Revenue budget monitoring headlines

Children, Families, Learning & Communities Directorate

Education, Lifelong Learning & Culture
+18.9m overspend (+£5.1m deterioration since 30 September)
-£0.6m management actions remaining

1. Education, Lifelong Learning & Culture (ELLC) forecasts +£18.9m overspend at year end. This deterioration is mainly due to the following significant changes:

   - +£3.0m additional cost pressure on the SEND High Needs Block budget;
   - +£2.1m increase in SEND transport costs as more pupils require transport and each route accommodates fewer pupils compared to previous projections; and
   - +£0.3m fall in confirmed cost reductions in Culture.

2. Exceptional demand for services for children with SEND continues, shown by the rising number of Education Health & Social Care Plans (EHCPs). At 31 October 2018 there were 8,689 EHCPs which is a rise of 979 (12.7%) since the SEN2 statutory return to the Department for Education in January 2018.

3. At the start of the financial year the pressure on the SEND service was estimated at £30m (which has now risen to £31m due to the effect of additional placements). ELLC developed a cost containment plan to achieve reductions of £15m, of which £8.9m have been achieved, £1.3m face potential barriers, £2.8m are high risk. A further £3.0m is of very high risk of not being achieved due to increasing ECHPs and while the service will continue to seek to contain costs, this has been included as an additional pressure in the outturn forecast. There is a degree of uncertainty over the cost of the new school and college placements that began in September as the Council has to rely on schools and colleges for information and last academic year this took until January to complete.

4. ELLC's forecast £18.9m overspend remains a significant concern and risk for the Council. As part of the SEND sustainability transformation work the service is looking urgently at how it can minimise the impact on the Council's reserves and services in future years.

5. A significant cost element for ELCC is school agency placements. The forecast overspend for this has reduced slightly from September's projection to +£18.0m. The small forecast reduction is due to 30 fewer placements starting as soon as expected. However, 27 more placements are now forecast to start by the year end. The timing of this means the financial consequences for 2018/19 will be low, but the full year effect could put extra pressure on 2019/20. Under the cost containment plan ELLC will seek: alternative in house provision; that health costs are appropriately funded by health partners; and to negotiate with providers.

6. The forecast for Individual Statemented Pupil Support Budget (ISPSB) rose by +£0.4m. While the actual numbers of supported pupils are consistent with those projected for October, the increased forecast overspend is because the cost of the

new packages are higher than anticipated, and backdated costs are also more than previously projected.

7. Other significant forecast variances include: -£1.0m additional contribution to overheads from Commercial Services; and +£0.5m projected pressure for two sponsored academy conversions that are likely to have deficits.

Corporate Parenting Service
-£1.5m forecast underspend (-£0.3m improvement since 30 September)
-£0.8m management actions remaining

8. Corporate Parenting (CP) continues to experience exceptional demand for services however some of these pressure are being offset by savings elsewhere. CP is underspending by -£1.5m and is part achieving the £2.3m in year budget reduction required.

9. The external placement budget was increased by £11m for 2018/19 due to increasing demand. As at 31 October 2018 there were 84 external residential placements and 255 external fostering placements out of a total of 900 looked after children (excluding Unaccompanied Asylum Seeking Children (UASC)). The number of external residential placements is 9 less than planned at this stage in the financial year. However the effect of this is partly offset by the number of external fostering placements being 13 more than planned and by a number of very high cost supported accommodation placements. As shown in Annex 3, if CP achieves its savings plan for external fostering and external residential placements, it would achieve further aggregate cost reductions of £0.9m due to cost and volume differentials.

10. As in previous years, the Council has to subsidise services for UASC, as the grant funding from the Home Office falls £4.5m short of the total £8.9m cost. For 2018/19 the Council increased the budget for this level of subsidy. The Council still awaits the Home Office's revised funding arrangements, which are likely to alter the level of subsidy. As at 31 October 2018 the service was supporting 112 UASC.

Health, Wellbeing & Adult Social Care

Adult Social Care
-£10.7m forecast underspend (-£5.7m improvement since 30 September 2018)
no management actions remaining

11. Adult Social Care (ASC) projects -£10.7m underspend as at 31 October 2018. This meets ASC's in year budget reduction target for 2018/19.

12. The -£5.7m improvement in forecast underspend from last month is mainly due to ASC being on track to deliver fully its final -£5.0m management actions to achieve in year cost reductions. The further -£0.7m improvement is due to continuing under-usage of home based care packages , plus a reduction in projected costs for people expected to transition from CFLC services in the remainder of the year.

13. In October the Government announced additional social care funding for local authorities to support pressures that may emerge over the 2018/19 winter. The Council's allocation is £4.0m, though it is still awaiting formal confirmation of the grant

conditions and receipt of the funding. In a letter sent in October, the Secretary of State for Health & Social Care made it clear that the funding must be spent on adult social care services, including discussions with local NHS partners. Discussions have taken place with local health partners in Surrey and have agreed £1.4m of the Council's winter pressures funding will be allocated across Surrey's local health systems based on population size. The remaining £2.6m funding will be held as a countywide contingency against pressures that may emerge over the winter period. The Chancellor announced further winter pressures funding would be paid to authorities in 2019/20, although full details of this funding will not be confirmed until the Provisional Local Government Finance Settlement is published in December.

Economy, Growth & Commercial Directorate

Property budgets managed by Orbis
-£3.0m forecast underspend (no change since 30 September 2018)
-£1.9m management actions remaining

14. Property Services forecasts -£3.0m underspend, due to management action taken to achieve in year cost reductions. The -£1.9m management actions remaining includes -£1.0m budget reductions which are judged to be high risk and -£0.6m from utilities, which will depend on the winter weather.

Highways, Transport & Environment Directorate

Highways & Transport
-£2.3m forecast underspend (-£0.5m improvement since 30 September 2018)
-£0.0m management actions remaining

15. As at 31 October 2018, Highways & Transport (H&T) forecasts -£2.3m year end underspend. This meets H&T's in year budget reduction target. Key variations include use of strategic transport grants, income from parking and street works, reduced concessionary fares journeys, plus other underspends. Where management actions have not been fully delivered the shortfall has been made up by other, smaller in-year underspends.

16. Planned highways works are currently under way and generally forecast to spend to budget.

Environment
balanced forecast outturn (-£0.2m improvement since 30 September 2018)
-£0.5m management actions remaining

17. Environment forecasts a balanced outturn and has -£0.5m management actions remaining to meet its in year budget reduction target.

18. Waste currently forecasts a balanced outturn. Construction of the Eco Park, while progressing, is delayed. The Council does not start to pay for the facility until it is complete, consequently costs will also be delayed into future years. The Council intends to manage these cost movements among years through the Waste Sinking Fund. The forecast outturn therefore assumes reduced costs in 2018/19 will result in a sinking fund contribution to meet the costs when they arise in future years. Cabinet

approval will be sought for the sinking fund contribution, currently estimated at £13.5m, once the final amount is known.

Customer, Digital & Transformation Directorate

Human Resources & Organisational Development (HR&OD), Information Technology & Digital Services managed by Orbis and Orbis Joint Operating Budget (JOB)
-£3.7m forecast underspend (-£0.4m improvement since 30 September 2018)
-£0.5m management actions remaining

19. HR&OD, IT&D and Orbis JOB forecasts a -£3.7m underspend. The -£0.4m improvement since last month is mainly due to: -£0.1m IT&D improvement from support and delivery; and -£0.3m reduction in investment in and contribution to Orbis expenditure.

Finance Directorate

Central Income & Expenditure (including General Funding)
-£5.2m forecast underspend (-£1.4m improvement since 30 September 2018)
-£3.4m management actions remaining

20. Central Income & Expenditure (CIE) forecasts a -£5.2m underspend overall. This comprises -£10.7m underspending on expenditure and +£5.5m unfavourable variance for General Funding.

21. The forecast expenditure variances are driven by the agreed in-year management actions. These primarily relate to: -£2.2m budgeted contributions to reserves no longer considered necessary; -£4.3m balances no longer needed for their original purpose and can be applied to fund current year expenditure; -£3.3m lower Minimum Revenue Provision (MRP) due to 2017/18 capital programme spending being less than budgeted; and -£1.0m more investment strategy income. These underspendings are partly offset by +£0.5m shadow savings considered unachievable against Dedicated Schools Grant. As reported in May 2018, General Funding has a forecast +£5.5m shortfall due to a lower level of flexible capital receipts to fund service transformation.

22. The year to date variance of +£3.7m year is primarily due to several underspends (as outlined above) against: the Council's redundancy budget, planned contributions to reserves, MRP and historic balances; offset by timing of the £15m application of capital receipts flexibilities to fund service transformation, which will be posted at the financial year end.

23. This budget has -£3.4m management actions remaining, related to efficiencies across non-front line services and a moratorium to discretionary spending. There are significant risks of these being achieved.

Investment Strategy

24. Income of £6.7m is forecast to be delivered from investment assets this financial year, of which £5.8m will be from acquisitions made by the Council's property company, Halsey Garton Property group (HGP). This income is comprised of a dividend of £2.0m and £3.8m net interest margin on loans provided to the company by the Council. This

is a £0.2m improvement from last month's forecast following Investment Board approval for a new acquisition which is expected to complete in December 2018.

25. The net income from investments held directly by the Council is forecast at -£0.9m, and in total investments will therefore provide -£6.7m income this year. Offsetting this is £1.7m development spend, which is the revenue cost, in funding terms, of development activity underway or acquisitions pending development and is predominantly focussed on the former Thales site in Crawley. The Phase 1 office building has completed and is now substantially let to SECAmb and another tenant with a part floor remaining which is being marketed. The second phase building becomes operational in 2019. Once these two phases are completed and fully let, the development will generate an estimated -£1.3m net income each year.

26. The net income of -£5.0m is -£1.0m in excess of the -£4.0m income budget held within Central Income & Expenditure. The current investment portfolio plus future commitments such as the Brightwells Farnham scheme and other development activities are forecast to deliver -£8.6m net income in 2019/20.

27. Forecast capital expenditure in 2018/19 has increased to £91.2m and includes further equity and loans to HGP for approved investments, the completion of development in Crawley and Farnham town centre. The capital outturn for the year is reported net of an estimated -£7.0m in third party contributions.

Investment strategy revenue and capital position as at 31 October 2018

Revenue statement	**YTD actual £m**	**Full year forecast £m**
Income from investments	-2.7	-6.7
Less expenditure on developments	1.3	1.7
Total net income	-1.4	-5.0
Capital expenditure	**33.5**	**91.2**

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