

## SURREY COUNTY COUNCIL

## CABINET



<b>DATE:</b>	<b>28 JANUARY 2025</b>
<b>REPORT OF CABINET MEMBER:</b>	<b>DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES</b>
<b>LEAD OFFICER:</b>	<b>ANDY BROWN, DEPUTY CHIEF EXECUTIVE &amp; EXECUTIVE DIRECTOR OF RESOURCES (S151 OFFICER)</b>
<b>SUBJECT:</b>	<b>2024/25 MONTH 8 (NOVEMBER) FINANCIAL REPORT</b>
<b>ORGANISATION STRATEGY PRIORITY AREA:</b>	<b>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</b>

<b>Purpose of the Report:</b>
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This report provides details of the Council's 2024/25 financial position, for revenue and capital budgets, as at 30<sup>th</sup> November 2024 (M8) and the expected outlook for the remainder of the financial year.

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

**Key Messages – Revenue**

- Local government continues to work in a challenging environment of sustained and significant pressures. **At M8, the Council is forecasting an overspend of £18.6m against the 2024/25 revenue budget.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- All Directorates are continuing to work on developing mitigating actions to offset forecast overspends,** to deliver services within available budgets.
- In order to ensure ongoing financial resilience, the Council holds a corporate contingency budget and over recent years has re-established an appropriate level of reserves. These measures provide additional financial resilience should the residual forecast overspend not be effectively mitigated by corrective actions before the end of the financial year. If the contingency budget is not required in full, then any balance will be transferred to reserves to further improve financial resilience and provide funding for future investment.

**Key Messages – Capital**

- At M8, capital expenditure of £325m is forecast for 2024/25. This is £3.6m more than the re-phased budget. Further details are provided in paragraphs 11-13.

<b>Recommendations:</b>
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It is recommended that Cabinet:

- Notes the Council's forecast revenue budget and capital budget positions for the year.

## Reason for Recommendations:

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

## Executive Summary:

1. At M8, the Council is forecasting a full year overspend of £18.6m against the revenue budget. This is an increase of £0.9m on the M7 position. Table 1 below shows the forecast revenue budget outturn for the year by Directorate (further details are set out in Annex 1):

**Table 1 - Summary revenue budget forecast variances as at 30<sup>th</sup> November 2024**

	<b>M8 Forecast £m</b>	<b>Annual Budget £m</b>	<b>Forecast Variance £m</b>
Adults, Wellbeing & Health Partnerships	519.3	515.7	3.6
Children, Families and Lifelong Learning	308.6	299.9	8.8
Place	193.7	185.6	8.1
Community Protection & Emergencies	44.1	44.1	0.0
Resources	80.9	80.8	0.0
Central Income & Expenditure	79.4	82.2	(2.8)
Directorate position	1,226.1	1,208.3	17.8
Council Tax	(921.1)	(921.1)	0.0
Business Rates	(151.3)	(152.1)	0.8
Government Grants	(135.2)	(135.2)	0.0
Overall	18.6	(0.0)	18.6

2. The forecast overspend relates primarily to the following:

### **Adults Wellbeing & Health Partnerships - £3.6m overspend, unchanged from M7.**

This is due to a £3.9m overspend on the total care package budget, primarily related to starting the year with higher care package commitments, combined with spending pressures during the year, particularly for Older People care packages, and a £2.0m overspend on the Adult Social Care staffing & other expenditure budget due to underachievement against the workforce reconfiguration efficiency target, pressures related to statutory responsibilities for Deprivation of Liberty Safeguard assessments and improved recruitment and retention to deliver core statutory duties.

These pressures are partially mitigated by a £1.6m underspend for wider support services, £0.5m of additional funding for ASC services and £0.2m of reduced expenditure across Public Health and communities services.

### **Children, Families & Lifelong Learning - £8.8m overspend, unchanged from M7**

There has been no change in forecast for CFLL between Month 7 and 8, with the forecast remaining at an overspend of £8.8m

The largest area of pressure in the service remains in Home to School transport, although we have seen some in year reduction in the cost and the forecast risk in the service with the overspend steadying at £7m. There continues to be significant work invested in identifying areas of saving to mitigate the continuing increase in demand for provision within the number of Children with EHCPs travelling to schools a distance from their homes. This has included large reductions in the number of post 16 pupils with individual transport arrangements now travelling independently.

The Directorate continues to scrutinise all vacant posts to ensure staffing efficiencies are maximised.

### **Place - £8.1m overspend, £0.9m increase from M7**

Highways and Transport is forecasting a £2.6m overspend in relation to additional verge maintenance works. Additional pressures relating to parking and traffic enforcement (contract inflation linked to the living wage, lower than expected levels of enforcement) and concessionary

fares (national changes to reimbursement rates and increased volume of journeys) are mitigated by planned drawdown of one-off prior year parking surpluses and other offsetting efficiencies.

Land & Property are forecasting an overspend of £4.3m due to the non-achievement of facilities management (FM) efficiencies (£1.5m), higher than expected demand for FM services (£1m), one-off back dated electricity charges (£0.7m), one-off dual operation of office buildings (£0.5m), and loss of rental income (£0.5m). The Service is working to identify ways to mitigate this overspend, specifically those in relation to FM costs. Additional controls have been put in place to manage the contract and additional approvals for all service desk decisions will be required with immediate effect including a temporary pause on any non-urgent requests. In addition, a line-by-line review of all other spend and income has been carried out to identify opportunities to offset the forecast overspend.

Environment forecasts an overspend of £1m in Waste, due primarily to market costs of managing dry mixed recyclables, after taking account of mitigations.

There are smaller pressures and mitigations in other services.

### Resources – no variance, no change from M7.

The directorate is forecasting a balanced position.

**Central Income & Expenditure & Corporate Funding – £2m net underspend, no change from M7.** Central Income and Expenditure is forecasting a £2.8m underspend, offset by a £0.8m overspend on business rates funding.

There is a £0.8m overspend forecast in relation to various business rates movements, including pressures relating to appeals, partially offset by additional income through the Business Rate Pool. This is offset by a forecast underspend of £2.8m in Central Income & Expenditure mainly due a £2m forecast underspend on transformation expenditure, reduced forecasts for secondary pension contributions and other smaller underspends.

3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £6.9m, consisting of quantified risks of £7.7m, offset by opportunities of £0.8m. This is a decrease in net risks of £4.2m from last month. These figures represent the weighted risks and opportunities, taking into account the full value of the potential risk or opportunity adjusted for assessed likelihood of the risk occurring or opportunity being realised.
4. Directorates are expected to take action to mitigate these risks and maximise the opportunities available to offset them, to avoid these resulting in a forecast overspend against the budget set.

### Dedicated Schools Grant (DSG) update

5. The table below shows the projected forecast year-end outturn for the High Needs Block.

Table 2 - DSG HNB Summary

2024/25 DSG HNB Summary	Budget £m	Forecast £m	Variance £m
Education and Lifelong Learning	235.5	253.2	17.7
Place Funding	24.7	24.7	0.0
Children's Services	2.3	2.6	0.3
Corporate Funding	2.0	2.0	0.0
<b>TOTAL</b>	<b>264.5</b>	<b>282.5</b>	<b>18.0</b>
FUNDING	-225.5	-225.5	0.0
<b>In-Year Deficit</b>	<b>39.0</b>	<b>57.0</b>	<b>18.0</b>

6. The Council has remained within the spending profile for the first two years of the programme and first quarter forecast had been showing that the trajectory was still on target.

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7. Significant recovery work in completing outstanding Education Health and Care Plan (EHCP) backlogs and transition reviews in the early part of 2024/25 have highlighted that the ambitious budget reductions in the initial safety valve programme are under growing pressure for delivery this year. Additional state funded places through the DfE Free Schools programme have been delayed in becoming available whilst costs and demand have grown at a faster rate than in the original assumptions and higher than the Dedicated Schools Grant.
  8. The current forecast is showing that pressure is emerging in all areas of the budget, with the costs and demand for places across all provisions showing increased numbers. Costs are increasing due to the shortage of availability for specialist placements as well as increased costs and need in mainstream provision.
  9. The third monitoring report for the Safety Valve agreement in 2024/25 was submitted to the Department for Education at the end of November 2024. The instalment related to this return of £1.91m was received at the end of December.
  10. To date, the Council has received £80.08m in Safety Valve payments (80% of the total DfE contributions) with a remaining £19.92m due to be paid over the next three years. Our Safety Valve monitoring report had previously confirmed that the Council was on track with its agreed trajectory, The latest return highlighted that the Council is no longer on track to meet the original target of balancing the DSG by 2026/27 and we have requested an extension in the timeline, extending the programme until the end of 2030/31. We are currently awaiting a response from the DfE.

### Capital Budget

11. The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m. The Capital Programme Panel, working alongside Strategic Capital Groups, undertook a detailed review of the programme to validate and ensure deliverability. The re-phased capital programme for 2024/25 was approved by Cabinet in July 2024. The current capital budget is £321.4m,
12. Year to date expenditure at the end of November is £195m, and the full year forecast is £325m, which is £3.6m more than the re-phased budget, a £6.7m decrease from month 7.

Strategic Capital Groups	Annual Budget	FY Forecast at M8	M8 Forecast Variance	M7 Forecast Variance	Change from M7 to M8	Movement
	£m	£m	£m	£m	£m	
<b>Property</b>						
Property Schemes	131.2	138.7	7.5	7.2	0.3	Increase
ASC Schemes	1.6	1.6	0.0	0.0	0.0	Unchanged
CFLC Schemes	4.4	4.5	0.1	0.1	0.0	Unchanged
<b>Property Total</b>	<b>137.2</b>	<b>144.8</b>	<b>7.6</b>	<b>7.3</b>	<b>0.3</b>	<b>Increase</b>
<b>Infrastructure</b>						
Highways and Transport	125.2	135.1	9.9	9.7	0.2	Increase
Infrastructure and Major Projects	33.6	22.1	(11.5)	(4.2)	(7.3)	Decrease
Environment	9.0	7.8	(1.2)	(1.5)	0.3	Increase
Surrey Fire and Rescue	2.5	3.9	1.4	(0.1)	1.5	Increase
<b>Infrastructure Total</b>	<b>170.3</b>	<b>168.9</b>	<b>(1.4)</b>	<b>3.9</b>	<b>(5.3)</b>	<b>Decrease</b>
<b>IT</b>						
IT Service Schemes	13.9	11.3	(2.6)	(0.9)	(1.7)	Decrease
<b>IT Total</b>	<b>13.9</b>	<b>11.3</b>	<b>(2.6)</b>	<b>(0.9)</b>	<b>(1.7)</b>	<b>Decrease</b>
<b>Total</b>	<b>321.4</b>	<b>325.0</b>	<b>3.6</b>	<b>10.3</b>	<b>(6.7)</b>	<b>Decrease</b>

13. The overall variance is attributable to the following:

- **Land and Property - £7.6m variance over budget** caused by acceleration of planned works on several schemes including Independent Living (£2.6m), SEND (£2.0m), libraries transformation (£1.8m), Corporate Parenting care homes (£1.7m), winter maintenance depots

(£1.7m) and Staines and Sunbury Hubs (£1.4m). This is partly offset by slippage of £3.6m across several other schemes.

**Infrastructure - £1.4m variance under budget**, due to slippage of £7.6m (£7.6m increase) on the A308 modernisation and A320 North of Woking schemes. As well as a delay to part of the Farnham Town Centre programme (£1.0m), slippage across various SIP schemes (£2.7m) and a further £4.6m slippage across a number of other schemes.

Home Upgrade Grant 2 is forecasting an underspend of £0.9m due to slow down in delivery due to the general election and installer capacity.

This is mostly offset by £9.2m additional surface dressing and safety defect spend, including the A24 emergency works which it is assumed will be recovered through Damage to County Property processes, and other smaller changes to road safety and improvement schemes. There is also a £1.3m increase in Safety Barriers to be funded by Lane Rental bids, and increased spend on footway maintenance (£2.2m) and bridge maintenance (£1.6m).

There is also £1.5m acceleration on Fire Integrated Transport Function.

- **IT - £2.6m variance under budget**, caused by a further reprofile of the WAN / Wi-Fi refresh programme that has reprofiled spend into future years (£0.6m). And a delay in the need to renew hardware due to a 13-month extension of the existing license (£1.1m).

#### **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 Corporate Risk Register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council and the sustainability of the Medium-Term Financial Strategy. In the light of the financial risks faced by the Council, the Leadership Risk Register will be reviewed to increase confidence in Directorate plans to mitigate the risks and issues.

#### **Financial and Value for Money Implications:**

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 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 to achieve a balanced budget position each year.

18. 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.

19. The Council has a duty to ensure its expenditure does not exceed the resources available. As such, the Section 151 Officer confirms the financial information presented in this report is consistent with the Council's general accounting ledger and that forecasts have been based on

reasonable assumptions, taking into account all material, financial and business issues and risks.

#### **Legal Implications – Monitoring Officer:**

20. 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.
21. 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.

#### **14 Equalities and Diversity:**

22. 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.
23. 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 ongoing analysis.

#### **What Happens Next:**

24. The relevant adjustments from recommendations will be made to the Council's accounts.
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**Consulted:** Cabinet, Executive Directors, Heads of Service

#### **Annexes:**

Annex 1 – Detailed Revenue M8 position

Service	Cabinet Member	Net budget	Forecast	Outturn variance
Public Health	M Nuti	£36.8m	£36.7m	(£0.1m)
Mental Health Investment Fund	M Nuti	£4.9m	£4.9m	£0.0m
Communities & Prevention	M Nuti	£3.7m	£3.6m	(£0.1m)
Adult Social Care	S Mooney	£470.4m	£474.1m	£3.8m
<b>Adults, Wellbeing &amp; Health Partnerships</b>		<b>£515.7m</b>	<b>£519.3m</b>	<b>£3.6m</b>
Family Resilience	C Curran	£68.4m	£68.2m	(£0.2m)
Education and Lifelong Learning	C Curran	£31.6m	£31.2m	(£0.4m)
Commissioning	C Curran	£2.4m	£2.7m	£0.3m
Quality & Performance	C Curran	£87.4m	£93.8m	£6.5m
Corporate Parenting	C Curran	£112.0m	£111.7m	(£0.3m)
Exec Director of CFLL central costs	C Curran	-£1.9m	£1.1m	£3.0m
<b>Children, Families and Lifelong Learning</b>		<b>£299.9m</b>	<b>£308.6m</b>	<b>£8.8m</b>
Highways & Transport	M Furniss	£71.1m	£73.7m	£2.6m
Environment	M Heath/ N Bramhall	£82.8m	£83.7m	£1.0m
Infrastructure, Planning & Major Projects	M Furniss	£2.6m	£2.7m	£0.1m
Planning Performance & Support	M Furniss	£3.3m	£3.5m	£0.3m
Land & Property	N Bramhall	£24.0m	£28.3m	£4.3m
Economic Growth	M Furniss	£1.8m	£1.7m	(£0.1m)
<b>Place</b>		<b>£185.6m</b>	<b>£193.7m</b>	<b>£8.1m</b>
Surrey Fire and Rescue	K Deanus	£40.4m	£40.4m	£0.0m
Safer Communities	K Deanus	£1.2m	£1.2m	£0.0m
Emergency Management	K Deanus	£0.7m	£0.7m	£0.0m
Trading Standards	D Turner-Stewart	£1.8m	£1.8m	£0.0m
<b>Community Protection &amp; Emergencies</b>		<b>£44.1m</b>	<b>£44.1m</b>	<b>£0.0m</b>
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	(£0.0m)
Comms, Public Affairs & Engagement	T Oliver	£2.7m	£2.7m	£0.0m
Active Surrey	D Lewis	£0.0m	£0.0m	£0.0m
Coroners	K Deanus	£4.6m	£4.6m	(£0.0m)
Customer Services	D Turner-Stewart	£3.2m	£3.4m	£0.1m
Customer Experience	D Turner-Stewart	£0.2m	£0.2m	£0.0m
Customer and Communities Leadership	D Turner-Stewart	£0.5m	£0.5m	£0.0m
Design & Change	D Lewis	£4.1m	£3.5m	(£0.5m)
Heritage	D Turner-Stewart	£0.9m	£1.0m	£0.0m
Information Technology & Digital	D Lewis	£21.2m	£21.0m	(£0.2m)
Libraries Services	D Turner-Stewart	£7.8m	£7.8m	£0.0m
People & Change	T Oliver	£9.4m	£9.7m	£0.3m
Registration and Nationality Services	D Turner-Stewart	-£1.7m	-£1.7m	(£0.0m)
Surrey Arts	D Turner-Stewart	£0.4m	£0.4m	£0.0m
Transformation Programmes	D Lewis	£0.0m	£0.0m	£0.0m
Finance	D Lewis	£8.5m	£8.5m	(£0.0m)
Joint Orbis	D Lewis	£6.2m	£6.4m	£0.2m
Legal Services	D Lewis	£6.2m	£6.1m	(£0.1m)
Democratic Services	D Lewis	£3.9m	£4.0m	£0.1m
Director of Resources	D Lewis	£0.1m	£0.4m	£0.3m
Leadership Office	D Lewis	£2.3m	£2.0m	(£0.3m)
Corporate Strategy and Policy	D Lewis	£1.2m	£1.0m	(£0.1m)
Pensions	D Lewis	-£0.7m	-£0.7m	(£0.0m)
Performance Management	D Lewis	£0.2m	£0.2m	£0.0m
Procurement	D Lewis	£0.7m	£0.9m	£0.3m
Twelve15	D Lewis	-£1.0m	-£1.1m	(£0.1m)
<b>Resources</b>		<b>£80.8m</b>	<b>£80.9m</b>	<b>£0.0m</b>
<b>Central Income &amp; Expenditure</b>	<b>D Lewis</b>	<b>£82.2m</b>	<b>£79.4m</b>	<b>(£2.8m)</b>
<b>Directorate position</b>		<b>£1,208.3m</b>	<b>£1,226.0m</b>	<b>£17.7m</b>
<b>Corporate Funding</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Overall</b>		<b>-£0.0m</b>	<b>£18.6m</b>	<b>£18.6m</b>

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