of £1m is forecast on purchase of fire engines due to the timing of stage payments for appliances which have been ordered.

IT - £2.1m variance under budget due to delays to the planned laptop refresh, following the outcome of the pilot and test phase.

Consultation:

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

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Risk Management and Implications:

13. 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:

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

Section 151 Officer Commentary:

15. 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.

16. 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.

17. 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.

Legal Implications – Monitoring Officer:

18. 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.

19. 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:

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20. 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.

21. 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:

22. 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

Annexes:

Annex 1 – Detailed Outturn position

Annex 2 - Balance Sheet indicators – Q1 2023/24

Detailed Revenue Outturn Position

Annex 1

Service	Cabinet Member	Gross budget	Net budget	Forecast	Outturn variance
Family Resilience	C Curran	£58.4m	£58.4m	£58.3m	(£0.1m)
Education and Lifelong Learning	C Curran	£28.2m	£28.5m	£28.6m	£0.1m
Commissioning	C Curran	£69.6m	£70.1m	£78.0m	£7.9m
Quality & Performance	C Curran	£10.3m	£10.3m	£10.0m	(£0.3m)
Corporate Parenting	C Curran	£94.1m	£94.1m	£108.6m	£14.5m
Exec Director of CFLL central costs	C Curran	-£3.4m	-£3.4m	£1.3m	£4.8m
Children, Families and Lifelong Learning		**£257.1m**	**£257.9m**	**£284.9m**	**£27.0m**
Public Health	M Nuti	£35.8m	£35.8m	£35.8m	£0.0m
Public Service Reform	D Lewis	£2.3m	£2.3m	£2.2m	(£0.2m)
Public Health and PSR		**£38.1m**	**£38.1m**	**£37.9m**	**(£0.2m)**
Adult Social Care	**S Mooney**	**£439.7m**	**£439.4m**	**£441.4m**	**£2.1m**
Highways & Transport	M Furniss	£67.2m	£67.4m	£67.6m	£0.2m
Environment	M Heath/ N Bramhall	£82.6m	£81.5m	£81.7m	£0.2m
Infrastructure, Planning & Major Projects	M Furniss	£2.8m	£2.8m	£2.8m	(£0.0m)
Planning Performance & Support	M Furniss	£1.9m	£2.1m	£2.2m	£0.1m
Emergency Management	K Deanus	£0.5m	£0.5m	£0.6m	£0.0m
Environment, Transport & Infrastructure		**£155.0m**	**£154.3m**	**£154.8m**	**£0.5m**
Surrey Fire and Rescue	**K Deanus**	**£38.7m**	**£38.7m**	**£38.8m**	**£0.1m**
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	£0.1m	(£0.0m)
Communications	T Oliver	£2.1m	£2.1m	£2.1m	(£0.0m)
Communications, Public Affairs and Engagement		**£2.2m**	**£2.2m**	**£2.2m**	**(£0.0m)**
PPG Leadership	T Oliver	£0.3m	£0.3m	£0.3m	(£0.0m)
Economic Growth	M Furniss	£1.8m	£1.8m	£1.7m	(£0.1m)
Partnerships, Prosperity and Growth		**£2.2m**	**£2.2m**	**£2.1m**	**(£0.1m)**
Community Partnerships	D Turner-Stewart	£1.9m	£1.9m	£1.8m	(£0.1m)
Customer Services	D Turner-Stewart	£3.0m	£3.0m	£3.1m	£0.1m
Customer Experience	D Turner-Stewart	£0.5m	£0.5m	£0.5m	£0.0m
Cultural Services	D Turner-Stewart	£8.3m	£8.3m	£8.9m	£0.6m
Customer and Communities Leadership	D Turner-Stewart	£2.2m	£2.2m	£1.8m	(£0.4m)
Registration and Nationality Services	D Turner-Stewart	-£1.5m	-£1.5m	-£1.5m	(£0.0m)
Trading Standards	D Turner-Stewart	£1.9m	£1.9m	£1.8m	(£0.1m)
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		**£20.8m**	**£20.8m**	**£20.9m**	**£0.1m**
Land & Property	N Bramhall	£26.4m	£25.1m	£25.7m	£0.5m
Information Technology & Digital	D Lewis	£20.2m	£20.2m	£20.2m	£0.0m
Twelve15	D Lewis	-£1.1m	-£1.1m	-£1.2m	(£0.1m)
Finance	D Lewis	£7.7m	£7.7m	£7.5m	(£0.2m)
People & Change	T Oliver	£7.8m	£7.8m	£8.1m	£0.2m
Legal Services	D Lewis	£5.9m	£5.9m	£5.9m	(£0.0m)
Joint Orbis	D Lewis	£6.2m	£6.2m	£6.2m	£0.1m
Democratic Services	D Lewis	£3.8m	£3.8m	£3.9m	£0.0m
Business Operations	D Lewis	£0.8m	£0.8m	£1.3m	£0.5m
Executive Director Resources (incl Leadership Office)	D Lewis	£3.6m	£3.8m	£3.9m	£0.1m
Corporate Strategy and Policy	D Lewis	£1.2m	£1.2m	£1.1m	(£0.1m)
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		**£84.4m**	**£83.3m**	**£84.3m**	**£1.0m**
Central Income & Expenditure	**D Lewis**	**£47.4m**	**£45.5m**	**£38.2m**	**(£7.3m)**
Directorate position		**£1,085.5m**	**£1,082.3m**	**£1,105.6m**	**£23.3m**
Contingency	**D Lewis**	**£20.0m**	**£20.0m**	**£0.0m**	**(£20.0m)**
Corporate Funding			**-£1,102.2m**	**-£1,102.2m**	**£0.0m**
Overall		**£1,105.5m**	**£0.1m**	**£3.4m**	**£3.3m**

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Annex 2 – Balance Sheet indicators – Q3 2023/24

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, which are reported to Cabinet 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	2028/29 Budget
	£m	£m	£m	£m	£m	£m	£m
Capital Programme - Budget	202	268	405	344	231	164	147
Capital Programme - Pipeline	0	68	121	250	127	60	53
Sub-total Capital Programme	202	336	526	594	359	223	201
Capital investment	0	0	23	2	0	0	0
TOTAL	**202**	**336**	**549**	**596**	**359**	**223**	**201**

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 31st March	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
	£m	£m	£m	£m	£m	£m	£m
Capital Programme	935	1,069	1,390	1,713	1,861	1,939	2,015
Investment Programme	448	439	453	446	437	428	420
TOTAL CFR	**1,382**	**1,508**	**1,844**	**2,159**	**2,298**	**2,367**	**2,435**

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 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Ratio of Net Financing Costs to Net Revenue Stream	2.2%	2.1%	3.4%	4.9%	6.1%	6.9%	7.6%

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 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Total net income from service and commercial investments	17	19	19	19	19	19	19
Proportion of net revenue stream	1.6%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%

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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 £463.3m and has not increased this year.

6. As at 31 December 2023, the weighted average interest rate of the Council's long term debt portfolio is 3.66%. 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 £112m increase in the Council's short-term borrowing activity since 30 September 2023.

Table 5: Short term borrowing as at 30 September 2023

	£m
Debt outstanding as at 30 September 2023	110
Loans raised	142
Loans repaid	(30)
Quarter movement	112
Current Balance as at 31 December 2023	222

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 5.44% at 31 December 2023 (2.91% at December 2022).

Investments

8. The Council's average daily level of investments has been £100.7m during 2023/24 (up to the end of Q3), compared to an average of £124.2m during 2022/23 (up to the end of Q3). The lower cash investment balances reflect management of the Council's cash flow and the higher borrowing costs incurred currently for short-term borrowing.

9. The Bank of England (BoE) base rate has not increased during the quarter and remains at 5.25%. 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.

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10. Table 6 shows the weighted average return on all investments the Council received in the quarter to 31 December 2023 is 5.29%. This compares to a 5.25% 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)	-	-	0.95%	0.77%	0.10%	0.01%
Quarter 3 (Dec)	5.25%	5.29%	1.61%	1.48%	0.10%	0.02%
Quarter 2 (Sep)	5.16%	5.02%	2.82%	2.56%	0.13%	0.03%
Quarter 1 (Jun)	4.44%	4.33%	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 31 December 2023, the Council raised invoices totalling £69.2m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total £57.4m of overdue debt at the end of December, an increase of £10.7m since the last quarter. General debt increased has increased by £7.7m since the last quarter. Integrated Care Board debt has also increased by £1.9m since the last quarter.

13. Unsecured social care overdue debt has increased by £0.2m 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.

Table 7: Age profile of the Council's debt as at 31 December 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	Q2 Overdue debt £m	Change £m
Care debt – unsecured	4.6	11.0	5.7	5.7	26.9	22.3	22.1	0.2
Care debt – secured	0.4	5.3	2.8	3.9	12.3			
Total care debt	**5.0**	**16.3**	**8.4**	**9.6**	**39.2**	**22.3**	**22.1**	**0.2**
Schools, colleges and nurseries	1.3	1.9	0.1	0.0	3.3	2.0	2.4	(0.3)
Integrated Care Boards	-4.0	17.6	1.2	0.2	15.0	19.0	17.1	1.9
Other local authorities	0.5	1.4	0.1	0.0	2.1	1.5	0.4	1.1
General debt	2.3	10.6	0.9	0.9	14.8	12.5	4.8	7.7
Total non-care debt	**0.2**	**31.6**	**2.2**	**1.1**	**35.2**	**35.0**	**24.6**	**10.4**
Total debt	**5.1**	**47.9**	**10.6**	**10.7**	**74.4**	**57.4**	**46.7**	**10.7**
Q2 2023/24	**29.6**	**37.8**	**10.4**	**10.2**	**87.9**	**46.7**		
Change	(24.4)	10.1	0.3	0.5	(13.5)	10.7		

** 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*