

SURREY COUNTY COUNCIL

CABINET

DATE: 29 SEPTEMBER 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 4 (JULY) FINANCIAL REPORT

SUMMARY OF ISSUE:

This report provides the details of the County Council's 2020/21 financial position as at 31st July 2020 (M4) for revenue and capital budgets and the projected outlook for the financial year. As there was no Cabinet meeting in August at which the June (M3) position could be presented, this report compares the M4 position to M2, as reported to Cabinet in July.

Key Messages – Revenue

- **As at July 2020 (M4) the Council is forecasting a deficit of £9.1m, against a budget of £1,019.7m; an increase of £0.1m from M2. The details are shown in Annex 1 and summarised in Table 1.**
- On 16th July, SCC received an **additional £6.4m of CV-19 funding**. £1.5m replenished the contingency reserve with £3.0m added to the CFL, S&C and C&T budgets to meet increases in CV-19 forecasts (adjusting the budget to £1,019.7m). **The balance of £1.9m will be held in an Earmarked Reserve for CV-19** related costs.
- Further Government funding is expected to compensate local authorities for lost income in other revenue, fees and charges incurred due to CV-19. Surrey County Council's share is yet to be confirmed.

Key Messages - Capital

- The Council approved a capital budget for 2020/21 of £175.7m in February 2020. At July 2020 (M4), the capital budget has been restated to £230.1m to reflect the acquisition and associated costs of the Woodhatch site in Reigate.
- The M4 capital forecast shows **increased spend of £8.7m from M2**, with forecast spend of **£222.3m**; net forecast slippage for the year of £7.9m against the approved budget. The forecast will continue to be reviewed monthly and the budget may be reset when the impact of CV-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;
2. note the transfer of the balance of the CV-19 funding (£1.9m) and amended revenue budget baseline as £1,019.7m (Para 5 - 7); and
3. approve the addition of the 20/21 contingency (£20.4m) to the Budget Equalisation Reserve (Para 8)

REASON FOR RECOMMENDATIONS:

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

Revenue Budget

1. At M4, the Council is forecasting a deficit of £9.1m, against the reset budget approved by Cabinet in July 2020.
2. To enhance the capacity of the Corporate Leadership Team, thereby ensuring the council is able to deliver its strategic objectives, agreed priorities, as well as fulfil its statutory requirements an interim management structure was implemented. The new structure led to the creation of four new directorates (Strategy & Commissioning, Community & Transformation, HR & Communications and Deputy Chief Executive). All of the financial tables have been amended to reflect this change.
3. Table 1 below shows the forecast revenue budget outturn for the year and reflects the revised interim management structure, including COVID-19 related spend.

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

Directorate	20/21 outturn forecast at M4 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since M2 £m
Adult Social Care	385.1	385.2	(0.1)	(0.1)
Public Health	31.4	31.1	0.3	0.3
Children, Families & Lifelong Learning	201.8	194.5	7.3	4.4
Environment, Transport & Infrastructure	135.3	131.9	3.4	0.8
Community Protection	37.5	36.6	0.9	0.6
Community & Transformation	15.0	15.5	(0.5)	(0.1)
Strategy & Commissioning	54.6	55.6	(1.0)	0.2
HR & Communications	8.4	8.4	(0.1)	(0.2)
Deputy CEX	2.3	2.3	(0.0)	(0.0)
Resources	76.1	75.5	0.6	0.2
Central Income & Expenditure	81.5	83.5	(2.0)	(2.0)
Directorate Budget Envelopes	1,028.8	1,020.1	8.7	4.0
Efficiencies unachievable due to CV-19	3.5	(0.4)	3.9	(0.4)
Amount already assumed in Directorate figures above	(3.5)	0.0	(3.5)	(3.5)
Overall before central funding	1,028.8	1,019.7	9.1	0.1
Central Funding	(1,019.7)	(1,019.7)	0.0	0.0
Overall after central funding	9.1	0.0	9.1	0.1

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

4. The main drivers of the **deficit of £9.1m comprise £12.7m in additional costs** offset by **underspends and other efficiencies of £3.6m** as set out below:

Additional costs of £12.7m:

- **£7.3m - Children, Families and Lifelong Learning (CFL)** - £7.9m increased corporate parenting and SEND caseload increasing placement costs, and £1.5m for staffing in Corporate Parenting and Family Resilience due to agency staff covering permanent roles.

The overspend is partly offset by £1.4m additional asylum seeker grant income
- Included in the CFL position is a £3.9m variance on the Dedicated Schools Grant (DSG) High Needs Block (HNB). This consists of a £27.9m overspend of which £24m was anticipated in the budget. The variance is due to increased placement costs and support packages which had previously been highlighted as a risk. The start of the new school year has clarified the current position in terms of transfers and work is ongoing to mitigate and reduce this overspend.
- **£3.4m - Environment, Transport and Infrastructure** – £2.9m due to higher waste costs associated with increase in volumes and lower recycling values and £0.7m net non-achievement of efficiencies after one-off utilisation of grant. The forecast assumes that pressures can be partially mitigated
- **£0.9m - Community Protection Group** - Coroner's service of £0.7m including the cost of managing a backlog of cases, plus increased CV-19 costs of £0.2m
- **£0.6m - Resources**, increased loss of income of £0.4m (CV-19), Orbis Joint Operating budget of £0.1m
- **£0.4m net forecast for the non-delivery of the efficiencies as a result of CV-19** (£3.9m in total, with £3.5m offset in ASC directorate underspend). As CV-19 non-delivery of efficiencies were not part of the budget reset this is shown separately in Table 1.

Offset by £3.6m of underspends and efficiencies

- **£0.1m Adult Social Care** - £4.4m underspend across the whole ASC budget based on current forecast largely due to an expected reduction in Older People care package volumes as a result of CV-19, offset by expected £4.3m increase in Older People care package expenditure
- **£0.5m Community & Transformation (C&T)** consists of £0.1m underspend on the Customer Relation team and Web Ops team staffing and £0.4m reduced library expenditure due to temporary closures
- **£1.0m Strategy & Commissioning (S&C)** – £2.0m non achievement of joint placement reviews with health efficiency, offset by Home to School Transport savings
- **£2.0m Central Income & Expenditure** – a recent actuarial review and changing the payment profile has reduced secondary employer's pension contributions.

CV-19 Update

5. At M4, the net CV-19 forecast deficit is £6.4m, with £1.9m held in reserve to set against this. The CV-19 deficit is included in the Directorate positions shown in Table 1 and paragraph 4. The net deficit of £6.4m consists of:
- Total costs, lost income and unachievable efficiency savings of **£82.5m**
 - Funded through:
 - £53.4m of general Government CV-19 funding (of which £0.9m used in 2019/20 and £1.9m held in reserve) leaving **£50.6m in the 2020/21 budget**
 - **£25.5m** of specific Government CV-19 relating to Infection Control, Test and Trace funding and grants for active travel and bus services.
6. During M4 the CV-19 forecast across CFL, S&C and C&T has increased by £3.0m. This increase, that is included within the respective overall variances, is due primarily to:
- CFL - £1m for early intervention and prevention work including Domestic Abuse, short breaks, crisis support and return to school support; £0.5m to reflect the increased volumes of Family residential placements (1 in February to 12 in June) - partly due to the lack of family and community support for families with babies and the inability to provide face-to-face contact during lockdown;
 - C&T - £1m increase in projected income loss for Registrars due to increased cancellations and the commencement of ceremonies being slower than originally projected.
 - S&C - £0.2m for the expansion of summer holiday club provision due to anticipated increased demand as a result of COVID-19 and £0.2m of property costs for the additional refuge spaces, this was originally expected to be coded directly to Property but is being paid through CFL.

This increase has led to £3.0m of the latest tranche of CV-19 (£6.4m) funding being added to the budget for 2020/21. After replenishing £1.5m of corporate contingency used in the M2 CV-19 budget reset, £1.9m remains to transfer to reserve.

7. CV-19 costs, income loss and unachievable efficiencies will be monitored closely to determine whether service budgets will need further reset in 20/21.

Revenue Budget Changes and Contribution to Reserves

8. As part of Financial Regulations any increase in reserves of more than £2m requires Cabinet approval. Any agreed drawdowns that are for the reserve purpose are subject to S151 Officer authorisation.

As part of the budget reset, the 2020/21 Contingency of £20.4m has been reviewed and it is proposed to transfer it to the Budget Equalisation reserve.

The revenue budget has increased from £968.4m to £1,019.7m during the year, as follows:

	£m
Budget book central funding	968.4
Covid 19 - LA Support Grant - tranche 1 & 2	46.1
Covid 19 - LA Support Grant - tranche 3	6.4
Public Grant - Agenda for Change	0.8
	1,021.6
Less : CV-19 reserve	(1.9)
	1,019.7

Capital Budget

9. In February 2020, Council approved a capital budget of £175.7m. At M4, the capital budget has been restated from to £230.1m to reflect the purchase of and other costs relating to the Woodhatch site in Reigate.

Table 4, below, provides a summary of the forecast full-year outturn at M4; **Against the revised budget, forecast capital spend is £222.3m. Net slippage of £7.9m is an improvement of £8.7m from £16.6m at M2.**

Table 4 - Capital Programme Forecast at M4

Strategic Capital Groups	Annual Budget £m	Restated Budget £m	Forecast outturn at M4 £m	M4 Reported Variance £m	Change from M2 to M4 £m
Property					
Property Schemes	78.5	133.0	118.9	(14.1)	7.3
ASC Schemes	1.9	1.9	1.9	0.0	0.0
CFL Schemes	1.7	1.7	1.8	0.1	0.1
Property Total	82.0	136.5	122.5	(14.0)	7.4
Infrastructure					
Highways and Transport	70.5	70.5	78.3	7.8	0.0
Environment	2.6	2.6	2.0	(0.6)	0.0
Community Protection	3.8	3.8	3.8	0.0	0.0
Infrastructure Total	76.8	76.8	84.0	7.2	0.0
IT					
IT Service Schemes	15.9	15.9	15.4	(0.5)	1.3
CFL - EMS	0.9	0.9	0.3	(0.6)	0.0
IT Total	16.8	16.8	15.7	(1.1)	1.3
Total	175.7	230.1	222.3	(7.9)	8.7

10. The change in variance of £8.7m relates primarily to Property schemes, where the impact of CV-19 on delivering Schools Basic Need projects (£5.6m) and Priority Schools Building Programme 2 (£2m) has been less severe than previously forecast. A £4.0m reduction in forecast spend due to the withdrawal of the Cranleigh School project has been largely offset by accelerated capital maintenance (£2.4m) and new approvals for Looked After and Adopted Children (LAAC) of (£0.7m).
11. The forecast for IT has increased by a net £1.3m due to the inclusion of the Digital Business and Insights programme (£6.0m), offset by reduced spend on hardware (£1.8m) and slippage in planned spend on the Unicorn Network (£2.5m).

12. 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:

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

RISK MANAGEMENT AND IMPLICATIONS:

14. 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:

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

SECTION 151 OFFICER COMMENTARY:

16. 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.
17. 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:

- 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.

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Consulted:
Cabinet, Executive Directors, Heads of Service

Annex:
Annex 1 – Forecast revenue budget as at 31 July 2020.

Annex 1

Detailed Revenue Budget by Service – 31 July 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	0.3	0.3	(0.0)	297.9	(0.0)	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	18.6	32.2	34.1	2.0	214.3	50.1	53.6	3.5
Family Resilience	M Lewis	29.6	30.3	28.8	(1.5)	103.6	89.7	92.4	2.7
Corporate Parenting	M Lewis	15.6	15.6	13.6	(2.0)	44.8	40.5	41.7	1.2
Quality & Performance	M Lewis / J Iles	2.7	2.8	2.5	(0.4)	10.5	8.5	8.3	(0.3)
Directorate wide savings	M Lewis / J Iles	0.0	(0.2)	1.6	1.9	4.9	5.7	5.9	0.1
Children, Families, Learning		66.5	81.0	81.0	(0.0)	675.8	194.5	201.8	7.3
Public Health	S Mooney	10.1	9.8	6.1	(3.6)	31.1	31.1	31.4	0.3
Adult Social Care	S Mooney	119.0	133.2	121.7	(11.5)	533.3	385.2	385.1	(0.1)
Highways & Transport	M Furniss	19.5	17.3	17.0	(0.3)	69.2	58.5	58.5	0.0
Environment	N Bramhall	18.3	23.6	24.3	0.7	75.2	71.3	74.3	3.0
Leadership Team (ETI)	M Furniss /N Bramhall	0.3	(0.0)	0.2	0.3	(0.1)	(0.1)	(1.1)	(1.0)
ETI CV-19	M Furniss /N Bramhall	0.0	1.4	1.3	(0.1)	8.4	2.2	3.6	1.4
Environment, Transport & Infrastructure		38.2	42.3	42.8	0.6	152.8	131.9	135.3	3.4
Fire and Rescue	D Turner-Stewart	10.7	10.3	10.6	0.2	35.7	31.0	31.0	(0.0)
Trading Standards	D Turner-Stewart	0.6	0.6	0.6	(0.1)	4.0	1.9	1.9	(0.0)
Chief of Staff	D Turner-Stewart	0.0	0.2	0.2	(0.0)	0.7	0.7	0.7	0.0
Emergency Management	D Turner-Stewart	0.1	0.2	0.2	0.0	0.5	0.5	0.5	0.0
Coroner	D Turner-Stewart	0.7	0.4	0.9	0.5	2.5	2.1	2.8	0.7
Health & Safety	D Turner-Stewart	0.0	0.0	0.0	0.0	0.1	0.1	0.1	(0.0)
CP CV-19	D Turner-Stewart	0.0	0.1	0.4	0.3	0.6	0.2	0.4	0.2
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		12.1	11.9	12.9	1.0	44.1	36.6	37.5	0.9
Human Resources & Organisational Development	Z Grant-Duff	0.9	2.2	1.8	(0.4)	6.6	6.6	6.5	(0.1)
Communications	Z Grant-Duff	0.4	0.5	0.5	0.0	1.4	1.4	1.5	0.0
HR & Comm CV-19	Z Grant-Duff	0.0	0.1	0.1	0.0	0.4	0.4	0.4	0.0
HR & Communications		1.3	2.8	2.4	(0.4)	8.4	8.4	8.4	(0.1)
Transformation Support Unit	T Oliver	0.0	0.3	0.3	0.1	0.8	0.8	0.8	(0.0)
Customer Services	Z Grant-Duff	1.0	1.0	0.9	(0.1)	3.1	2.9	2.8	(0.1)
Community Partnerships	Z Grant-Duff	0.4	0.4	0.3	(0.1)	1.3	1.3	1.3	0.0
Libraries, Registrars & Culture	J Iles	1.7	5.0	3.7	(1.3)	16.5	10.3	9.8	(0.4)
C&T CV-19	T Oliver / J Iles	0.0	0.2	0.2	0.0	(0.5)	0.3	0.3	0.0
Community & Transformation		3.0	6.9	5.4	(1.5)	21.2	15.5	15.0	(0.5)
Strategic Commissioning	M Lewis / J Iles	4.0	17.0	18.7	1.7	130.5	52.0	51.1	(0.9)
Insight, Analytics & Intelligence	Z Grant-Duff	1.0	1.1	1.0	(0.2)	2.8	2.0	1.9	(0.1)
S&C CV-19	J Iles / Z Grant-Duff	0.0	0.7	0.9	0.2	0.7	1.6	1.5	(0.0)
Strategy & Commissioning		5.1	18.8	20.6	1.8	133.9	55.6	54.6	(1.0)
Strategic Leadership	T Oliver	0.5	0.5	0.5	0.0	2.8	1.5	1.5	(0.0)
Economic Growth	C Kemp	0.2	0.3	0.2	(0.1)	0.8	0.8	0.8	(0.0)
DCEX CV-19	C Kemp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deputy CEX		0.7	0.8	0.7	(0.1)	3.6	2.3	2.3	(0.0)
Joint Operating Budget ORBIS	M Few	11.2	5.7	6.4	0.6	17.2	17.6	17.7	0.1
Land & Property	M Few	5.5	8.0	9.2	1.2	36.3	27.2	27.2	(0.0)
Information Technology & Digital	M Few	3.1	3.6	3.1	(0.5)	11.4	10.7	10.7	(0.0)
Finance	M Few	0.8	1.8	2.0	0.1	7.6	5.5	5.6	0.0
Legal Services	M Few	1.3	1.4	1.4	(0.0)	4.6	4.1	4.3	0.2
Democratic Services	M Few	1.1	1.1	1.1	(0.0)	3.5	3.2	3.3	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	0.3	0.2	(0.1)	0.9	0.8	0.8	(0.0)
Twelve15	M Few	0.0	3.8	2.9	(0.8)	18.6	3.6	3.5	(0.0)
Resources CV-19	M Few / Z Grant-Duff	0.0	0.7	0.5	(0.3)	7.3	3.0	3.2	0.2
Resources		23.1	26.3	26.6	0.4	106.9	75.5	76.1	0.6
Corporate Expenditure	M Few	2.7	15.6	10.9	(4.7)	94.4	83.5	81.5	(2.0)
Business as Usual		281.6	349.2	331.2	(18.0)	1,805.6	1,020.1	1,028.8	8.7
Efficiencies unachievable due to CV-19							(0.4)	3.5	3.9
Amount already assumed in Directorate figures above							0.0	(3.5)	(3.5)
Total services' revenue expenditure		281.6	349.2	331.2	(18.0)	1,805.6	1,019.7	1,028.8	9.1
Central funding		(342.5)	(430.4)	(430.4)	0.0	0.0	(1,019.7)	(1,019.7)	0.0
Total Net revenue expenditure		(61.0)	(81.3)	(99.3)	(18.0)	1,805.6	0.0	9.1	9.1