

SURREY COUNTY COUNCIL

CABINET

DATE: 27 OCTOBER 2020



REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: 2020/21 MONTH 5 (AUGUST) FINANCIAL REPORT

SUMMARY OF ISSUE:

This report provides details of the County Council's 2020/21 financial position as at 31st August 2020 (M5) for revenue and capital budgets and the projected outlook for the financial year.

Key Messages – Revenue

- As at August 2020 (M5) the Council is forecasting a **deficit of £9.0m, against a budget of £1,019.7m; an improvement of £0.1m** from M4. The details are shown in Annex 1 and summarised in Table 1.
- There remains significant uncertainty in the forecast particularly due to the impact of COVID-19 in Children, Families and Lifelong Learning. This element will be kept under close review going forward.
- Further Government funding is expected to compensate local authorities for lost income in other revenue, fees and charges incurred due to COVID-19. On 30th September Surrey County Council submitted a claim for £4.6m which, subject to audit, will represent the first tranche of this funding. This is not reflected in the year-to-date forecast.
- Work continues to identify further efficiencies to close the deficit against the budget. The current year budget will be reset at the end of September (M6) to reflect the latest assessment of the impact of COVID-19 on the County's finances.

Key Messages - Capital

- The Council approved a capital budget for 2020/21 of £175.7m in February 2020 restated to £230.1m, as reported previously, to reflect the acquisition and associated costs of the Woodhatch site in Reigate.
- The M5 capital update reflects a **reduction in the forecast of £0.9m from M4**. The updated forecast for the year projects total spend of £221.4m, details of which are set out in **Table 4**.
- Along with revenue, the budget will be reset to provide a revised baseline for M6 against which to forecast for the remaining months of the current financial year.

RECOMMENDATIONS:

The Cabinet is asked to:

1. note the Council's forecast revenue and capital budget positions for the year;
2. approve the establishment of an Early Years recovery fund to support providers' financial sustainability, included within the current forecast (para 5-8);
3. approve the reset to the 2020/21 capital budget including accelerated delivery of £6m of Highways Maintenance (para 11).

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. As stated, the current forecast for the year is a deficit of £9.0m against the budget of £1,019.7m. Table 1 below shows the forecast revenue position by Directorate.

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

Directorate	20/21 outturn forecast at M5 £m	Annual Budget £m	Forecast Variance £m	Change in forecast since M4 £m
Adult Social Care	385.1	385.2	(0.1)	0.0
Public Health	31.1	31.1	0.0	(0.3)
Children, Families & Lifelong Learning	206.7	194.5	12.1	4.8
Environment, Transport & Infrastructure	135.1	131.9	3.1	0.0
Community Protection	37.5	36.6	0.9	0.0
Community & Transformation	14.9	15.5	(0.5)	(0.0)
Strategy & Commissioning	54.6	55.6	(1.0)	0.0
HR & Communications	8.5	8.4	0.0	0.1
Deputy CEX	2.3	2.3	0.0	0.0
Resources	76.0	75.5	0.6	(0.0)
Central Income & Expenditure	81.5	83.5	(2.0)	0.0
Directorate Budget Envelopes	1,033.2	1,020.1	13.2	4.6
Efficiencies unachievable due to CV-19	1.7	(0.4)	2.0	(1.9)
Amount already assumed in Directorate figures above	(1.4)	0.0	(1.4)	2.1
Overall before central funding	1,033.4	1,019.7	13.7	4.9
Central Funding	(1,024.4)	(1,019.7)	(4.7)	(4.7)
Overall after central funding	9.0	0.0	9.0	0.1

Note: Numbers have been rounded which might cause a difference. The table reflects the interim organisational structure

2. The main drivers of the **deficit of £9.0m** are **£17.3m in additional costs** offset by **underspends and other efficiencies of £8.3m** as set out below:

Additional costs of £17.3m:

- **£12.1m - Children, Families and Lifelong Learning (CFL)** - £12.9m 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 £1.9m additional asylum seeker grant income.

Included in the CFL position is a £6.7m variance in the contribution to the reserve to offset the overspend on the Dedicated Schools Grant (DSG) High Needs Block (HNB), which is projected to be £30.7m against a budget of £24m. 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.

- **£3.1m - Environment, Transport and Infrastructure** – mainly due to higher waste disposal and recycling costs; and increased waste volumes.
- **£0.9m - Community Protection Group** - Coroner's service of £0.7m including the cost of managing a backlog of cases; and increased COVID-19 costs of £0.2m.
- **£0.6m - Resources**, increased loss of income of £0.4m relating to COVID-19; and an increase in the Orbis Joint Operating Budget of £0.1m.
- **£0.6m net forecast for the non-delivery of the efficiencies as a result of COVID-19**

Offset by £8.3m of underspends and efficiencies

- **£0.1m Adult Social Care** - £5.7m underspend on current commitments across the whole service budget mainly as a result of the reduction in care package volumes as a result of COVID-19. This is offset by an expected £5.6m increase in Older People care package expenditure for the remainder of the year due to the estimated cost of care packages following hospital discharge transferring back to ASC from temporary COVID-19 funding
- **£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 the 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.
- **£4.7m Central Funding** - latest estimates of grant funding exceed budget

COVID-19 Update

3. At M5, the net COVID-19 forecast deficit is £5.7m against the 2020/21 budget baseline of £50.6m. The COVID-19 deficit is included in the Directorate positions shown in Table 1 and paragraph 2. The net deficit of £5.7m consists of:
 - Total costs, lost income and unachievable efficiency savings of **£81.9m**
 - Funded through:
 - £53.4m of general Government COVID-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 COVID-19 relating to Infection Control, Test and Trace funding and grants for active travel and bus services.
4. COVID-19 costs, income loss and unachievable efficiencies will continue to be monitored and budgets reset based on the position at M6.

Financial Support for Early Years providers

5. As part of the Council's response to COVID-19 a fund of £1.8m was established from the COVID-19 funding allocation to support Early Years providers whose financial sustainability is at risk as a result of the current situation.
6. The initial hardship support response identified that a high number of Early Years providers were concerned around their longer-term financial sustainability due to the summer term income loss. This fund will be allocated through a targeted approach based on data such as areas of deprivation, access to other community provision and support of critical services.
7. The indicative amount of £1.8m is based on an assumption that c25% of SCC providers would require some level of support of between £5,000 and £15,000.
8. Whilst Early Years funding is received from the Dedicated Schools Grant (DSG), this fund is to be paid for through the COVID-19 grant as it is a direct response to the COVID-19 crisis.

Capital Budget

9. In February 2020, Council approved a capital budget of £175.7m. This was restated to £230.1m at M4 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 M5; **Against the revised budget, forecast capital spend is £221.4m. Net slippage of £8.8m represents increased slippage of £0.9m from £7.9m at M4.**

Table 4 - Capital Programme Forecast at M5

Strategic Capital Groups	Original Budget £m	Restated Budget £m	Forecast outturn at M5 £m	M5 Reported Variance £m	Change from M4 to M5 £m
Property					
Property Schemes	78.5	133.0	118.7	(14.2)	(0.1)
ASC Schemes	1.9	1.9	1.9	0.0	0.0
CFLC Schemes	1.7	1.7	1.7	0.0	(0.1)
Property Total	82.0	136.5	122.3	(14.2)	(0.2)
Infrastructure					
Highways and Transport	70.5	70.5	77.6	7.1	(0.7)
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	83.3	6.6	(0.7)
IT					
IT Service Schemes	15.9	15.9	15.4	(0.5)	0.0
CFLC - EMS	0.9	0.9	0.3	(0.6)	0.0
IT Total	16.8	16.8	15.7	(1.1)	0.0
Total	175.7	230.1	221.4	(8.8)	(0.9)

10. The increased slippage primarily relates to a rephasing of planned spend on Local Enterprise Partnerships (LEPS) schemes (£0.7m). The Property forecast has reduced by £0.2m due to offsetting changes on a number of schemes including rephasing of schools maintenance (£1.6m slippage) and corporate maintenance (£1.6m acceleration).
11. Capital Programme estimates have been refined over recent months as our understanding of the impact of COVID-19 evolves. It is proposed that the M5 forecast is used as a baseline to reset the capital programme for 2020/21 to provide a stable and deliverable budget for the remainder of the year. The Infrastructure Strategic Capital Group have identified an opportunity to accelerate £6m of highways maintenance work to mitigate the slippage identified at M5 which will be incorporated into the budget for M6. The budget for M6 would stand at £227.4m (comprising the £221.4m forecast in table 4 and £6m of accelerated maintenance work in highways).

CONSULTATION:

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

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 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:

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. 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.
16. 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:

17. 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.
18. 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:

19. 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.

20. 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:

21. The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:

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Consulted:

Cabinet
Executive Directors
Heads of Service

Annex:

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

Detailed Revenue Budget by Service – 31 August 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	0.0	0.0	0.0	294.7	0.0	0.0	(0.0)
Education, Lifelong Learning & Culture	J Iles	20.3	34.4	32.2	(2.2)	214.3	50.2	56.4	6.3
Family Resilience	M Lewis	36.9	38.2	36.4	(1.8)	103.5	89.7	92.3	2.6
Corporate Parenting	M Lewis	20.0	18.7	16.4	(2.3)	44.8	40.5	41.7	1.2
Quality & Performance	M Lewis / J Iles	3.3	3.5	3.4	(0.2)	10.5	8.5	8.4	(0.2)
Directorate wide savings	M Lewis / J Iles	0.1	0.2	2.3	2.1	4.9	5.7	8.0	2.2
Children, Families, Learning		80.6	95.1	90.7	(4.3)	672.6	194.5	206.6	12.1
Public Health	S Mooney	12.4	11.9	8.3	(3.6)	31.1	31.1	31.1	0.0
Adult Social Care	S Mooney	150.7	165.6	164.4	(1.2)	533.3	385.2	385.1	(0.1)
Highways & Transport	M Furniss	22.2	21.6	20.6	(1.0)	69.2	58.5	58.5	0.0
Environment	N Bramhall	22.8	29.5	31.0	1.4	75.2	71.3	74.2	2.8
Leadership Team (ETI)	M Furniss / N Bramhall	0.4	(0.0)	0.2	0.2	(0.1)	(0.1)	(1.1)	(1.0)
ETI CV-19	M Furniss / N Bramhall	0.0	1.8	0.9	(0.9)	4.2	2.2	3.5	1.3
Environment, Transport & Infrastructure		45.4	52.8	52.6	(0.2)	148.6	131.9	135.1	3.1
Fire and Rescue	D Turner-Stewart	13.4	13.2	13.5	0.3	36.4	31.7	31.7	(0.0)
Trading Standards	D Turner-Stewart	0.7	0.8	0.7	(0.1)	4.0	1.9	1.9	(0.0)
Chief of Staff	D Turner-Stewart	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emergency Management	D Turner-Stewart	0.0	0.2	0.2	0.0	0.5	0.5	0.5	0.0
Coroner	D Turner-Stewart	1.0	0.6	1.1	0.5	2.5	2.1	2.8	0.7
Health & Safety	D Turner-Stewart	0.1	0.0	0.1	0.0	0.1	0.1	0.1	(0.0)
CP CV-19	D Turner-Stewart	0.0	0.1	0.4	0.3	0.3	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		15.2	15.0	16.0	1.0	43.8	36.6	37.5	0.9
Human Resources & Organisational Development	Z Grant-Duff	1.2	2.7	2.2	(0.5)	6.6	6.6	6.6	0.0
Communications	Z Grant-Duff	0.5	0.6	0.6	(0.0)	1.4	1.4	1.5	0.0
HR & Comm CV-19	Z Grant-Duff	0.0	0.0	0.1	0.1	0.4	0.4	0.4	0.0
HR & Communications		1.8	3.3	2.9	(0.4)	8.4	8.4	8.5	0.0
Transformation Support Unit	T Oliver	0.0	0.3	0.4	0.1	0.8	0.8	0.8	(0.0)
Customer Services	Z Grant-Duff	1.2	1.2	1.1	(0.1)	3.1	2.9	2.8	(0.1)
Community Partnerships	Z Grant-Duff	0.5	0.4	0.4	(0.1)	1.3	1.3	1.3	0.0
Libraries, Registrars & Culture	J Iles	1.7	5.7	5.0	(0.7)	16.5	10.2	9.8	(0.4)
C&T CV-19	T Oliver / J Iles	0.0	0.0	0.2	0.2	0.3	0.3	0.3	0.0
Community & Transformation		3.4	7.6	7.1	(0.5)	21.9	15.5	14.9	(0.5)
Strategic Commissioning	M Lewis / J Iles	3.6	21.3	15.4	(5.9)	130.5	52.0	51.1	(1.0)
Insight, Analytics & Intelligence	Z Grant-Duff	1.0	1.3	1.1	(0.2)	2.8	2.0	1.9	(0.1)
S&C CV-19	J Iles / Z Grant-Duff	0.0	0.0	1.2	1.2	0.6	1.5	1.6	0.1
Strategy & Commissioning		4.6	22.6	17.7	(5.0)	133.9	55.6	54.6	(1.0)
Strategic Leadership	T Oliver	0.7	1.6	0.6	(1.1)	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		0.9	2.0	0.8	(1.1)	3.6	2.3	2.3	0.0
Joint Operating Budget ORBIS	M Few	13.7	7.2	8.4	1.3	17.2	17.6	17.7	0.1
Land & Property	M Few	7.2	10.1	11.3	1.2	36.3	27.2	27.2	(0.0)
Information Technology & Digital	M Few	3.8	4.5	4.3	(0.2)	11.4	10.7	10.7	(0.0)
Finance	M Few	1.1	2.3	2.3	0.0	7.6	5.5	5.6	0.0
Legal Services	M Few	1.7	1.7	2.0	0.2	4.6	4.1	4.4	0.3
Democratic Services	M Few	1.4	1.3	1.3	0.0	3.5	3.2	3.3	0.0
Business Operations	M Few	(0.0)	(0.1)	(0.1)	0.0	(0.3)	(0.3)	(0.2)	0.1
Resources Leadership	M Few	0.0	1.2	0.5	(0.7)	1.3	0.8	0.8	(0.0)
Twelve15	M Few	0.0	4.0	3.8	(0.2)	18.2	3.6	3.4	(0.2)
Resources CV-19	M Few / Z Grant-Duff	0.0	0.7	0.5	(0.3)	7.3	3.0	3.3	0.3
Resources		28.9	32.9	34.3	1.4	106.9	75.5	76.0	0.6
Corporate Expenditure	M Few	17.2	31.4	26.2	(5.3)	94.4	83.5	81.5	(2.0)
Business as Usual		361.0	440.3	421.1	(19.2)	1,798.6	1,020.1	1,033.2	13.2
Efficiencies unachievable due to CV-19							(0.4)	1.7	2.0
Amount already assumed in Directorate figures above							0.0	(1.4)	(1.4)
Total services' revenue expenditure		361.0	440.3	421.1	(19.2)	1,798.6	1,019.7	1,033.4	13.7
Central funding		(353.0)	(442.5)	(442.5)	(0.0)	0.0	(1,019.7)	(1,024.4)	(4.7)
Total Net revenue expenditure		8.0	(2.2)	(21.4)	(19.2)	1,798.6	(0.0)	9.0	9.0