

SURREY COUNTY COUNCIL

CABINET

DATE: 26 MARCH 2019



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

LEAD OFFICER: CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

CORPORATE VISION OUTCOME: COUNCIL

SUBJECT: FINANCE AND BUDGET MONITORING REPORT TO 31 JANUARY 2019

SUMMARY OF ISSUE:

This report summarises the most significant issues for the Council's 2018/19 financial position as at 31 January 2019 for revenue and capital budgets. Annex 1 provides further details on service budgets, expenditure to date and year-end forecast.

The Council's original 2018/19 revenue budget, relied on significant use of one-off resources, including drawing £21m from reserves. Material additional pressures which arose early in 2018/19, and continuing funding uncertainties from 2019/20 onwards meant further use of reserves is not sustainable. In response, Cabinet agreed a £40m in year cost reduction programme in September 2018, with two objectives:

- achieve in year cost reductions to prevent unplanned use of reserves; and
- avoid drawing down any of the planned £21m contribution from reserves this year to be in a more resilient position for 2019/20.

The main points of this report are as follows.

- Following the in-year cost reduction programme, the Council forecasts use of reserves to support the budget has reduced to just £1.3m.
 - The Council forecasts a £20m underspending against the original revenue budget.
 - This is an improvement of £3.3m since last month, mainly due to:
 - £4.4m further savings in ASC through successful mitigation of budgeted price inflation and continued reduction in care package spending
 - £0.5m of smaller improvements across a number of services
- Off-set by:
- £1.3m underachievement on SEND cost containment plan
 - £0.3m increased overspending on SEN Transport

- The Council forecasts capital spending on service provision to reduce by £3m to £122m. This is an in-year underspending of just under £11m.

The Council's resolve in reducing its expenditure during the year has been achieved through diligent planning and monitoring by officers and Cabinet Members throughout the year. Nearly eliminating the need to use reserves to support the budget this year has increased the Council's financial resilience going into the new financial year. However, the Council continues to face considerable challenges from continuing rise in the need for services and the threat of further reductions in funding from the Fair Funding Review in 2020.

RECOMMENDATIONS:

The Cabinet is asked to note the following.

1. The Council's overall revenue and capital budget positions as at 31 January 2019:
 - £1.3m forecast total draw down reserves;
 - £20m forecast underspend against the original 2018/19 budget; and
 - £122m forecast service capital programme outturn against £132m budget.
2. All Cabinet Members have confirmed their service's forecast for the year as shown in the revenue table below.

REASONS FOR RECOMMENDATIONS

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

Revenue budget

1. Table 1 shows the latest forecast position for the year by service. Annex 1 provides more detail of service budget forecasts.

Table 1 Summary revenue budget variances as at 31 January 2019

Service	Gross budget £m	Net budget £m	Net forecast £m	Forecast variance £m	Change from Last Month £m
Delegated Schools	306.9	0.0	0.0	0.0	0.0
Education, Lifelong Learning & Culture	320.5	68.9	87.5	18.6	1.7
Safeguarding & Family Resilience	45.6	42.2	42.4	0.2	0.2
Corporate Parenting	114.8	100.6	99.4	(1.2)	(0.1)
Quality Assurance	6.9	5.8	6.2	0.4	(0.1)
Commissioning	12.4	11.2	11.4	0.2	(0.1)
Children, Families, Learning & Communities	807.1	228.7	246.9	18.2	1.6
Adult Social Care	500.4	381.8	360.5	(21.3)	(4.4)
Public Health	36.7	0.0	(0.1)	(0.1)	0.0
Health, Wellbeing & Adult Social Care	537.1	381.8	360.4	(21.4)	(4.4)
Highways & Transport	79.6	67.0	64.1	(2.9)	(0.1)
Environment	73.5	69.3	68.7	(0.6)	0.0
Surrey Fire & Rescue Service	49.1	32.0	31.7	(0.3)	(0.1)
Communities	5.7	3.5	3.2	(0.3)	0.1
Highways, Transport & Environment	207.9	171.8	167.7	(4.1)	(0.1)
Customer & Performance	7.4	7.0	6.5	(0.5)	0.0
Coroner	2.4	1.7	2.1	0.4	0.1
Property	31.1	21.6	17.3	(4.3)	(0.2)
Orbis HR&OD, IT&D and Joint Operating Budget	52.4	51.8	47.3	(4.5)	(0.2)
Customer, Digital & Transformation	93.3	82.1	73.2	(8.9)	(0.2)
Finance, Law & Governance	13.2	10.4	10.2	(0.2)	0.0
Central Income & Expenditure	56.9	52.8	41.0	(11.8)	(0.8)
Total services' revenue expenditure	1,715.5	927.6	899.4	(28.2)	(3.9)
Total general funding		(906.3)	(898.1)	8.2	0.6
Total movement in reserves		21.3	1.3	(20.0)	(3.3)

Note: All numbers have been rounded - which might cause a casting difference

Capital programme

2. The Council is forecasting an in-year underspending on the capital budget of £10.6m, which is shown in Table 2. This is a £3m increase since last month, mainly due to:

- £1.4m on Schools Basic Need due to delays in building works
- £1m due to IT& Digital delays in procurement and specification for equipment purchases

Table 2 Summary capital programme budget variances as at 31 January 2019

	Current full year budget £m	Apr – Jan actual £m	Feb – Mar forecast £m	Full year forecast £m	Full year variance £m	Change from last month £m
Schools basic need	27.1	21.3	4.0	25.3	(1.8)	(1.4)
Property Services	30.8	22.5	4.4	26.9	(3.9)	(0.6)
Highways & Transport	57.9	40.9	16.7	57.7	(0.2)	(0.2)
Environment	2.2	1.0	0.9	1.9	(0.3)	0.0
IT & Digital	5.0	0.6	1.3	1.9	(3.1)	(1.0)
Other capital projects	9.6	4.0	4.3	8.3	(1.3)	0.2
Total	132.6	90.3	31.6	122.0	-10.6	-3.0

Note: All numbers have been rounded - which might cause a casting difference

Investment strategy

3. In 2013 the Council adopted a strategy of investing in long term income generating assets to provide an additional stream of income and improve its overall financial resilience. As a part of this strategy, the Council has approved £106m net investment in long term income generating assets during 2018/19. The Council forecasts total net revenue income in 2018/19 of £5m from this strategy. This is included in the Central Income and Expenditure budget line.

CONSULTATION:

4. All Cabinet Members have confirmed their service's forecast for the year as shown in the revenue table above.

RISK MANAGEMENT AND IMPLICATIONS:

5. 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 Plan (MTFP). In the light of the increased and significant 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

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

SECTION 151 OFFICER COMMENTARY

7. 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.
8. The Council has a duty to ensure its expenditure does not exceed resources available. During 2018/19, the Council plans to deliver £66m MTFP savings and to reduce spending by a further £40m as it moves towards a sustainable budget for future years. All services must continue to take all appropriate action to keep costs down and optimise income (e.g. through minimising spending, managing vacancies wherever possible). Adverse variances will require remedial in-year efficiencies and budget reductions.
9. It is drawn to Members' attention that the Council's reserves are already at low levels bearing in mind the ongoing uncertainty about: future funding, demand pressures, savings and the transformation programme. For these reasons and to increase the Council's financial resilience, the Council needs to achieve all of its £66m MTFP savings and all of the £40m in year cost reductions Cabinet has approved. Unless the Council achieves these savings and cost reductions in 2018/19, it risks depleting reserves to unacceptable levels.

LEGAL IMPLICATIONS – MONITORING OFFICER

10. 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.
11. 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

12. 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.
13. 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:

14. 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.

Annexes:

Annex 1 – Forecast revenue budget as at 31 January 2019.