SURREY COUNTY COUNCIL

CABINET

DATE:	**20 DECEMBER 2022**
REPORT OF:	**DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES**
LEAD OFFICER:	**LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES (S151 OFFICER)**
SUBJECT:	**2022/23 MONTH 7 (OCTOBER) FINANCIAL REPORT**
ORGANISATION STRATEGY PRIORITY AREA:	**GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING COMMUNITIES**

Purpose of the Report:

This report provides details of the County Council's 2022/23 financial position as at 31st October 2022 (M7) for revenue and capital budgets, and the expected outlook for the remainder of the financial year.

Key Messages:

Revenue

- **At M7, the Council is forecasting a full year deficit of £24.7m,** against the approved revenue budget. The details are shown in Annex 1 and summarised in Table 1.

- The current level of projected overspend remains significant. It is imperative that this reduces before we reach the end of the year, otherwise there would be a material negative impact on the level of the council's reserves at a time when the level of external financial risk is extremely high.

- Concerted action therefore needs to be taken to reduce the forecast position. The Council remains committed to budget accountability and the budget envelope approach and therefore Directorates which are currently forecasting an overspend position have committed to delivering budget recovery plans, which require the identification of targeted additional in-year efficiencies to mitigate the forecast overspend.

- At the end of October, £8.5m of mitigations have been identified through budget recovery plans, these are included in the net forecast overspend (reducing what would otherwise be a forecast overspend of £33.2m). Progress on the identification and delivery of these additional measures will be reported to Cabinet on an ongoing basis, as part of the monthly financial reporting.

- It is recognised that the economic climate and rising inflation provides significant challenge to the delivery of our services within available budgets and the impacts of these are being monitored closely. The in-year forecast position is the result of a number of combined pressures being experienced and a deterioration of the financial context since the budget was set in February 2022. Contingencies are contained within the budget to provide comfort that the budget remains balanced should inflationary pressures not be containable within available Directorate budgets during the year. However, it is not appropriate to utilise contingencies to off-set ongoing service pressures, and therefore Directorates are asked to mitigate pressures, including inflationary ones, wherever possible to reduce the ongoing financial impact.

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Capital

- The M7 position shows a forecast spend of £221.8m against a budget of £215.8m, **a variance of £6.0m.** This is the net effect of overspend and acceleration in some areas, offset by slippage and underspends in other schemes, as detailed below. At Month 9 (January 2023) the capital budget will be reset to adjust for in-year movements, at this point forecast overspend mitigations will also be reflected.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue and capital budget positions for the year and the commitment to develop Directorate budget recovery plans.
2. Approves the introduction of a new fee to charge Adult Social Care providers for work that the Council needs to undertake to enable the payment of VAT for care services under a Self-Billing arrangement, compliant with HMRC regulations
3. Authorises Legal Services to execute and seal any future Deeds of Novation or any other legal documentation, as appropriate, in respect of Adult Social Care Providers. (Para 15 - 18)
4. Delegates authority to the Director of Education and Lifelong Learning in consultation with the Executive Director of Children, Families and Lifelong Learning, the Executive Director of Resources and the Cabinet Member for Education and Learning to determine the mechanism for funding schools and the use of the proposed contingency from the DfE Homes for Ukraine Education and Childcare grant (Para 19 – 22).
5. Approve the use of earmarked reserves of £1.1m and an increase in the capital budget of £7m, representing the additional costs associated with the moving of the go live date for the Council's new finance, HR, payroll and procurement systems (para 23-25).

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 M7, the Council is forecasting a full year £24.7m overspend against budget.** This comprises a £33.2m forecast overspend, offset by £8.5m from budget recovery plans (BRP), and represents a deterioration of £0.3m since last month Table 1 below shows the forecast revenue budget outturn for the year by Directorate.

2. Through the budget envelope approach, Directorates are required to deliver services within their approved budget. Therefore, Directorates are tasked with mitigating activities to offset identified pressures, mitigate risks and maximise the opportunities available to contain costs.

3. In each of the last four financial years, this approach has been sufficient to deliver a year end position within budget. However, the unusual intensity of the pressures that the council is facing this year, means that additional measures have been required in order to protect the council's financial position. Therefore, Directorates currently forecasting an overspend will deliver a budget recovery plan, which requires the identification of targeted additional in-year activities to mitigate the forecast overspend.

4. Through budget recovery plans, Directorates have to date identified £8.5m of additional activities in order to mitigate some of the remaining forecast overspend. Work continues to identify further measures and progress on the identification and delivery of these additional measures will be reported to Cabinet on an ongoing basis, as part of the monthly financial reporting.

Table 1 - Summary revenue budget forecast variances as at 31st October 2022

Directorate	M7 Adj BAU Forecast £m	M7 Budget Recovery Plans £m	22/23 Outturn Forecast at M7 £m	Annual Budget £m	Forecast Variance £m
Adult Social Care	414.1	(6.4)	407.8	402.8	5.0
Public Service Reform & Public Health	35.4	0.0	35.4	35.4	0.0
Children, Families and Lifelong Learning	240.8	0.0	240.8	222.2	18.6
Comms, Public Affairs & Engagement	2.1	0.0	2.1	2.2	(0.0)
Surrey Fire and Rescue	36.0	(0.3)	35.7	33.1	2.6
Customer & Communities	17.4	(0.1)	17.4	17.3	0.0
Environment, Transport & Infrastructure	136.5		136.5	136.5	0.0
Prosperity Partnerships & Growth	1.5	0.0	1.5	1.6	(0.1)
Resources	78.5	(0.9)	77.5	77.0	0.5
Central Income & Expenditure	83.8		83.8	84.7	(0.9)
Total before DSG High Needs Block Offset	**1,046.1**	**(7.7)**	**1,038.4**	**1,012.9**	**25.5**
DSG High Needs Block Offset	27.2	(0.8)	26.4	27.2	(0.8)
Total Budget Envelopes	**1,073.3**	**(8.5)**	**1,064.8**	**1,040.1**	**24.7**
Central Funding	(1,040.1)		(1,040.1)	(1,040.1)	0.0
Overall after central funding	**33.2**	**(8.5)**	**24.7**	**0.0**	**24.7**

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

5. The forecast net Directorate overspend of £24.7m relates primarily to:

Children, Families and Lifelong Learning (CFL) - £18.6m overspend, due to:

- £13m projected overspend on Home to School Transport (H2ST), this is a reduction of £2m from month 6. Demand pressures from the continuing increase in Education and Health Care Plans are compounded by high fuel costs and other inflationary pressures increasing costs further, coupled with the ability of providers to "hand back" routes leading to higher costs in the retender process. The projection includes a forecast 9% increase in pupils with Additional Needs and Disabilities from September 2022, but confirmation of these figures requires all current applications to be processed. There are still applications for the new academic year being processed, current demand increases are below the 9% forecast, but the usual trend is for numbers to increase from September up to Christmas as these applications are processed. Continued volatility in fuel prices remains a significant risk. The projection is net of changes from the implementation of the Council's new transport policy. A H2ST Task & Finish Group has been set up which will drive weekly progress, ensure clear action plans and be accountable in this area. There is also a focus on alternative delivery models, in collaboration with key stakeholders. We are taking a proactive approach to learning from other counties to support assumptions and inform strategies.
- £4.1m overspend on External Children Looked After (CLA) placements – due to numbers of CLA and the full year effect of some high-cost placements which came in late March. Reductions in residential placements through the big fostering partnership are yet to be delivered.
- £2.5m overspend on Children with Disabilities (CWD) Care - this is a residual pressure from 2021/22 due to high levels of demand for direct payments and personal support.

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- £2.5m overspend on Quadrant area teams, CWD and Fostering staffing – this relates to the double funding of the assessed and supported year in employment (ASYE) social work cohort through the use of agency staff for three months while ASYE's gradually build up their caseload; and there are also additional staffing costs in fostering due to the level of agency staff. An efficiency around standardising leave between agency and permanent workers has also not been delivered due to workload requirements.
- £1.1m forecast overspend on Care Leavers due to the level of demand and increases in average costs.
- Partly offset by £4.6m Covid-19 funding. An assessment of extra costs applicable to the pandemic resulted in an increased drawdown of Covid-19 funding. This is predominantly within staffing, social care placements and income levels in services which have not recovered post lockdowns.

Adult Social Care – £5.0m net overspend (£11.4m forecast overspend offset by £6.4m Budget recovery plan): £15.2m pressure on the care package budget due to forecast non-achievement of efficiencies relating to market pressures and capacity challenges (for which the service is working on mitigations), increased costs of care, in part due to higher acuity of care needs, growing post pandemic demand and rising assessed fees & charges debt resulting in an increased provision for bad debt and debt write offs. This is partially offset by £3.2m staffing underspends, £0.6m of small underspends for wider support services and the service's £6.4m budget recovery plan including draw down of reserves earmarked for ASC, use of Contain Management Outbreak Fund monies to contribute to funding Covid related pressures and old year accruals than can be released.

Surrey Fire and Rescue - £2.6m net overspend (£2.9m forecast overspend offset by £0.3m Budget recovery plan): primarily due to additional recruitment and training in response to recruitment by the London Fire Brigade, anticipated retirements and existing vacancies, together with increased costs of communication systems, staffing pressures through increased use of on-call staffing, backdated holiday pay on overtime, ill health retirements, and increased costs of fuel and vehicle repairs. Some offsetting underspends are already included in the forecast and £0.3m budget recovery plans (use of grants to cover existing staffing costs, reduced overtime through new ways of working and capitalisation of staff and other appropriate costs. Officers continue to review these pressures and wider spend to identify any further mitigations.

Resources – £0.9m overspend (£1.4m forecast overspend offset by £0.5m Budget recovery plan): due mainly to price inflation on utilities and food, resulting in forecast pressures in Land & Property and Twelve15. In addition, there is continued increased demand for legal services. Furthermore, delays to the planned agile moves mean that some of the Land & Property efficiencies are unlikely to be delivered. Offset by £0.5m budget recovery plans containing a range of measures including a review of reserves, reduced staffing costs including delaying non statutory recruitment and continual appraisal of premises costs to mitigate the challenging inflation pressures.

Offset by:

Central Income and Expenditure - £0.9m underspend: Mainly due to £0.3m increased interest receivable due to improved cash balances and yield and £0.7m underspend for redundancies, reflecting fewer service restructures.

DSG High Needs block - £0.8m budget recovery plan: £0.8m has been included based on a reduction in the DSG High Needs Block offsetting reserve contribution needed (this is a partial release of reserve).

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6. In addition to the forecast overspend position, we monitor emerging risks and opportunities throughout the year. These are activities that could impact on, but are not currently included in, the forecast outturn position. Wherever possible the potential financial value of risks and opportunities are estimated and scored for the likelihood of the risk or opportunity occurring, to calculate the weighted risk / opportunity. At the end of October there were £26.2m of weighted risks and £4.4m of weighted opportunities, resulting in net weighted risks of £21.8m, not currently included in the latest forecast outturn position.

7. As such, as well as taking action to reduce the current forecast overspend, Directorates are taking action to mitigate these risks to avoid increased budget pressures.

Dedicated Schools Grant (DSG) update

8. The table below shows the projected forecast year end outturn for the High Needs Block. The forecast at month 7 is in-line with budget.

Table 2 - DSG HNB Summary

2022/23 DSG HNB Summary	
	£'m
DSG High Needs Block Grant (exc Academies)	202.2
Forecast outturn	235.2
Deficit/(surplus)	*33.0*
Safety valve overspend assumed	33.0
Deficit/(surplus)	***0.0***
Contribution required to reserve as per Safety Valve agreement	25.6
Reserve contribution budget	27.2
Deficit/(surplus) – of which £0.8m is included in the forecast	***(1.6)***

9. Within the forecast, there are £4m of stretch efficiencies RAG rated as red (plans to be developed). This is a reduction of £2.4m from the level at the start of the year (£6.4m) and work continues to identify and deliver further efficiencies.

10. The second quarter monitoring report was approved last month by DfE for the safety valve agreement. This identified that the Council remains on track with its agreed trajectory, although it also noted the increasing pressures caused by rising inflation, in particular to the long-term funding of the planned Capital programme. The quarter three report will be drafted which will be the final one required for submission this financial year.

11. Whilst the Council remains on track to achieve its safety valve trajectory, rather than releasing the full £1.6m contingency into the forecast, a phased approach is being used with 50% (£0.8m) released to date. If the trajectory remains on track the full amount can be released later in the year.

Capital Budget

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12. The 2022/23 Capital Budget was approved by Council on 8th February 2022 at £210.9m, with a further £71.0m available to draw down from the pipeline and £18m budgeted for Your Fund Surrey expenditure. After adjustments for 2021/22 carry forwards and acceleration, the revised budget is £215.8m.

13. The Council is currently forecasting £221.8m of capital expenditure against this budget, an over-achievement of £6.0m. The budget will be reset as at M9 (January 2023) to reflect in year movements.

Table 3 below provides a summary of the forecast full-year outturn at M7.

Strategic Capital Groups	Annual Budget £m	Outturn Forecast at M7 £m	M7 Forecast Variance £m
Property			
Property Schemes	77.9	77.3	(0.6)
ASC Schemes	1.7	1.7	0.0
CFLC Schemes	1.3	1.3	(0.0)
Property Total	**80.9**	**80.3**	**(0.6)**
Infrastructure			
Highways and Transport	87.6	95.4	7.8
Infrastructure and Major Projects	22.4	16.8	(5.6)
Environment	8.8	14.3	5.5
Surrey Fire and Rescue	6.4	3.0	(3.4)
Infrastructure Total	**125.2**	**129.5**	**4.3**
IT			
IT Service Schemes	9.7	12.0	2.3
IT Total	**9.7**	**12.0**	**2.3**
Total	**215.8**	**221.8**	**6.0**

14. The forecast variances relate to:

Highways and Transport schemes – programme acceleration against budget of £7.8m. Highway maintenance and local highway schemes totalling £15.3m have been accelerated from future years, as part of £50m planned acceleration across 2022-24. £4.5m of pipeline schemes are also expected to be delivered this year. These are offset by net slippage of £12.0m, including £2.5m for the Mole bridge strengthening scheme which is expected to span two financial years; £5.5m caused by delayed purchase of low emission buses while legal agreements with bus operators are finalised; and £2.2m reprofiling for the purchase of low emission community transport vehicles to allow a smaller number of vehicles to be tested operationally before further investment.

Infrastructure and Major Projects – projected underachievement to budget of £5.6m due to £4.8m slippage in the grant funded Housing Infrastructure Fund scheme, with early infrastructure works and land purchase now anticipated in 2023/24, and £0.9m slippage on Farnham town centre improvements due to a delay finalising the scope and design.

Environment schemes – projected overachievement to budget of £5.5m following the addition of Sustainable Warmth grant schemes (£7.1m), which is offset by a delay to the Greener Homes 2 grant funded scheme mainly caused by the need to secure a managing agent to deliver project.

Surrey Fire & Rescue Service – projected underachievement to budget of £3.4m due to slippage in the Fire Service vehicle replacement programme caused by delays in anticipated delivery dates of fire vehicles, recognising supply chain issues.

Property Schemes – programme underachievement against budget of £0.6m, due to £10.9m forecast slippage in the Schools Basic Need programme as a result of a number for projects either not coming forward, coming forward later than previously forecast or construction start on site being delayed due to planning; £2m hold on the Caterham Hill Library project due to local strategy issues; £1.3m slippage in Winter Maintenance Depot due to delays in construction spend on salt barns until after the winter gritting season; £1.m slippage in Surrey Outdoor Learning & Development (SOLD) -Thames Young Mariners due to a requirement to reduce costs and associated scope; and £0.7m less spend due to delayed agile office moves. These variances were offset by forecast inflationary pressures of £9m, primarily on capital maintenance and schools budgets; £3.7m of accelerated spend on Extra Care Housing schemes and £2.9m for Independent Living, and £1.1m of newly forecast spend on the Sunbury Hub scheme which has now been confirmed to proceed in early 2023. 14

IT schemes – programme acceleration against budget of £2.3m due to accelerated spend on the Unicorn WAN Wi-Fi scheme, the budget for which will be added when budgets are reset later this financial year.

Paying VAT on the delivery of Adult Social Care services

15. The provision of Adult Social Care (ASC) services by a charity, public body or a state regulated private welfare institution (independent ASC provider) are exempt from VAT. This means that ASC providers are unable to directly register for VAT, meaning they cannot reclaim the VAT they are charged on their expenses or charge VAT on the care services they deliver.

16. Under HMRC regulations though, it is permissible for ASC providers to create a “Vatable Trading Subsidiary” which is part of their wider trading group but separate from the organisation delivering care. The trading subsidiary can register for VAT, meaning that VAT can be charged on services delivered to offset against VAT paid on costs they incur.

17. A growing number of ASC providers operating in Surrey have chosen to follow this approach in terms of creating vatable trading subsidiaries in line with a growing national trend. Once they have created the subsidiaries they then approach the Council to request that contracts for the payment of care services are novated to the subsidiaries so that the Council can start paying VAT on top of the care services it purchases from the provider in question. The Council has put in place a robust process to ensure that the legal responsibility for the delivery of care still rests with the ASC provider and also to ensure that all relevant HMRC regulations are adhered to.

The novation of contracts to vatable trading subsidiaries benefits ASC providers by enabling them to reclaim some of the VAT they incur on their purchases against the VAT they receive on the services they deliver to residents whose care is funded by the Council. It does not have any ongoing financial impact on the Council, as the Council is able to reclaim in full all VAT paid on ASC services from HMRC. However, the Council does incur administrative costs relating to the novation of contracts and system changes to enable VAT payments to legitimately commence. In light of the growing demand from ASC providers the Council now proposes to introduce new charges as set out in the table below. These would be one-off charges billed to ASC providers at the point when novation and VAT payment set up is undertaken by the Council. Charges have been calculated based on full cost recovery of the staff time across the different functions it is estimated will be required. Charges vary depending on the size of the provider and the number of individual care establishments they operate in Surrey, each of has to be changed to VAT payment terms in the Council's ASC payment system. Cabinet is asked here to endorse the charges set out in the table below.

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Costs for set up			
1-5 Establishments	**6-10 Establishments**	**+10 Establishments**	**+20 Establishments**
£620	£870	£1,120	£1,525

Homes for Ukraine Education and Childcare Funding

18. Homes for Ukraine Education and Childcare Funding is paid by DfE at a rate per Homes for Ukraine child (only) arriving in Surrey. The DfE pays the grant at a full year rate of £6,580 per primary aged pupil and £8,755 per secondary aged pupil, and £3,000 per early years pupil pro rata as follows, pupils arriving between:
    - March-May 2022 attract the full rate
    - June-Aug 2022 attract ¾ of the full rate
    - Sept-Nov 2022 are expected to attract half rate
    - Dec 2022-Feb 2023 are expected to attract ¼ rate.

19. Grant received to date for the period covering March 22 – August 22 arrivals is £6m. As it stands pupils arriving in March 2023 would not attract funding and DfE advises that there are currently no plans to provide funding after April 2023, whether for new arrivals or previous arrivals. However, those included in the October 2022 census (i.e. children on roll in a school at that point) will generate formula funding in the usual way in 2023/24. Local authorities can carry forward unspent grant into 2023/24.

20. Grant conditions allow the Council to top-slice a proportion of funding to support central costs and we are proposing to top-slice 20% for high need SEND costs (which we expect to emerge over time as schools identify needs). A 20% top-slice does not mean that schools receive 80% of the per pupil funding rate because the period for which individual pupils are funded by Surrey (if a termly based formula is used) is likely to differ from the period for which DfE funds Surrey (a quarterly based formula) for those pupils.

Homes for Ukraine Education and Childcare Funding - Early years pupils

21. It is proposed that early years funding is excluded from the top-slice discussed above. Currently we anticipate that the cost of identified Homes for Ukraine children in early years settings will be met from the grant available, which may include a mixture of payments to providers and funding of central services.

Digital Business & Insights Programme (DBI) Update

22. In October 2019 Cabinet considered a report recommending the initiation of a procurement process to replace the Council's current financial, HR, Payroll and procurement systems. In July 2020, Cabinet agreed the award of a tender to Unit4 following an extensive procurement exercise. A further report to Cabinet in December 2021 revised the planned go live date for the system and increased the available budget for the programme. Following further challenges to the implementation timetable, an extensive replanning process has taken place to set a revised go live date of 6 June 2023.

23. The extended implementation timetable means that the costs of the programme have increased further. Primarily this relates to the costs of the programme team implementing the system for the Council, and in support from the implementation partner. In order to provide the required budget for completion of the programme, it is proposed to make a further call on allocated earmarked reserves of £1.1m, and to increase the capital budget requirement by £7m. This represents the additional cost of the go live date moving from April 2022 to June 2023. The additional capital investment requirement will result in additional revenue borrowing costs which are anticipated to be covered by efficiencies realised once the system is fully implemented. 14

24. Given the delays to the programme, the implementation team have worked closely with the Chair and Vice Chairs of the Resources and Performance Select Committee to ensure that at the appropriate time there will be a full lessons learned review of the programme. Preparatory work from Internal Audit has been undertaken in order to inform this review, and it is expected to take place predominantly following the system go live. In the meantime, issues identified in the internal audit work have informed the replanning process.

Inflation Update

25. Higher than budgeted inflation, arising from increased global and economic uncertainty, has significantly increased the risks facing the Council in terms of delivering the budget for 2022-23. We will be monitoring closely the impact of inflation indices and Council spending and take action as necessary to ensure increased costs are mitigated where possible.

26. Directorates should look to contain cost increases wherever possible to ensure services can be delivered within budget envelopes. Should mitigating actions not fully offset any experienced increase in costs then alternatives should be explored to contain spending.

27. It should also be noted that specific grants do not include any inflationary increase and therefore the associated expenditure has to be managed within the available grant, including impacts of inflation and demand changes. Holding expenditure within the available grant may prove to be more challenging and potentially require cost reduction.

28. Any use of reserves or contingency to support higher spending in 2022-23 will have a significant impact in subsequent years, due to the ongoing impact on the Medium-Term Financial Strategy (MTFS). The ongoing impact of price increases would need to be factored into the base budget on a recurring basis plus a further one-off contribution would be needed to replenish general reserves (depending on future assessment of risk). For this reason, it is essential that Directorates strive to contain price increases within budget envelopes or take mitigating actions where possible.

29. Capital spending is more exposed to the impact of rising commodity, energy, and fuel costs than the revenue budget due to the impact on materials and delivery costs. Higher than anticipated inflation on projects, over and above the contingency element of the projects' budgets, can risk the viability of schemes. Where it has been identified that cost increases are putting at risk the ability to deliver the approved project within available budget, mitigating actions should be taken to reduce costs, including value engineering of schemes, i.e., modification of designs and/or scope to bring within available funding and deferring or de-prioritising projects. This process will be managed through the Capital Programme Panel.

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30. Inflationary pressures within both the revenue and capital budget will be closely monitored throughout the financial year and updates on impacts and required mitigations will be included in future budget monitoring reports to Cabinet.

Consultation:

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

Risk Management and Implications:

32. 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:

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

Section 151 Officer Commentary:

34. Although significant progress has been made to improve the Council's financial position, the financial environment remains challenging. The UK is experiencing the highest levels of inflation for decades, putting significant pressure on the cost of delivering our services. Coupled with continued increasing demand and fixed Government funding this requires an increased focus on financial management to ensure we can continue to deliver services within available funding. In addition to these immediate challenges, the medium-term financial outlook beyond 2022/23 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 stable provision of services in the medium term.

35. The Council has a duty to ensure its expenditure does not exceed the resources available. Contingency budgets held by the Council provide confidence that the budget remains balanced at this stage. However, it is recognised that the current economic climate and rising inflation provides a significant challenge to delivering services within available budget resources. Directorates are developing budget recovery plans, to include targeted

additional in-year efficiencies to off-set the current forecast overspend. 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:

36. 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.

37. 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:

38. 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.

39. 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:

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

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Forecast revenue budget as of 31st October 2022

Service	Cabinet Member	Full Year Gross budget £m	Full year net budget £m	Full Year net forecast £m	Full year net forecast variance £m
Education and Lifelong Learning	C Curran	221.4	21.4	21.2	(0.2)
Family Resilience	S Mooney	38.1	33.3	33.1	(0.1)
Corporate Parenting	S Mooney	120.4	106.5	112.4	5.9
Quality and Performance	S Mooney	10.3	9.2	9.3	0.0
Commissioning	S Mooney	136.5	53.2	66.0	12.8
CFLC Exec Director	S Mooney	(1.5)	(1.5)	(1.3)	0.2
Children, Families and Lifelong Learning		**525.2**	**222.2**	**240.8**	**18.6**
Public Health	M Nuti	35.6	34.5	34.5	0.0
Public Service Reform	M Nuti	1.1	0.9	0.9	0.0
Public Health and PSR		**36.8**	**35.4**	**35.4**	**0.0**
Adult Social Care	**M Nuti**	**549.6**	**402.8**	**407.8**	**5.0**
Highways & Transport	M Furniss / K Deanus	71.9	56.8	56.4	(0.5)
Environment	M Heath/ N Bramhall	77.0	74.7	75.1	0.3
Infrastructure,Planning & Major Projects	M Furniss	5.4	3.0	2.8	(0.2)
Leadership Team	M Furniss	1.5	1.5	1.7	0.2
Emergency Management	K Deanus	0.5	0.5	0.6	0.1
Environment, Transport & Infrastructure		**156.3**	**136.5**	**136.5**	**0.0**
Surrey Fire and Rescue	**D Turner- Stewart**	**38.8**	**33.1**	**35.7**	**2.6**
Armed Forces & Resilience	K Deanus	0.1	0.1	0.1	0.0
Comms, Public Affairs & Engagement	T Oliver	2.1	2.1	2.0	(0.0)
Communications, Public Affairs and Engag		**2.2**	**2.2**	**2.1**	**(0.0)**
PPG Leadership	T Oliver	0.3	0.3	0.3	(0.0)
Economic Growth	M Furniss	1.3	1.3	1.2	(0.1)
Prosperity, Partnerships and Growth		**1.6**	**1.6**	**1.5**	**(0.1)**
Community Partnerships	D Turner-Stewart	1.5	1.5	1.4	(0.1)
Customer Services	D Turner-Stewart	3.0	2.9	2.8	(0.1)
AD Culture & Active Surrey	D Turner-Stewart	19.5	6.7	6.6	(0.0)
Surrey Arts	D Turner-Stewart	0.4	0.4	0.4	0.0
Trading Standards	D Turner-Stewart	3.9	2.0	1.9	(0.1)
Health & Safety	D Turner-Stewart	0.7	0.3	0.3	(0.0)
Coroners	K Deanus	3.8	3.7	4.0	0.3
Customers and Communities		**32.7**	**17.3**	**17.4**	**0.0**
Land and Property	N Bramhall	32.5	24.1	24.4	0.3
Twelve15	D Lewis	20.1	(1.5)	(1.3)	0.2
Information Technology & Digital	D Lewis	19.1	18.5	18.5	(0.0)
Finance	D Lewis	13.5	6.0	5.8	(0.1)
People & Change	T Oliver	7.3	7.2	7.2	(0.0)
Joint Orbis	D Lewis	6.4	6.4	6.4	0.0
Legal Services	D Lewis	5.4	4.9	5.6	0.7
Business Operations	D Lewis	4.0	2.0	2.0	(0.1)
Democratic Services	D Lewis	4.0	3.8	3.7	(0.0)
Corporate Strategy and Policy	D Lewis	2.1	1.6	1.5	(0.1)
Executive Director Resources	D Lewis	2.5	2.5	2.5	(0.0)
Transformation and Strategic Commissioning	D Lewis	1.4	1.4	1.1	(0.2)
Performance Management	D Lewis	0.2	0.2	0.1	(0.0)
Resources		**118.6**	**77.0**	**77.5**	**0.5**
Corporate Expenditure	D Lewis	**108.0**	**84.7**	**83.8**	**(0.9)**
Total before DSG High Needs Block Offset		**1,569.9**	**1,012.9**	**1,038.4**	**25.5**
DSG High Needs Block Offset		**27.2**	**27.2**	**26.4**	**(0.8)**
Total Budget Envelopes		**1,597.0**	**1,040.1**	**1,064.8**	**24.7**
Central funding			**(1,040.1)**	**(1,040.1)**	**0.0**
Total Net revenue expenditure including DSG HNB		**1,597.0**	**0.0**	**24.7**	**24.7**