

SURREY COUNTY COUNCIL

CABINET

DATE: 21 JULY 2020



**REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES AND
LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES**

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: 2020/21 MONTH 2 (MAY) FINANCIAL REPORT

SUMMARY OF ISSUE:

This report provides the details of the County Council's 2020/21 financial position as at 31st May 2020 (M2) for revenue and capital budgets, and the expected outlook for the remainder of the financial year, as well as proposing a budget reset to take account of COVID-19 pressures.

Key Messages – Revenue

- At M2, the Council is forecasting a **Business as Usual (BAU) deficit of £4.7m**, against the budget approved by Council in February 2020. The **details are shown in Annex 1 and summarised in Table 1**.
- At M2, **a deficit of c£5.8m is forecast against the Government COVID-19 funding, an improvement of c£14.8m** compared to M1. If there is no additional Government funding, the deficit will need to be mitigated by additional efficiencies or use of the contingency budget. The full impact of COVID-19 on the Council remains very much dependent on the extent of lockdown, social distancing measures and any additional Government funding. **Details are set out in Table 2**.
- The Council has received £47m of general COVID-19 funding and £19.2m of ring-fenced Adult Social Care Infection Control funding for care homes and infection control measures across the wider care sector. £0.9m of the general funding was used to fund 2019/20 COVID-19 costs, with the balance carried forward into 2020/21. A number of smaller ring-fenced grants have also been received and are managed within the overall Directorate position.
- On 2 July, the Government announced a further tranche of COVID-19 funding. The Council's share of the £500m national allocation has yet to be confirmed at the time of writing.
- The improvement in the COVID-19 forecast reflects ongoing work to ensure robust plans are in place to deal with the impact of the crisis on the Council's finances. This work needs to continue in order to ensure the delivery of the efficiency programme and to minimise the risk that the contingency budget is insufficient to meet the impact of COVID-19 and other emerging pressures.

- The forecasts at Month 2 have been used to reassess the 2020/21 budget envelopes in light of the additional costs and lost income related to COVID-19. Allocating budget to Directorates to balance COVID-19 pressures is a key part of reasserting budget accountability and ensuring that robust principles of budget management can continue to be applied across the organisation. Details of a proposed budget reset based on the M2 forecast are set out in **Paragraphs 7-9**.

Key Messages - Capital

- The Council approved a capital budget for 2020/21 of £175.7m in February 2020. At M1, Services were asked to re-profile the budget to recognise the impact of COVID-19 on scheme delivery, resulting in forecast spend of **£159m; slippage of £16.7m**, as reported to Cabinet in June.
- The M2 capital forecast shows **a largely unchanged position**, with forecast spend of **£159.1m; net slippage of £16.6m**. The forecast will continue to be reviewed monthly and the budget may be reset when the impact of COVID-19 is clearer. Details are set out in **Table 4**.

RECOMMENDATIONS:

The Cabinet is asked to:

1. note the Council's forecast revenue and capital budget positions for the year; and
2. approve the reset of the 2020/21 revenue budget envelopes to reflect the additional costs and lost income related to COVID-19 (Paragraphs 7- 9)

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 M2, the Council is forecasting a deficit of £4.7m on business as usual (BAU) service provision, against the budget approved by Council in February 2020. Against the Government's COVID-19 funding, a deficit of c£5.8m is forecast, an improvement of c£14.8m.

2. **Table 1** below shows the forecast revenue budget outturn for the year by Service, including COVID-19 related spend.

Table 1 - Summary revenue budget forecast variances as at 31 May 2020

Directorate	20/21 outturn forecast at M2 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since last month £m
Adult Social Care	372.1	372.1	0.0	0.0
Public Health	30.2	30.2	0.0	0.0
Children, Families, Lifelong Learning and Culture	251.7	250.2	1.4	1.4
Environment, Transport & Infrastructure	137.1	134.6	2.6	2.6
Community Protection	36.5	36.2	0.3	0.3
Transformation, Partnerships and Prosperity	17.5	17.4	0.1	0.1
Resources	72.2	71.8	0.4	0.4
Central Income & Expenditure	67.8	67.8	0.0	0.0
Business as usual	985.0	980.3	4.7	4.7
CV-19	(6.1)	(12.0)	5.8	(14.8)
Overall before central funding	978.9	968.4	10.5	(10.0)

Note: The Public Health grant is now shown within Central Income & Expenditure.

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

3. The BAU deficit is c£4.7m. This predominately consists of:

- £2.6m due to higher than budgeted cost of waste disposal in ETI; relating to volatility in waste disposal prices and the value of recyclable materials.
- Net £1.4m in CFLC:
 - £2.0m forecast non achievement of health income efficiency,
 - £1.8m increased demand (£1.3m increased corporate parenting caseload being provided by supported accommodation placements and £0.5m high number of unaccompanied asylum seeker children and other county children turning 18), and
 - c£1.0m for staffing in Corporate Parenting and Family Resilience due to agency staff covering permanent roles.

Offset by;

- £3.1m on home to school transport as a result of the current school closures
- £0.4m reduced expenditure in Libraries as a result of the current closures and mitigating actions.
- Although Adult Social Care is currently forecasting to achieve a balanced budget, this is currently reliant on using £1.3m of funds carried forward for ASC on a one-off basis. There is also a lot of uncertainty about the ongoing impact of the COVID-19 pandemic on ASC's BAU expenditure. One area of uncertainty that could have a material impact on ASC's outturn position is care packages following hospital discharge. Since the 19th March 2020 all new care packages following hospital discharge have been funded by the NHS under temporary COVID-19 funding regulations. Funding arrangements from August 2020 are yet to be confirmed nationally. The current forecast assumes that SCC will become responsible for care packages for those people who are assessed as ASC responsibility from October 2020. However, the timing or volume of packages that the Council has to fund could vary significantly from the current estimates. ASC is working very closely with CCG partners to

manage risks. This issue will continue to be monitored closely and forecasts updated as soon as greater clarity emerges.

COVID-19 Costs

- Table 2** below analyses the COVID-19 forecasts by Directorate and type of pressure, totalling the c£5.8m overall deficit. The overall deficit consists of a pressure of c£51.9m, offset by £46.1m of Government COVID-19 Funding (the balance after 2019/20 spend).
- This represents the latest forecast at the end of M2. The financial impact of COVID-19 is under continual assessment and is likely to change in subsequent months.

Table 2 – COVID-19 Forecast costs analysed by Directorate as at 31 May 2020

Directorate	Expenditure £m	Loss of Income £m	Efficiency Gap £m	Overall Pressure £m	Change in variance since last month £m
Adult Social Care	13.1			13.1	0.0
Public Health	0.1			0.1	(0.4)
Children, Families, Lifelong Learning and Culture	2.0	5.0		6.9	1.4
Environment, Transport & Infrastructure	3.1	1.2		4.2	1.8
Community Protection	0.3			0.3	0.1
Transformation, Partnerships and Prosperity	1.0			1.0	0.5
Resources	3.2	5.2		8.4	(1.4)
Local Resilience Forum (LRF) Cell expenditure	6.0			6.0	(2.9)
Central Income & Expenditure	4.3	3.4		7.7	(0.2)
Efficiency Prog Risk			4.3	4.3	(13.5)
Total CV-19 before Central Funding	32.9	14.7	4.3	51.9	(14.8)
Central Funding				(46.1)	0.0
Overall after Central Funding	32.9	14.7	4.3	5.8	(14.8)

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

- The forecast deficit for COVID-19 has improved by £14.8m since M1. This relates primarily to greater clarity on the forecast for unachievable efficiencies related to COVID-19; an improvement of £13.5m. The improvement recognises the work that continues to re-assess and drive forward delivery of efficiencies despite the challenging circumstances. However, a significant risk remains to the delivery of the programme and efficiencies will continued to be monitored closely throughout the year.

The forecast pressure of COVID-19 of c£51.9m (before applying the central grant funding) consists of:

Expenditure of £32.9m, primarily:

- £32.3m of Adult Social Care spend, including supporting care providers (£26.5m), increased staffing costs to manage demand (£2.7m), increased spend on care packages (£2.1m) and infection control Personal Protective Equipment (PPE) (£1.0m), offset by £19.2m Infection Control grant
- £2.0m of CFLC spend, including the cost of providing transportation costs for children and key workers over the school holidays (£0.6m); additional staffing to cover increased caseload (£0.9m) and £0.5m of other associated costs (e.g. counselling, foster care fees and refuge spaces)
- £3.1m in ETI including additional waste management activities including increased household waste tonnages (£2.0m); costs for pausing and restarting highway works (£0.5m)
- £3.2m in Resources including estimated cost of preparing properties to re-open while enabling social distancing and undertaking enhanced cleaning (£2.4m) and an increase in legal costs due to children's safeguarding cases (£0.5m).
- £6.0m Local Resilience Forum (LRF) cell expenditure (held in Central Income & Expenditure), including PPE (£4.6m) death management especially body storage costs and setting up temporary mortuary at Headley court (£0.5m), and £0.5m for Resident, Welfare, Volunteering costs.
- £4.3m Hardship fund payments to suppliers for across the authority but held in Central Income and Expenditure

Lost income of £14.7m, primarily:

- £5.0m in CFLC, across various services including Surrey Outdoor Learning & Development (SOLD), Surrey Arts, Adult Learning and Registrars
- £1.2m in ETI – for highway licenses and searches (£0.6m); planning fees (£0.3m).
- £5.2m in Resources, including rental income (£0.2m) and income from school meals (net of reduced food costs) (£5.0m)
- £3.4m in Central Income and Expenditure relating to loss of commercial letting income due to letting holidays and impact on dividends from Halsey Garton.

Unachievable schemes within the efficiency programme of £4.3m:

- £4.3m in Adult Social Care care package efficiencies across multiple client groups.

Reset of the 2020/21 revenue budget envelopes

7. The Council has received £47.0m of general CV-19 related funding. £0.9m was utilised for 2019/20 CV-19 costs with the balance carried forward to 2020/21. The 2020/21 revenue budget was approved at £968.4m and has been increased by £46.1m of remaining CV-19 funding. This gives a total budget of £1,014.5m for 2020/21.
8. At M2, the forecast for CV-19 is a deficit of £5.8m. £4.3m relates to non-delivery of efficiencies in ASC. To avoid disadvantaging Directorates who have yet to crystallise non-delivery, funding of this element will be deferred until the overall picture becomes clearer, if required. The deficit excluding non-delivery of efficiencies is therefore £1.5m.

9. It is proposed to reset the 2020/21 Directorate budgets to better reflect the COVID pressures. This will result in the £46.1m of grant funding, supplemented by £1.5m of contingency, being allocated to Directorates, leading to a proposed budget reset of £47.6m as shown below.

Table 3: Revenue £47.6m proposed budget reset distribution across the directorates.

Directorate	M2 Revenue Budget £m	Proposed M2 additional CV-19 budget (table 2) £m	Reset M2 Budget £m
Adult Social Care	372.1	13.1	385.2
Public Health	30.2	0.1	30.3
Children, Families, Lifelong Learning and Culture	245.2	6.9	252.1
Environment, Transport & Infrastructure	132.8	4.2	137.0
Community Protection	36.2	0.3	36.5
Transformation, Partnerships and Prosperity	17.4	1.0	18.4
Resources	66.7	8.4	75.1
Central Income & Expenditure	47.4	13.7	61.1
Total before contingency	948.0	47.6	995.6
Contingency	20.4	(1.5)	18.9
Total budget	968.4	46.1	1,014.5

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

Note: Central Income & Expenditure budget includes the Local Resilience Forum cell expenditure of £6.0m.

Capital Budget

10. In February 2020, Council approved a capital budget of £175.7m. At M1, a reprofiling exercise captured the likely impact of COVID-19 on Capital Programme delivery, resulting in forecast slippage of £16.7m and a net forecast of £159m.
11. **Table 4**, below, provides a summary of the forecast full-year outturn at M2; largely unchanged from M1 at £159.1m.

Table 4 - Capital Programme Forecast at M2

Strategic Capital Groups	Cabinet Member(s)	Forecast £m	Budget £m	Variance £m
Property				
Property Schemes	M Few	57.1	78.5	(21.4)
ASC Schemes	S Mooney	1.9	1.9	0.0
CFLC Schemes	M Lewis / J Iles	1.7	1.7	0.0
Property Total		60.6	82.0	(21.4)
Infrastructure				
Highways and Transport	M Furniss / C Kemp / N Bramhall	78.3	70.5	7.8
Environment	N Bramhall	1.9	2.6	(0.7)
Community Protection	D Turner-Stewart	3.8	3.8	0.0
Infrastructure Total		84.0	76.8	7.2
IT				
IT Service Schemes	M Few / Z Grant Duff	14.2	15.9	(1.8)
CFLC - EMS	M Lewis / J Iles	0.3	0.9	(0.6)
IT Total		14.5	16.8	(2.3)
Total		159.1	175.7	(16.6)

12. The net slippage of £16.6m consists of:

Property

- £21.4m: this slippage is across the majority of the programme and relates to the impact of social distancing on construction, and a shortage of materials and labour supply. The slippage may be offset by pipeline schemes which, once approved, will be included in the budget.

Infrastructure

- £1.3m of slippage in ETI; Illuminated Street Furniture (£0.8m) and Rights of Way Capital Spend (£0.5m), delays relating to COVID-19. The Rights of Way forecast has improved by £0.1m since M1.

Offset by:

- £8.4m ETI – Highways and Transport – unchanged spend on LEP schemes at M2, against a budget of £3.3m approved in February. However, an amount of £14.1m is also earmarked in the capital pipeline. The budget will be amended when spend more certain against the pipeline as the year progresses.

IT

- £0.6m CFLC; relating to delays in implementing the Education Management System and;
- £1.8m Resources - slippage due mainly to delays to the planned device refresh, as a result of lockdown and re-scoping of the Agile transformation project.

13. Capital Programme estimates will continue to be refined in subsequent months as our understanding of the impact of COVID-19 evolves. Opportunities to accelerate capital expenditure will be explored to mitigate the forecast slippage.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

15. Risk implications are stated throughout the report and each relevant director or head of service has updated their strategic and or service risk registers accordingly. In addition, the Leadership Risk Register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council and the sustainability of the Medium Term Financial Strategy. In the light of the financial risks faced by the Council, the Leadership Risk Register will be reviewed to increase confidence in Directorate plans to mitigate the risks and issues.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS:

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

SECTION 151 OFFICER COMMENTARY:

17. The Council has a duty to ensure its expenditure does not exceed resources available. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium term financial outlook is uncertain. The public health crisis has resulted in increased costs which are not fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. Within this context the Council will continue to develop and implement plans to ensure the delivery of services are contained within resources.
18. 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:

19. 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.
20. 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:

21. 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.
22. 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:

23. The relevant adjustments from the recommendations will be made to the Council's accounts.
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Contact Officer:

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Consulted:

Cabinet
Executive Directors
Heads of Service

Annex:

Annex 1 – Forecast revenue budget as at 31 May 2020.

Annex 1

Forecast revenue budget as at 31 May 2020

Service	Cabinet Member	Prior year to date actual £m	Year to date Budget £m	Year to date Actual £m	Year to date variance £m	Full Year Gross budget £m	Full year net budget £m	Full Year net forecast £m	Full year net forecast variance £m
Delegated Schools	J Iles	(0.0)	(0.1)	(0.1)	(0.0)	297.4	0.0	0.0	(0.0)
Education, Lifelong Learning & Culture	J Iles	4.7	11.5	46.2	34.7	230.8	59.6	59.1	(0.5)
Corporate Parenting	M Lewis	14.7	16.3	14.5	(1.8)	108.6	94.5	97.0	2.5
Commissioning	M Lewis / J Iles	1.8	8.5	6.5	(1.9)	127.5	50.7	49.7	(1.0)
Family Resilience	M Lewis	7.9	8.6	5.1	(3.4)	39.7	36.0	36.6	0.6
Quality & Performance	M Lewis / J Iles	1.2	1.4	1.2	(0.2)	10.3	8.4	8.2	(0.2)
Directorate wide savings		0.0	0.2	0.1	(0.0)	0.8	1.0	1.1	0.1
Children, Families, Lifelong Learning, and Culture		30.3	46.3	73.6	27.3	815.0	250.2	251.6	1.4
Public Health	S Mooney	5.7	4.8	4.7	(0.1)	30.3	30.2	30.2	0.0
Adult Social Care	S Mooney	56.3	62.8	58.4	(4.4)	500.9	372.1	372.1	0.0
Highways & Transport	M Furniss	9.2	9.3	8.5	(0.9)	74.5	63.4	63.4	0.0
Environment	N Bramhall	8.8	11.8	10.2	(1.7)	75.2	71.3	73.8	2.6
Leadership Team (ETI)	N Bramhall	0.1	(0.0)	0.1	0.1	(0.1)	(0.1)	(0.1)	(0.0)
Environment, Transport & Infrastructure		18.1	21.1	18.7	(2.4)	149.7	134.6	137.2	2.6
Fire and Rescue	D Turner-Stewart	5.5	5.2	5.3	0.0	36.1	31.4	31.4	0.0
Trading Standards	D Turner-Stewart	0.2	0.3	0.3	(0.0)	4.0	1.8	1.8	0.0
Chief of Staff	D Turner-Stewart	0.0	0.1	0.1	0.0	0.3	0.3	0.3	0.0
Emergency Management	D Turner-Stewart	0.0	0.1	0.1	0.0	0.5	0.5	0.5	0.0
Coroner	D Turner-Stewart	0.4	0.3	0.5	0.2	2.3	2.0	2.3	0.3
Health & Safety	D Turner-Stewart	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Armed Forces and Resilience	D Turner-Stewart	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Community Protection		6.1	6.0	6.4	0.3	43.4	36.2	36.5	0.3
Human Resources & Organisational Development	Z Grant-Duff	0.4	1.1	0.9	(0.2)	6.6	6.6	6.5	(0.0)
Insight, Analytics & Intelligence	Z Grant-Duff	0.5	0.5	0.7	0.2	4.0	3.3	3.4	0.1
Customer Services	Z Grant-Duff	0.5	0.5	0.5	(0.0)	3.1	2.9	3.0	0.1
Strategic Leadership	T Oliver	0.2	0.3	0.2	(0.0)	1.6	1.6	1.6	0.0
Communications	Z Grant-Duff	0.3	0.2	0.3	0.0	1.4	1.4	1.5	0.0
Economic Growth	C Kemp	0.0	0.1	0.1	0.0	0.8	0.8	0.8	0.0
Transformation Support Unit	All	0.0	0.1	0.2	0.0	0.8	0.8	0.8	0.0
Transformation, Partnership & Prosperity		1.9	2.9	2.9	(0.0)	18.3	17.4	17.6	0.1
Joint Operating Budget ORBIS	M Few	5.5	2.9	3.5	0.6	17.2	17.2	17.2	0.0
Land & Property	M Few	2.5	4.1	4.6	0.5	36.3	27.2	27.2	0.0
Information Technology & Digital	M Few	1.5	1.8	2.8	1.0	11.4	10.7	10.7	0.0
Finance	M Few	0.4	0.9	1.0	0.1	7.6	5.5	5.7	0.2
Legal Services	M Few	0.6	0.7	0.5	(0.1)	4.6	4.1	4.3	0.1
Democratic Services	M Few	0.6	0.5	0.5	(0.0)	3.5	3.2	3.2	0.0
Business Operations	M Few	0.0	(0.1)	0.0	0.1	(0.3)	(0.3)	(0.2)	0.1
Resources Leadership	M Few	0.0	0.1	0.1	(0.1)	3.0	0.7	0.7	(0.0)
Twelve15	M Few	0.0	1.9	1.6	(0.3)	20.4	3.4	3.4	0.0
Resources		11.0	12.9	14.6	1.8	103.6	71.8	72.2	0.4
Corporate Expenditure	M Few	(0.7)	3.6	1.9	(1.6)	76.5	67.8	67.8	0.0
Business as Usual		128.8	160.4	181.3	20.9	1,737.7	980.3	985.0	4.7
CV-19		0.0	(4.1)	4.9	9.0		(12.0)	(6.1)	5.8
Total services' revenue expenditure		128.8	156.3	186.2	29.9	1,737.7	968.4	978.9	10.5
Central funding		(175.6)	(189.1)	(198.7)	(9.6)		(968.4)	(968.4)	0.0
Total Net revenue expenditure		(46.8)	(32.8)	(12.6)	20.2	1,737.7	(0.0)	10.5	10.5