SURREY COUNTY COUNCIL

CABINET

DATE: **25 JUNE 2024**

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

LEAD OFFICER: **ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR FOR FINANCE & CORPORATE SERVICES (INTERIM S151 OFFICER)**

SUBJECT: **2023/24 OUTTURN 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 sets out Surrey County Council's 2023/24 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 provided strong foundations for the Council's finances during a significantly challenging financial year.

- The 2023/24 financial year has featured some of the most severe pressures faced for many years. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades.

- The Council has ended the year with a £2.8m overspend (less than 0.3% of the net revenue budget), after the utilisation of the base budget risk contingency of £20m. It is recommended that this is covered by a draw-down from the Budget Equalisation Reserve, to mitigate the impact on the General Fund. The requirement to utilise the contingency for a second year in succession and the need to draw on reserves to balance the year-end position for the first time since 2017/18, reflects the significant pressures and high inflation environment experienced throughout the year.

- 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."

- The Council achieved £53.9m (c78%) of the £69.4m target of efficiencies set out at the beginning of the financial year, including those delivered through transformation programmes. In addition, there was £5m of early or over achievement of efficiencies to mitigate some of the impact of those unachieved. Further details on efficiencies achieved and reasons for non-achievement are set out in paragraph 21-23.

- 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 2024/25 budget monitoring position and actions taken to mitigate, where it has not already been reflected as part of the 2024/25 budget setting process.

- The revenue outturn shows an improvement of £0.5m from M11, mainly relating to the net of:

Increased overspends of £1.5m in the following Directorates:

- **Adult Social Care deteriorated by £0.8m** due to £1.9m increased pressures on the care package budget related to higher than forecast care package expenditure, reduced joint funding income, a higher than forecast increase to bad debt provisions for assessed charges and NHS debts and £0.3m increased staffing expenditure. Partially offset by £1.1m reduced net expenditure on community equipment and carers services, and £0.3m of increased government grant income.

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- **Children, Families and Lifelong Learning deteriorated by £0.2m**, due to a small increase in the home to school transport cost and some minor changes across a number of other budget areas.

- **Environment, Transport & Infrastructure deteriorated by £0.3m**, primarily due to waste management costs including higher business rates and increases in the volume of some types of waste. These were partially offset by smaller reductions across other services including increased recharges and income, and the impact of a milder winter on highway costs.

- **Resources deteriorated by £0.2m**, due to a further £0.3m of Business Services spend to support its improvement programmes, offset by a net reduction of £0.1m from smaller changes across various services in the Directorate.

Offset by £2m reductions in the following:

- **Customer and Communities improved by £0.1m** in various services, mainly due to recruitment delays and additional income.

- **Prosperity, Partnerships & Growth improved by £0.1m** improved, due to reduced spending relating to the Surrey Growth Fund.

- **Central Income & Expenditure and Corporate Funding improved by £1.8m**, due to a number of offsetting movements, materially, an overspend on the feasibility fund, an under-recovery on income from investment properties and subsidiaries and increases in corporate costs (such as additional pay inflation relating to the pay award and the Pay & Reward Project), offset by further underspending on the redundancy budget and additional business rate income.

Key Messages – Capital

- The Council set a capital budget for 2023/24 of £308.7m in January 2023. The budget was reset at month five to £266.7m, 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 was £278.2m. Capital spend managed by the Strategic Capital Groups was £293.1m, which is a variance to the re-set budget of £14.9m (5.4%). In addition, a further £4.5m of spend was incurred relating to Your Fund Surrey and £1.1m of spend on existing commercial property.

- The variance of £14.9m was made up of £11.1m net acceleration, and an overspend of £3.8m of which £2.7m was funded by additional grants and contributions. Further details are set out in Table 5 below.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's revenue and capital positions for the year.
2. Approves the drawdown of £2.8m from the Budget Equlaisiation Reserve to fund the overspend position and offset the impact on the General Fund Balance.
3. Approves capital carry forwards of £39.2m. £15.9m is requested to be carried forward into the 24/25 capital programme, with the remaining £23.3m in 2025/26.

Reason for Recommendations:

This report is to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for information and approval of any necessary actions. 16

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. Despite this strong position, the 2023/24 financial year has been very challenging and the Council has ended the year with an overspend of £2.8m. This is due primarily to significant pressures in key services including Home to School Travel Assistance, Adults Social Care and Children's Social Care Placements.

2. Table 1 below shows the revenue financial position for the year by Directorate. Annex 1 provides a more detailed service outturn.

Table 1 - Summary revenue financial position as at 31 March 2024

	Outturn £m	Annual Budget £m	Outturn Variance £m
Adult Social Care	443.8	441.3	2.6
Public Service Reform & Public Health	38.5	38.7	(0.2)
Children, Families and Lifelong Learning	286.5	257.6	28.9
Environment, Transport & Infrastructure	156.4	156	0.3
Surrey Fire and Rescue	38.8	38.7	0.1
Customer & Communities	21	20.9	0.0
Resources	97.8	96.7	1.1
Communications, Public Affairs and Engagement	2.2	2.2	(0.1)
Prosperity, Partnerships & Growth	1.9	2.2	(0.3)
Directorate position	1,086.80	1,054.30	32.6
Contingency	0.0	20.0	(20.0)
Central Income & Expenditure	37.0	27.9	8.8
Corporate Funding	(1,121.0)	(1,102.2)	(18.5)
Overall	2.8	0.0	2.8

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

3. A budget of £1,101.5m was approved by Council on 7th February 2023. The Budget was later adjusted to £1,102.2m, due to final movements in Dedicated School Grant funding allocations within the Children, Families & Lifelong Learning Directorate and final Public Health Grant allocations for the year.

4. During the year the impact of high inflation and significant demand and cost pressures was monitored closely and in October 2023, 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.

5. The final outturn shows a deficit of £2.8m, which includes the full use of the £20m contingency. The Directorate outturn variances can be summarised as follows:

Adult Social Care (ASC) Directorate

6. The final outturn position was an overspend of £2.6m. The main budget variances were:

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- A net overspend on the total care package budget of £10.9m (2.8%) across all client groups due to demand and market pressures and non-achievement of some efficiencies, leading to higher than budgeted care package expenditure, partially mitigated by higher care package income for assessed charges and NHS joint funding, in part linked to demand growth and in part due to higher than budgeted inflation for assessed charging income.
- A small overspend of £0.5m on the total ASC staffing budget, primarily driven by increased employer pension contributions at year end.

Mitigated by:

- £5.1m net benefit due to additional government grant income, largely relating to the Market Sustainability & Improvement Fund grant, which was used to help fund fee increase to providers, and additional transformation and improvement costs funded by some of the extra grant income.
- £2.5m net underspend on wider support services, largely due to underspends on community equipment and carers services and taking into account corresponding lower than budgeted Better Care Fund (BCF) income for these and other BCF funded services for which less was spent that budgeted.
- £1.2m underspend on the ASC's budgeted contribution to Discharge to Assess system costs in Surrey Heartlands and Frimley due to increased health funding for these services in line with statutory NHS responsibilities.

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

7. The Public Service Reform and Public Health directorate ended the year with an underspend of £0.2m. Pressures relating to increased demand for sexual health services and NHS health checks were partially offset by staff vacancies and lower than budgeted inflation costs due to government funding being received for the impact of NHS Agenda for Change pay uplifts on public health contracts.

8. In addition to the £38.5m spent on base budget services, the Directorate managed a range of other external grants including the continued delivery of the Contain Outbreak Management Fund (COMF) which will be fully spent by September 2024, the Changing Futures programme supporting those with multiple disadvantages, the supplementary substance misuse grant and the suicide prevention and bereavement support programme.

Children, Families and Lifelong Learning (CFLL) Directorate

9. The CFLL Directorate ended the financial year with an overspend of £28.9m. This was due to significant variances across a number of key areas:
   - The most significant area of overspend was social care placements and allowances (£16.8m), with a national lack of market sufficiency and price inflation having a significant impact on external agency placements.
   - Home to school travel assistance had an overspend of £10.3m. This was a result of both increases in demand related to the Education Health & Care Plan (EHCP) recovery work and increased costs above normal levels of inflation.
   - Children with Disabilities (CWD) care budgets have also been impacted by rising demand, causing an overspend of £1.5m.
   - Legislation requires matching of special guardianship rates paid to those of fostering allowances resulting in a further £1.9m pressure.

10. These overspends were offset by underspends in internal foster care costs of £1.6m and additional grant receipts in relation to UASC (Unaccompanied Aylum Seeking Children). 16

DSG High Needs Block Safety Valve

11. 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 following 6 years, with the Council contributing £144m from set-aside reserves.

12. The Council has now successfully completed the second year of the agreement and the progress and delivery achieved has been recognised by the DfE, resulting in a total £76.3m of the committed £100m funding received by the end of 2023/24.

13. The safety valve agreement contained a projected in-year deficit for 2023/24 of £32.4m. The final outturn was an overspend of £33.5m, an overspend of £1.1m. Due to the over delivery of £1.9m in 2022/23, the cumulative position has remained within the perimeters of the agreement.

Surrey Fire & Rescue Service

14. The Surrey Fire & Rescue Service reported an overspend of £0.1m primarily due to an unfunded national pay award (£0.7m) and vehicle running costs (£0.3m), offset by staff vacancies (£0.5m), efficiencies from shared support costs of Joint Fire Control (£0.2m), and grant utilisation (£0.2m).

Environment, Transport, and Infrastructure (ETI) Directorate

15. ETI reported an overspend of £0.3m which is the net of a number of variances across services. These include overspends in Environment (£0.7m) primarily due to waste management costs, and Planning Performance & Support (£0.4m) due to additional project management capacity to support service improvements and legislative change, and dedicated resources to support community engagement activities and events. These are offset by underspends in Infrastructure Planning & Major Projects (£0.5m) due to higher capital recharges and Highways & Transport (£0.3m) where pressures including higher staffing costs and reduced income were offset by savings including reduced concessionary fares costs and the impact of a milder winter.

Customer and Communities (C&C) Directorate

16. C&C reported a full year balanced position a -£0.1m change since than last month. Overall, pressures in Libraries due to income shortfall (£0.2m) and staffing pressures in both Libraries and Customer Services (£0.3m) were offset by underspends in other services mainly due to staffing.

Resources Directorate

17. The Directorate reported a £1.1m overspend, a £0.2m deterioration since last month. Overall, there are several variances across the directorate for 2023/24. Business Services has a net under-recovery of income of £0.9m due to reduced payroll income from maintained, Multi-Academy Trust & Academy schools (£0.3m), the cost of additional support to deliver its payroll and pensions improvement programmes through payroll technical Unit 4 expertise and programme support (£0.4m) and a staffing overspend of £0.2m, due to delays implementing the new structure. Land and Property is overspent by £0.6m partly due to delays in the full financial benefit of the Facilities Management Contract (£0.3m), pressures relating to grounds maintenance (£0.2m) and increased Facilities Management works (£0.1m). These overspends are partially offset by staffing underspends and additional income in other services (£0.4m). The £0.2m increase since last month mainly relates to a further £0.3m of Business Services spend to support its improvement programmes, offset by a net reduction of £0.1m from smaller changes across various services.

Central Income & Expenditure and Corporate Funding

18. The net year position across the Central Income and Expenditure and Corporate Funding budgets was a £9.7m underspend. This was made up of a number of offsetting pressures and efficiencies, most notably one-off additional business rate income from the business rates pool gain, additional business rate multiplier compensation grant due to higher than forecast inflationary compensation and the allocated surplus on the business rates levy account announced in February**.** In addition, there is reduced spend against the corporate redundancy budget and a reduced uptake of the empty property subsidy from Borough & District councils. The increase in interest rates caused by successive increases in the Bank of England base rate has resulted in pressures on the interest payable budget which is more than mitigated by increased interest income from the Council's short term cash investments and an underspend on the Minimum Revenue Provision Budget due to reduced capital spending in 2022/23. These underspends were partially offset by overspends relating to corporate project costs, an overspend on the feasibility fund and an under-recovery on income from investment properties and subsidiaries.

19. The £20.0m contingency budget has been fully utilised in 2023/24, as approved by Cabinet, to offset the significant pressures experienced.

2024/25 Efficiency Programme Outturn

20. The 2023/24 budget, approved in February 2023, included £69.4m of targeted efficiencies. At outturn, £53.9m of efficiency savings were achieved, £48.8m of the original target and an additional £5m of efficiencies relating to over-achievement against the target or early achievement of future year efficiencies (equating to 78% overall). £20.4m were not achieved. Efficiencies by Directorate are shown in **Table 2**.

Table 2 – Efficiency Achievement by Directorate 2023/24 Outturn

Directorate	Full Year Target £m	Achieved £m	Un-achievable £m	Additional / Early / Over achieved £m
Adult Social Care	19.2	14.0	5.2	4.0
Children, Families and Lifelong Learning	33.5	27.0	6.5	0.2
Environment, Transport & Infrastructure	3.9	0.8	3.1	0.7
Surrey Fire and Rescue	0.9	0.5	0.4	0.1
Customer and Communities	0.8	0.8	0.0	0.0
Resources	6.4	5.6	0.8	0.0
Prosperity, Partnerships & Growth	0.1	0.1	0.0	0.0
Central Income & Expenditure	4.5	0.0	4.5	0.0
Total	**69.4**	**48.8**	**20.5**	**5.0**
		70%	30%	

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21. Reasons for variances in achievement against the original target comprise of the following:

- **Adults Social Care underachievement £5.2m, partially mitigated by £4.0m overachievement:** £2.8m of non-achievement relates to demand management and strengths based practice efficiencies which were not achieved due to demand pressures including complexity of care needs, £0.5m for lower than expected additional income related to Section 117 Aftercare and Continuing Health Care, £0.5m related to challenges in achieving the full targets for savings derived from changing care models, £0.4m related to underachievement for planned efficiencies for ASC's in-house reablement services and the remaining £1m related to contract and price based efficiencies which were difficult to achieve in full in the context of market pressures and the broader economic challenges. This was partially mitigated by £4.0m higher than budgeted efficiencies related to the closure of in-house operated Older People residential care homes and home-based care purchasing efficiencies. The overall net underachievement of £1.2m was one of the contributing factors in ASC's total £2.6m budget overspend in 2023/24.

- **Children, Families & Lifelong Learning underachievement £6.5m, partially mitigated by £0.2m overachievement:** The underachievement related to £2.8m of different elements of market management, £0.3m of delayed capital projects and £3.4m of stretch targets on managing demand that were not achieved in year. Continuing pressures related to supply in the market outstretching demand and limiting the ability to negotiate lower prices.

- **Environment, Transport & Infrastructure underachievement £3.1m, partially mitigated by £0.7m overachievement:** primarily due to increase market prices impacting on delivery of waste & recycling (£2m) and delayed benefits from the implementation of a new civil parking enforcement contract (£0.5m), partially offset by overachievement of a concessionary fares efficiency linked to reduced volumes.

- **Surrey Fire and Rescue underachievement £0.4m, partially mitigated by £0.1m overachievement:** primarily due to a reduction in overtime not being achieved, and instead being offset by staff vacancies.

- **Resources underachievement £0.8m:** mainly linked to delays in implementing both the MySurrey system and the new Facilities Management contract.

Central Income & Expenditure underachievement £4.5m: unallocated twin track efficiencies, relating to additional income and contract efficiencies.

22. The level of unachieved efficiencies in 2023/24 reflects 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 2024/25 and beyond is being assessed in order to put appropriate mitigations in place.

Financial Resilience and the use of Reserves:

23. 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 and delivered service improvement, delivered ambitious investment in capital and transformation programmes.

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24. In addition, the Council has built back depleted reserves to an appropriate level, given the assessed risk environment and specific pressures, to ensure our continued financial resilience in an increasingly volatile and uncertain external environment.

25. The 2023/24 financial year has featured some of the most severe pressures faced for many years. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades. The Council has ended the year with a £2.8m overspend, after the utilisation of the base budget risk contingency of £20m. The requirement to utilise the contingency for a second year in succession and the need to use reserves to balance the budget, reflects the significant pressures and high inflation environment experienced throughout the year.

26. The budget for 2023/24, as approved by Full Council in February 2023, did not require the use of reserves to balance the budget. The following summarises the most significant targeted use of earmarked reserves (i.e. using them for their intended purpose to cover one-off or time-limited costs) included in the outturn position:

- £6.9m net draw down from the Transformation Reserve (£8m base budget contribution to the reserve, less £14.9m transformation spend in 2023/24)
- £13.4m from the Budget Equalisation Reserve for the following:
  - £5.4m to fund additional investment, targeting improvement in service delivery in some specific areas facing sustained pressure and changing demands (as approved by Cabinet in October 2023).
  - £2.3m to fund one off costs of the Agile Office Programme (as approved by Cabinet in December 2021).
  - £2m from the Workforce Innovation Fund and £0.9m from the Mental Health Improvement Fund (set up in 2022/23).
  - £2.8m relating to a number of smaller items of agreed prior year carried forward underspend positions and project spend.

27. In addition to the above, it is recommended that Cabinet approve a drawdown of £2.8m from the Budget Equalisation Reserve to fund the overspend position and offset the impact on the General Fund Balance.

28. The Council will continue to face challenges to its 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.

29. The Council's level of reserves remain appropriate to provide the financial resilience required in the risk environment in which local authorities operate. Reserves available to enhance financial resilience (excluding those specifically earmarked) stand at c12% of the 2024/25 net revenue budget. 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.

2023/24 Schools Outturn

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30. Surrey's DSG allocation as at March 2023/24 was £562.9m net (£1,102.1m gross including academies recoupment and academy and college SEND places). In total (excluding the additional safety valve payment) the total DSG blocks overspent by £31.5m, which is summarised in Table 3 below:

Table 3 - Dedicated Schools Grant variances 2023/24

Block	**Over/(under) £m**
Schools	(1.6)
Centrally managed schools block	0
High needs	33.5
Early years	(0.4)
	31.5
Safety valve payment 23/24	(12.3)
In-year movement	**19.2**

Schools Balances

31. Surplus balances held by individual Surrey maintained schools have increased overall by £2.2m. Table 4 sets out the variances:

Table 4 – Schools Balances

Total net surpluses (excluding schools converting to academies before 31 Mar 2024)

	31 March 23 £m	**31 March 24 £m**	**Increase/ (Decrease) £m**
Nursery	0.9	1.2	0.3
Primary	25.5	25.7	0.2
Secondary	11.4	13.6	2.2
Special	5.2	4.8	(0.4)
PRU	0.7	0.6	(0.1)
Total	43.7*	45.9	2.2

**Inclusive of 12 Schools which have since converted to Academy*

Capital Budget

32. The Council set a capital budget for 2023/24 of £308.7m in February 2023. The budget was reset at month five to £266.7m, 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 was £278.2m.

33. Against the £278.2m budget, the capital spend on schemes managed by the Strategic Capital Groups was £293.1m, which is a variance of £14.9m (5.4%), this consists of a number of offsetting variances, the most significant being the purchase of Victoria Gate in Woking, the budget for which was assumed in future years. In addition to the spend managed via Strategic Capital Groups, a further £4.5m of capital spend was incurred relating to Your Fund Surrey and £1.1m of spend on existing commercial property.

34. The variance of £14.9m represents additional expenditure of £10.0m from the M11 variance, due to:

- Highways and Transport schemes – increase of £6.8m, mainly related to road and bridge maintenance schemes which were accelerated.
- Land & Property schemes – increase of £4.4m mainly due to acceleration in corporate and schools maintenance programmes, including decarbonisation schemes.

Offset by;

- IT Service schemes – decrease of £0.5m due to delays in the delivery of the corporate IT hardware refresh.
- Environment schemes – decrease of £0.8m due to slippage with the flood alleviation wider schemes.

35. Table 5 below provides a summary of the outturn for the 2023/24 Capital budget:

Table 5 - Summary capital spend for 2023/24

Strategic Capital Groups	Annual Budget	Final outturn	Outturn variance	Overspend / (underspend)	Acceleration / (slippage)	Change from M11 to M12
	£m	£m	£m	£m	£m	£m
Property						
Property Schemes	101.8	110.0	8.2	(0.1)	8.3	4.4
ASC Schemes	1.6	1.9	0.3	0.4	(0.1)	0.3
CFLC Schemes	12.1	12.2	0.1	0.7	(0.5)	0.4
Property Total	**115.5**	**124.1**	**8.6**	**1.0**	**7.7**	**5.1**
Infrastructure						
Highways and Transport	122.1	136.8	14.8	2.6	12.2	6.8
Infrastructure and Major Projects	16.1	12.9	(3.2)	0.0	(3.2)	(0.5)
Environment	9.3	8.3	(1.0)	(0.2)	(0.9)	(0.8)
Surrey Fire and Rescue	6.0	4.4	(1.6)	0.0	(1.6)	(0.2)
Infrastructure Total	**153.5**	**162.4**	**8.9**	**2.4**	**6.5**	**5.3**
IT						
IT Service Schemes	9.2	6.6	(2.6)	0.4	(3.1)	(0.5)
IT Total	**9.2**	**6.6**	**(2.6)**	**0.4**	**(3.1)**	**(0.5)**
Total Strategic Capital Groups	**278.2**	**293.1**	**15.0**	**3.8**	**11.1**	**10.0**
Commercial Property		1.1				
YFS		4.5				
Total expenditure		**298.7**				

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

Carry forward

36. Of the £14.9m variance to budget, £11.1m is a net acceleration of budget from future years for works delivered in 2023/24. This net acceleration is made up of £39.2m of

carry forward requests, offset by £50.3m of accelerated spend from 2024/25 delivered in 2023/24.

37. Of the £39.2m of carry forwards proposed, £15.9m is to be profiled into 2024/25 and the remaining £23.3m will be added into 2025/26. All 2024/25 carry forwards have been profiled into the first six months of the financial year.

38. Of the net £3.8m overspend, £2.7m is funded by additional unbudgeted grants and contributions. The remaining £1.1m will reduce future capital budgets.

39. The net effect of carry forwards, accelerated spend and the net overspend is a decrease of £15.3m in the 2024/25 budget from £404.9m to £389.6m.

Feasibility Fund

40. The Feasibility fund used for progressing capital projects into delivery and bringing schemes forward from pipeline had an outturn position of £6.6m, against a budget of £5.0m. The residual £1.6m 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.

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Balance Sheet Indicators

41. The Council reports key balance sheet indicators relating to debt and treasury management on a quarterly basis.

42. The Council's overdue debt stood at £52.8m at 31st March 2024, an improvement of £4.6m since last quarter. **Annex 2** provides further details on this.

43. 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:

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

Risk Management and Implications:

45. 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.

Financial and Value for Money Implications:

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

Section 151 Officer Commentary:

47. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty 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 deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.

48. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 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.

49. 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.

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Legal Implications – Monitoring Officer:

50. 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. 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:

51. 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. 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:

Anna D'Alessandro, Director of Finance, Corporate & Commercial (Interim s151 Officer)
Anna.DAlessandro@surreycc.gov.uk

Consulted:

Cabinet, Executive Directors, Heads of Service

Annexes:

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

Annex 1

Detailed Revenue Outturn position

Service	Cabinet Member	Net budget	Outturn	Outturn variance
Family Resilience	C Curran	£59.5m	£59.9m	£0.4m
Education and Lifelong Learning	C Curran	£27.5m	£27.6m	£0.0m
Commissioning	C Curran	£3.9m	£3.9m	(£0.1m)
Quality & Performance	C Curran	£75.7m	£85.7m	£10.0m
Corporate Parenting	C Curran	£95.2m	£109.1m	£13.9m
Exec Director of CFLL central costs	C Curran	-£4.3m	£0.4m	£4.7m
Children, Families and Lifelong Learning		**£257.6m**	**£286.5m**	**£28.9m**
Public Health	M Nuti	£35.8m	£35.8m	£0.0m
Public Service Reform	D Lewis	£2.9m	£2.7m	(£0.2m)
Public Health and PSR		**£38.7m**	**£38.5m**	**(£0.2m)**
Adult Social Care	**S Mooney**	**£441.3m**	**£443.8m**	**£2.6m**
Highways & Transport	M Furniss	£65.9m	£65.7m	(£0.3m)
Environment	M Heath/ N Bramhall	£81.3m	£82.0m	£0.7m
Infrastructure, Planning & Major Projects	M Furniss	£6.4m	£5.9m	(£0.5m)
Planning Performance & Support	M Furniss	£1.9m	£2.2m	£0.4m
Emergency Management	K Deanus	£0.5m	£0.5m	(£0.0m)
Environment, Transport & Infrastructure		**£156.0m**	**£156.4m**	**£0.3m**
Surrey Fire and Rescue	**K Deanus**	**£38.7m**	**£38.8m**	**£0.1m**
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	(£0.0m)
Communications	T Oliver	£2.1m	£2.1m	(£0.0m)
Communications, Public Affairs and Engagement		**£2.2m**	**£2.2m**	**(£0.1m)**
PPG Leadership	T Oliver	£0.3m	£0.3m	(£0.1m)
Economic Growth	M Furniss	£1.8m	£1.6m	(£0.2m)
Partnerships, Prosperity and Growth		**£2.2m**	**£1.9m**	**(£0.3m)**
Community Partnerships	D Turner-Stewart	£1.9m	£1.8m	(£0.1m)
Customer Services	D Turner-Stewart	£3.0m	£3.1m	£0.1m
Customer Experience	D Turner-Stewart	£0.5m	£0.4m	(£0.1m)
Cultural Services	D Turner-Stewart	£8.3m	£8.8m	£0.5m
Customer and Communities Leadership	D Turner-Stewart	£2.2m	£1.7m	(£0.5m)
Registration and Nationality Services	D Turner-Stewart	-£1.5m	-£1.5m	£0.0m
Trading Standards	D Turner-Stewart	£1.9m	£1.9m	(£0.1m)
Health & Safety	D Turner-Stewart	£0.0m	£0.0m	£0.0m
Coroners	K Deanus	£4.6m	£4.8m	£0.1m
Customers and Communities		**£20.9m**	**£21.0m**	**£0.0m**
Land & Property	N Bramhall	£28.5m	£29.0m	£0.6m
Information Technology & Digital	D Lewis	£20.2m	£20.2m	(£0.0m)
Twelve15	D Lewis	-£1.1m	-£1.5m	(£0.4m)
Finance	D Lewis	£7.7m	£7.5m	(£0.2m)
People & Change	T Oliver	£7.8m	£7.9m	£0.1m
Legal Services	D Lewis	£5.9m	£5.8m	(£0.1m)
Joint Orbis	D Lewis	£6.1m	£6.4m	£0.3m
Democratic Services	D Lewis	£3.8m	£3.8m	£0.0m
Business Operations	D Lewis	£0.6m	£1.1m	£0.5m
Executive Director Resources (incl Leadership Office)	D Lewis	£3.9m	£4.3m	£0.4m
Corporate Strategy and Policy	D Lewis	£1.2m	£1.1m	(£0.1m)
Transformation and Strategic Commissioning	D Lewis	£1.5m	£1.4m	(£0.1m)
Transformation Programme	D Lewis	£10.3m	£10.3m	(£0.0m)
Procurement	D Lewis	£0.2m	£0.2m	£0.0m
Performance Management	D Lewis	£0.2m	£0.2m	£0.0m
Resources		**£96.7m**	**£97.8m**	**£1.1m**
Central Income & Expenditure	**D Lewis**	**£27.9m**	**£37.0m**	**£8.8m**
Directorate position		**£1,082.2m**	**£1,123.8m**	**£41.4m**
Contingency	**D Lewis**	**£20.0m**	**£0.0m**	**(£20.0m)**
Corporate Funding		**-£1,102.2m**	**-£1,121.0m**	**(£18.5m)**
Overall		**£0.0m**	**£2.8m**	**£2.8m**

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Balance Sheet Indicators

Debt

1. During the last quarter of 2023/24 the Council raised invoices totalling £85.3m. Overdue debt is the total debt less those balances not immediately due (i.e. less than 30 days old). There was a total of £52.8m of overdue debt at the end of March 2024, an improvement of £4.6m since the last quarter.

2. Unsecured social care overdue debt has increased by £1.3m since the last 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.

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3. Schools, colleges, and nurseries overdue debt decreased by £0.6m since last quarter. Integrated care boards overdue debt decreased by £3.8m since last quarter and general overdue debt decreased by £1.5m since the last quarter.

Table 1 – Age profile of the Council's debt as at 31 March 2024

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	4.5	11.1	6.7	5.9	28.1	23.7
Care debt – secured	0.5	4.8	2.9	4.5	12.6	0.0
Total care debt	**4.9**	**15.9**	**9.6**	**10.4**	**40.7**	**23.7**
Schools, colleges and nurseries	2.0	1.3	0.0	0.0	3.4	1.4
Integrated Care Boards	9.1	12.9	1.7	0.5	24.3	15.2
Other local authorities	1.4	1.5	0.1	0.0	3.0	1.6
General debt	4.9	8.7	1.4	0.9	16.0	11.0
Total non-care debt	**17.5**	**24.4**	**3.2**	**1.5**	**46.6**	**29.1**
Total debt	**22.4**	**40.3**	**12.8**	**11.9**	**87.3**	**52.8**
Q3 2023/24	**5.1**	**47.9**	**10.6**	**10.7**	**74.4**	**57.4**
Change	17.3	(7.6)	2.2	1.2	12.9	(4.6)

** 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.*

4. 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.

Treasury Management

5. 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.

6. As at 31 March 2024, the weighted average interest rate of the Council's long term debt portfolio is 3.66%. The Treasury Strategy for 2023/24, 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 3 below shows a net £24.4 increase in the Council's short-term borrowing activity since 31 December 2023.

Table 3: Short term borrowing as at 31 March 2024

	£m
Debt outstanding as at 31 December 2023	222.0
Loans raised	235.4
Loans repaid	(211.0)
Quarter movement	24.4
Current Balance as at 31 March 2024	246.4

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 6.22% at 31 March 2024 (3.64% March 23).

Investments

8. The Council's average daily level of investments has been £89.4m during 2023/24 (up to the end of Q4), compared to an average of £113.8m during 2022/23 (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 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 was increased on three occasions from 4.25% to a closing 5.25% at 31 March 2024. A series of cuts is anticipated in 2024/25. 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 due to cash balances being held to maintain sufficient liquidity and to reduce credit risk exposure.

10. Table 4 shows the weighted average return on all investments the Council received in the quarter to 31 March 2024 is 4.99%. This compares to a 5.00% average Bank of England (BoE) base rate for the same period.

Table 4: 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)	5.25%	5.27%	3.85%	3.67%	0.45%	0.28%
Quarter 3 (Dec)	5.25%	5.29%	2.82%	2.56%	0.13%	0.03%
Quarter 2 (Sep)	5.16%	5.02%	1.61%	1.48%	0.10%	0.02%
Quarter 1 (Jun)	4.44%	4.33%	0.95%	0.77%	0.10%	0.01%

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