

SURREY COUNTY COUNCIL

CABINET

DATE: 27 JUNE 2023



REPORT OF: DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES

LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES (\$151 OFFICER)

SUBJECT: 2023/24 MONTH 1 (APRIL) FINANCIAL REPORT

ORGANISATION STRATEGY: 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 2023/24 financial position as at 30th April 2023 (M1), and the expected outlook for the remainder of the financial year. As in previous years, M1 is a high-level review, focussing on risks and opportunities in relation to the 2023/24 budget.

Key Messages – Revenue

- **At M1, the Council is forecasting an overspend of £6m against the 2023/24 revenue budget** approved by Council in February 2023.
- **£15.1m of net risks** to the forecast position have been quantified (further details in paragraph 5). **Historically risks are high in the early part of the financial year** as certainty over the likelihood they will materialise, and the financial impact, is unclear.
- **Directorates will take action to mitigate** these risks and maximise the opportunities to offset, in order to contain costs within available budget envelopes.

Key Messages – Capital

- Risks to delivering the Capital Budget were considered by Capital Programme Panel (CPP) at Month 1. CPP concluded that **currently there is no forecast variance to report. However, an early assessment of deliverability risk shows a potential £28m of the programme at high risk of slippage.** At this early stage in the financial year, not all risks and opportunities to delivering the budget can be validated and further work will be undertaken with more certainty for M2 to inform the forecast position.
- Where individual programmes cannot be delivered to budget, **acceleration of other schemes will be considered in mitigation**, where appropriate.

Recommendations:

It is recommended that Cabinet:

1. Note the Council's forecast revenue and capital budget positions for the year.
2. Approve the extension of Council Tax Relief for Care Leavers for a further 3 years, to be reviewed again in 2026 (para 12 & 13).

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 and to carry out a review of the Council Tax Relief for Care Leavers, as per the previous Cabinet decision on the subject.

Revenue Budget:

Risks and Opportunities

- At M1, the Council is forecasting an overspend of £6m** against the 2023/24 revenue budget. On 7th February 2023, Council approved a revenue budget of £1,101.5m, the budget was later adjusted to £1,102.0m due to final grant distributions in relation to the Dedicated School Grant (£0.4m) and the Public Health Grant (£0.1m).
- The projected £6.0m overspend as at M1, relates to Children, Families and Lifelong Learning** due to a number of factors, particularly price inflation within Social Care placements (£4m) and demand pressures within Area Care (£1m) and Care Leavers (£1m). These are a continuation from 2022/23 and will see an overspend in 2023/24 based on the current trajectory. Whilst these pressures were included within the 2023/24 budget, the inflationary pressures continued to grow and the need to remain within the overall funding envelope means that, despite there being existing efficiencies in these areas, the expectation is that current trajectories will result in an overspend. The Directorate forecasts are further set out in Annex 1.
- Directorates have additionally identified net risks of £15.1m**, consisting of quantified risks of £15.9m and opportunities of £0.8m. 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. A number of additional risks have been identified that are, at this stage, unquantifiable; these will be kept under continual review.
- Directorates will take action to mitigate these risks and maximise the opportunities available to offset them, in order to avoid these resulting in a forecast overspend against the budget set.
- Historically, risks are high in the early part of the financial year as certainty over the likelihood they will materialise, and the financial impact, remains unclear.**
- As in previous years, the budget includes risk contingency. This is in excess of the current quantified risks, giving confidence that the budget currently remains balanced.
- The £15.1m net risks by Directorate are:

Directorate	Risks		Opportunities
	Unweighted	Weighted	
	£m	£m	£m
Overall	37.6	15.9	(0.8)
Directorates:			
Adult Social Care	26.1	9.6	(0.8)
Children, Families, and Lifelong Learning	5.9	4.3	
Environment, Transport, & Infrastructure	0.1	0.0	
Surrey Fire & Rescue Service	4.5	1.0	
Customer and Communities	0.3	0.2	
Resources	0.8	0.7	

Note: Only itemised directorates with risks or opportunities

- **£9.6m of weighted risks in Adult Social Care** made up of:
 - £6.7m relating to ongoing work to recover accrued Continuing Health Care and S117 joint funding liabilities.
 - £1.2m for delivery of planned efficiencies from strengths based care package reviews that are risk rated as red due to staff capacity challenges and the fact that with growing acuity of care needs reviews can often result in increased rather than reduced package costs.
 - £0.9m relating to the cost of fee uplifts potentially being above what has been budgeted for inflation due to pressures in the market.
 - £0.7m relating to ASC fees and charges debt due to the current financial climate.
 - £0.2m relating to Discharge to Assess (D2A) in the Surrey Heartlands system if a funding gap arises and the Council is asked to contribute towards the gap.

Other risks which are not as yet quantified include the need to devote additional resources to preparing for CQC assurance which could lead to staffing or wider budget pressures, and the potential for increased demand for care packages above what was budgeted which will be closely monitored.

The service is actively pursuing actions to try to mitigate all of these risks.

- **£4.3m of weighted risks in Children, Families and Lifelong Learning** made up of;
 - £1.0m relating to the additional cost of agency staff within the social care and quadrant teams. Whilst work is ongoing within the recruitment and retention programme to increase the permanent staffing levels, there is still a significant reliance on agency/interim staff whose additional costs can create a pressure. There are also a high number of vacancies within the service so filling these whilst retaining the level of agency staff will also see staff costs increase so this risk reflects the potential for further costs in this area.
 - £3.3m relating to the delivery of 'stretch efficiencies' within the Directorate. These efficiencies are due to be delivered in 2023/24, but at present there are no specific delivery plans for achievement. There is therefore a risk of non-delivery until action is taken to identify opportunities for delivery.
- **£1.0m of weighted risks in Surrey Fire & Rescue Service** primarily related to higher than budgeted national pay award which was agreed after the budget was approved, plus potential impact of sector wide pension issues.
- **£0.7m of weighted risks in Resources** mainly relating to the achievement of £0.5m of efficiencies which are dependent on the speed of embedding the benefits from the delivery of MySurrey. In addition, there is a risk of a reduction in income of £0.3m from the provision of payroll services, due to a potential reduction in customers numbers. The directorate is looking for opportunities to mitigate these risks.
- **£0.2m of weighted risks in Customers and Communities:** There remains a risk that the MTFs assumption that income will return to pre-covid levels will not be achievable within cultural services. The directorate is looking for opportunities to mitigate these risks.

- **Environment, Transport and Infrastructure:** No quantified risks have been reported. However as with other services there are a number of external factors which could influence costs. There remains the potential for inflationary pressures which could exceed the budgeted amount (e.g. where uplifts are specified in contracts), costs associated with bus services (including park and ride) which remain impacted by higher costs and reduced passenger numbers, and the approved budget also includes efficiencies totalling £3.9m some of which are at an early stage of delivery.

The Council has established two “Task and Finish” groups to review a number of activities including environmental services (including trees, flooding & drainage) and streetscene (including roads/potholes, parking, verges and signs & lines). These groups will review current operations and propose improvements, e.g. measures to improve processes, some of which may require further approval. Some measures may have financial implications, which will be presented to Cabinet for approval and be managed through the Medium Term Financial Strategy as it is developed.

8. Quantified opportunities of £0.8m have been identified within Adult Social Care:

Early indications are that a provision made for non repayment of Covid grants by providers that did not fully spend their allocation may not be required in full, which would create a one-off in-year benefit. The latest weighted value for this is assessed as potentially £0.8m.

9. Through the budget envelope approach, Directorates are required to deliver services within their approved budget, so the first call on the opportunities identified here will be to offset the risks identified in paragraph 8.

Review of Care Leavers Council Tax relief

10. In July 2019, Cabinet agreed to provide Council Tax Relief for Care Leavers in independent and semi-independent living arrangements from 1 April 2020, from the age of 18 up to their 25th birthday. The original agreement confirmed budget implications to March 2023 and therefore a review is now required.

11. The relief covers the Surrey County Council element of council tax, which amounts to around 75% of the total cost. Reliefs are granted by the Borough and District Councils on our behalf, who then reclaim the lost income. Based on historical claims, a budget of £100k per year is considered sufficient and can be contained within existing Central Income and Expenditure budgets.

Capital Budget

12. The 2023/24 Capital Budget was approved by Council on 7th February 2023 at £319.3m, with a further £92.7m available to draw down from the pipeline and £15m budgeted for Your Fund Surrey. After adjustments for 2022/23 carry forward and acceleration, the revised budget is £326.4m.

Table 2 - Summary capital budget

Strategic Capital Groups	Original Budget for 2023/24	Acceleration into 2022/23	Carry Forwards from 2022/23	Revised Budget for 2023/24	Revised Budget RAG Rating		
	£m	£m	£m	£m	Green	Amber	Red
Property							
Property Schemes	116.0	(3.0)	2.6	115.6	109.5	2.3	3.8
ASC Schemes	1.7	0.0	0.0	1.7	1.7	0.0	0.0
CFLC Schemes	2.3	0.0	0.5	2.8	2.8	0.0	0.0
Property Total	120.0	(3.0)	3.1	120.1	114.0	2.3	3.8
Infrastructure							
Highways and Transport	147.0	(2.7)	6.1	150.3	98.5	28.5	23.3
Infrastructure and Major Projects	32.9	(0.7)	0.9	33.1	5.6	27.5	0.0
Environment	7.4	(0.2)	3.7	11.0	9.8	0.1	1.1
Surrey Fire and Rescue	7.7	(0.2)	0.1	7.6	0.0	7.6	0.0
Infrastructure Total	194.9	(3.8)	10.8	202.0	113.9	63.6	24.5
IT							
IT Service Schemes	4.4	(0.3)	0.3	4.4	3.6	0.7	0.0
IT Total	4.4	(0.3)	0.3	4.4	3.6	0.7	0.0
Total	319.3	(7.1)	14.2	326.4	231.5	66.6	28.3

13. Capital Programme Panel (CPP) reviewed risks and opportunities to delivering the budget at Month 1 and concluded that currently there is no variance to report. However, an initial exercise at M1 to identify risks to delivery has identified £28m of schemes at high risk of non-delivery. The main areas of risk include:

- **Property Schemes £3.8m** relating to two schemes. Bookham Youth Centre is likely to be delayed due to planning and a review of Surrey Outdoor Learning requirements is likely to delay planned spend on this project.
- **Highways & Transport Schemes £23.3m** relating mainly to the purchase of low emission buses, which has been delayed whilst contracts are finalised and is expected to be further delayed due to long lead-in and manufacturing times.
- **Environment Schemes £1.1m** relating to works at Basingstoke Canal and recycling initiatives, the timing of which will be influenced by a number of factors including planning permissions and the actions of partners.

14. At this early stage in the financial year, not all risks and opportunities to delivering the budget can be validated and further work will be undertaken to ensure more certainty to inform the forecast position for M2.

15. Where individual programmes cannot be delivered to budget, acceleration of other schemes will be considered as mitigation, where appropriate.

Consultation:

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

Risk Management and Implications:

17. 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:

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

Section 151 Officer Commentary:

19. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation 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 be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
20. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 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.
21. 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:

22. 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.
23. 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:

24. 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.
25. 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.

Report Author:

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Consulted:

Cabinet, Executive Directors, Heads of Service

Annex:

Annex 1 – Detailed Outturn position

Detailed Revenue Outturn position

Service	Cabinet Member	Gross budget	Net budget	Forecast	Outturn variance
Family Resilience	C Curran	£39.8m	£34.7m	£35.2m	£0.5m
Education and Lifelong Learning	S Mooney	£284.9m	£23.4m	£23.4m	£0.0m
Commissioning	S Mooney	£157.9m	£69.7m	£69.7m	£0.0m
Quality & Performance	S Mooney	£10.5m	£9.7m	£9.7m	£0.0m
Corporate Parenting	S Mooney	£135.2m	£116.5m	£122.0m	£5.5m
Exec Director of CFLL central costs	S Mooney	-£3.7m	-£1.2m	-£1.2m	£0.0m
Children, Families and Lifelong Learning		£624.5m	£252.8m	£258.8m	£6.0m
Public Health	M Nuti	£35.7m	£35.8m	£35.8m	£0.0m
Public Service Reform	M Nuti	£1.2m	£2.0m	£2.0m	£0.0m
Public Health and PSR		£36.9m	£37.7m	£37.7m	£0.0m
Adult Social Care	M Nuti	£605.8m	£438.9m	£438.9m	£0.0m
Highways & Transport	M Furniss / K Deanus	£85.7m	£63.6m	£63.6m	£0.0m
Environment	M Heath/ N Bramhall	£81.6m	£81.2m	£81.2m	£0.0m
Infrastructure, Planning & Major Projects	M Furniss	£5.6m	£2.8m	£2.8m	£0.0m
Planning Performance & Support	M Furniss	£1.5m	£1.5m	£1.5m	£0.0m
Emergency Management	K Deanus	£0.7m	£0.5m	£0.5m	£0.0m
Environment, Transport & Infrastructure		£174.9m	£149.6m	£149.6m	£0.0m
Surrey Fire and Rescue	D Turner- Stewart	£44.5m	£38.7m	£38.7m	£0.0m
Armed Forces and Resilience	K Deanus	£2.1m	£2.1m	£2.1m	£0.0m
Communications	T Oliver	£0.1m	£0.1m	£0.1m	£0.0m
Communications, Public Affairs and Engagement		£2.2m	£2.2m	£2.2m	£0.0m
PPG Leadership	T Oliver	£0.3m	£0.3m	£0.3m	£0.0m
Economic Growth	M Furniss	£1.3m	£1.9m	£1.9m	£0.0m
Prosperity, Partnerships and Growth		£1.6m	£2.2m	£2.2m	£0.0m
Community Partnerships	D Turner-Stewart	£1.6m	£1.6m	£1.6m	£0.0m
Customer Services	D Turner-Stewart	£3.1m	£2.9m	£2.9m	£0.0m
Cultural Services	D Turner-Stewart	£18.5m	£8.3m	£8.3m	£0.0m
Customer and Communities Leadership	D Turner-Stewart	£2.6m	£3.1m	£3.1m	£0.0m
Registration and Nationality Services	D Turner-Stewart	£2.5m	-£1.5m	-£1.5m	£0.0m
Trading Standards	D Turner-Stewart	£4.0m	£1.9m	£1.9m	£0.0m
Health & Safety	D Turner-Stewart	£0.7m	£0.3m	£0.3m	£0.0m
Coroners	K Deanus	£4.5m	£4.5m	£4.5m	£0.0m
Customers and Communities		£37.6m	£21.1m	£21.1m	£0.0m
Land & Property	N Bramhall	£33.1m	£25.2m	£25.2m	£0.0m
Information Technology & Digital	D Lewis	£21.0m	£20.2m	£20.2m	£0.0m
Twelve15	D Lewis	£20.5m	-£1.3m	-£1.3m	£0.0m
Finance	D Lewis	£11.3m	£6.3m	£6.3m	£0.0m
People & Change	T Oliver	£7.4m	£7.3m	£7.3m	£0.0m
Legal Services	D Lewis	£6.3m	£5.9m	£5.9m	£0.0m
Joint Orbis	D Lewis	£6.2m	£6.2m	£6.2m	£0.0m
Democratic Services	D Lewis	£4.0m	£3.8m	£3.8m	£0.0m
Business Operations	D Lewis	£3.7m	£1.9m	£1.9m	£0.0m
Executive Director Resources (incl Leadership Office)	D Lewis	£3.1m	£3.1m	£3.1m	£0.0m
Corporate Strategy and Policy	D Lewis	£1.2m	£1.2m	£1.2m	£0.0m
Transformation and Strategic Commissioning	D Lewis	£1.5m	£2.1m	£2.1m	£0.0m
Performance Management	D Lewis	£0.2m	£0.2m	£0.2m	£0.0m
Resources		£119.4m	£82.0m	£82.0m	£0.0m
Central Income & Expenditure	D Lewis	£100.9m	£76.8m	£76.8m	£0.0m
Overall before funding		£1,748.4m	£1,102.0m	£1,108.0m	£6.0m
Corporate funding			-£1,102.0m	-£1,102.0m	£0.0m
Overall		£1,748.4m	£0.0m	£6.0m	£6.0m