

SURREY COUNTY COUNCIL

CABINET

DATE: 25 JULY 2023

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: 2023/24 MONTH 2 (MAY) 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 2023/24 financial position, for revenue and capital budgets, as at 31st May 2023 (M2) and the expected outlook for the remainder of the financial year.

Key Messages – Revenue

- **At M2, the Council is forecasting an overspend of £9.7m against the 2023/24 revenue budget** approved by Council in February 2023. This represents a deterioration of £3.7m since the April position. The details are shown in Annex 1 and summarised in Table 1 (paragraph 2 below).
- In addition **£19.3m of net risks** to the forecast position have been quantified (further details in paragraph 4). **Historically risks are higher in the early part of the financial year** as the likelihood they will materialise, and the financial impact, is not yet clear.
- **Directorates will take action to mitigate** these risks and maximise the opportunities to offset risks, in order to contain costs within available budget envelopes.

Key Messages – additional investment

- The Council has reviewed the level of its reserves, balancing the need to ensure that funds are put to the best use, while protecting the financial resilience of the Council through sufficient reserve balances for the current risk environment.
- The Council is taking the opportunity to target investment to improve service delivery in some specific areas that are currently struggling to keep pace with sustained pressure and changing demands.
- £5.7m of additional funding is proposed to bring faster improvements in the rates of Education Health and Care Plan timeliness, further improve recruitment and retention within the childrens social work workforce and address specific areas of activity within highways and environmental services.

Key Messages – Capital

- The M2 position shows a forecast spend of £307.9m against a budget of £326.4m, **an underspend of £18.6m**, mainly due to project slippage in Highways and Transport.
- The Capital Programme Panel will continue to review capital position and identify opportunities to accelerate spend to offset the forecast slippage.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue and capital budget positions for the year and the need for mitigating actions to be developed to offset the projected revenue overspend.
2. Approves an increase in the 2023/24 revenue budget of £5.7m, in response to the Council's recognition of the need to accelerate the improvements in service delivery in the following specific areas:
 - improvement in the rates of Education Health and Care Plan timeliness,
 - to support initiatives to improve recruitment and retention within the childrens social work workforce, and
 - highways and environmental service improvements.

This temporary increase in budget is proposed to be funded from the Council's reserves, following a review of the sufficiency of reserve levels. Ongoing implications of these additional investments will be factored into the 2024/25 budget planning process.

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:

3. At M2, the Council is forecasting a full year £9.7m overspend against the revenue budget, a deterioration of £3.7m since April. Table 1 below shows the forecast revenue budget outturn for the year by service.

Table 1 - Summary revenue budget forecast variances as of 31st May 2023

	M2 Forecast £m	Annual Budget £m	M2 Forecast Variance £m
Adult Social Care	441.4	438.9	2.5
Public Service Reform & Public Health	37.8	37.8	0.0
Children, Families and Lifelong Learning	256.3	250.3	6.0
Environment, Transport & Infrastructure	149.7	149.6	0.0
Surrey Fire and Rescue	38.7	38.7	0.0
Customer & Communities	21.2	20.9	0.3
Resources	83.0	82.1	0.9
Communications, Public Affairs and Engagement	2.3	2.2	0.1
Prosperity, Partnerships & Growth	2.1	2.2	(0.0)
Central Income & Expenditure	79.3	79.3	0.0
Total before Funding	1,111.7	1,102.0	9.7
Corporate Funding	(1,102.0)	(1,102.0)	0.0
Overall	9.7	0.0	9.7

4. The £9.7m forecast Directorate overspend relates primarily to the following (further details set out in Annex 1):
 - **Adult Social Care - £2.5m overspend, £2.5m deterioration** since last month due to demand and market pressures relating to care packages and delays to the deliverability of planned efficiencies for strength based practice (£1.4m) due to a need

to focus on fulfilling statutory obligations, in the context of the new CQC assurance regime.

- **Children, Families and Lifelong Learning - £6m overspend, unchanged since last month.** Pressures relate to price inflation within Social Care placements (£4m) and demand pressures within Area Care (£1m) and Care Leavers (£1m), a continuation from costs experienced in 2022/23 based on the current trajectory. It should also be noted that further risks remain for placements, with the current forecast including significant management action required during the year. Market pressures mean that placement costs are continuing to rise at a sharp rate, with often very limited alternatives but to accept. Further work is being undertaken to ascertain if the forecast will need to increase for M3.
 - **Resources - £0.9m overspend, £0.9m deterioration since last month.** Due to anticipated reduction in income of £0.3m from the provision of payroll services caused by a decreases in customer numbers and staffing pressures in Legal and People & Change due to agency and restructure costs (£0.4m).
 - **Customer & Communities - £0.3m overspend, £0.3m deterioration since last month.** Flagged as a risk last month, libraries' income is forecast to be £0.3m less than the budget. It is now considered unlikely that income will fully recover to pre-pandemic levels, due to changes in demand for services. The service is seeking new revenue streams to mitigate.
5. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £19.3m, consisting of quantified risks of £20.1m, offset by 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.
6. 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.

Dedicated Schools Grant (DSG) update

7. The table below shows the projected forecast year end outturn for the High Needs Block. The forecast at month 2 is in-line with budget.

Table 2 - DSG HNB Summary

2023/24 DSG HNB Summary	Budget £m	Forecast £m
Education and Lifelong Learning	231.7	231.7
Place Funding	22.7	22.7
Children's Services	2.3	2.3
Corporate Funding	2.0	2.0
Total expenditure	258.7	258.7
DSG High Needs Block	(218.3)	(218.3)
Deficit	40.4	40.4

8. The first monitoring report for the safety valve agreement in 23/24 was submitted in May to the DfE. It confirmed the Council remains on track with its agreed trajectory, although

also noting continued pressures both within the system and through rising inflation. DfE reporting requirements are now for 3 submissions during each financial year.

In-year additions:

9. The Council continues to be forward looking and ambitious. However, local government continues to work in a challenging environment of sustained and significant pressures, which has resulted in service delivery in some specific areas not keeping up pace with the changing landscape and demands.
10. The Council wants to address these issues and as such has identified a number of specific areas where investment in improvements is recommended. Alongside, the identification of these areas of focus, the Council has assessed the level of reserves, balancing the need to ensure ongoing financial resilience with the need to ensure funds are put to best use. It is proposed that the identified investment requirement of £5.7m can be funded from the Council's reserves, without impacting on the appropriateness of the reserve levels given the current risk environment. The 2023/24 revenue budget includes contingency of £20m, any unutilised element of this contingency budget will be used to replenish the reserve levels at financial year-end.
11. The areas identified for improvement are:
 - Surrey's street scene – our roads, highways verges, and localised flooding – as well as our management of tree felling and planting. Over the last couple of months, Officers from our Highways and Countryside Teams, along with Cabinet Members and Senior Leaders in the organisation have worked to review service delivery, and put in place both immediate actions where possible and further opportunities for investment that will result in noticeable improvements for residents. £2.5m of additional funding is requested in 2023/24 in response to the recommendations to fund the following:
 - £0.4m – accelerated refreshment of road lines across our network to bring it back to an acceptable state and improve the look of local places for communities.
 - £0.2m - enhanced capacity for customer handling and improvements to online defect reporting defects on the network.
 - £0.2m - increased capacity for additional proactive tree planting and removal and replanting of urban stumps.
 - £1.3m - flooding & drainage - enhanced operational protocols and resources, particularly addressing issues with defective gullies and wetspots.
 - £0.3m - to boost the verge cutting programme, targeted at key areas.
 - £0.05m - increased capacity to respond to customer enquiries on streetworks.
 - £0.05m - increased capacity to respond to customer enquiries on highways maintenance.
 - £5k – identification & collection of new road layout signage.
 - £0.7m of additional funding is requested in 2023/24 to support a initiatives to further improve **recruitment and retention within the childrens social work workforce**. Despite reduced voluntary turnover, there remains a significant challenge in terms of vacancies and proportion of agency staff within our Family Safeguarding service. These teams undertake the critical intervention work with children and their families within Child in Need, Child Protection and our Public Law pre-proceedings and court work. Following an extensive programme of work completed by the Recruitment, Retention and Culture

Board (RRC) over the last year additional initiatives have been identified that will assist both recruitment and retention.

- £2.5m of additional funding is requested in 2023/24 to address the rates of Education Health & Care Plans (EHCP) timeliness. Current rates are improving from a low base but remain well below both internal targets and national comparators. The requested funding will support a series of measures, including demand management and capacity/effectiveness improvements. The total requirement for 2023/24 is £5m, however, £2.5m can be funded from existing corporately held budgets. The additional increase requested amounts to a further £2.5m.
12. This temporary increase in budget is proposed to be funded from the Council's reserves and any ongoing implications of this additional investment will be factored into the 2024/25 budget planning process.

Capital Budget

13. 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.
14. Capital expenditure of £307.9m is forecast against the budget, a forecast variance of £18.6m. This decrease relates mainly to project slippage of £19.3m in Highways and Transport.
15. The Capital Programme Panel will continue review the capital position. The Strategic Capital Groups are identifying opportunities to accelerate spend to offset the forecast slippage
16. Table 3 below provides a summary of the forecast full-year outturn at M2.

Table 3 - Summary capital budget

Strategic Capital Groups	Annual Budget	2023-24 Outturn Forecast at M2	M2 Forecast Variance
	£m	£m	£m
Property			
Property Schemes	115.6	115.4	(0.1)
ASC Schemes	1.7	1.7	0.0
CFLC Schemes	2.8	2.8	0.0
Property Total	120.1	119.9	(0.1)
Infrastructure			
Highways and Transport	150.4	131.1	(19.3)
Infrastructure and Major Projects	33.1	30.9	(2.2)
Environment	10.9	9.7	(1.2)
Surrey Fire and Rescue	7.6	6.9	(0.7)
Infrastructure Total	202.0	178.5	(23.5)
IT			
IT Service Schemes	4.4	9.5	5.1
IT Total	4.4	9.5	5.1
Total	326.4	307.9	(18.6)

17. The forecast variances relate to:

- **Highways and Transport Schemes - £19.3m decrease.** Purchase of low emission buses is delayed whilst contracts are finalised, and further delays are expected due to long lead in and manufacturing times (£9.4m). Slippage on Active Travel, due to schemes being subject to public consultation, with uncertainty about the timing and response (£4.5m). £2.8m of slippage on Local Highways schemes, £1.2m slippage on Bridge Strengthening, £0.7m on Safety Barriers, and £0.6m on Road Safety Schemes, reflecting risk within the current programme.
- **Infrastructure and Major Projects - £2.2m decrease** due to slippage on Housing Infrastructure Fund (£3.4m) and Farnham Schemes (£1.5m), offset by £2.8m increase on smaller schemes, as Pipeline amounts have been approved and will be reflected in budgets in the next reset.
- **Environment Schemes - £1.2m decrease.** Slippage on Basingstoke Canal due to preparatory work needed before planning permission is granted (£0.5m). £0.5m slippage on Sustainable Warmth schemes where residents have decided not to proceed or to delay installations.
- **Surrey Fire & Rescue Service - £0.7m decrease.** £0.4m of slippage on purchase of appliances and equipment due to long lead times and remodelling of the replacement programme.
- **IT Service Schemes - £5.1m variance** due to the DB&I project. Spend remains in line with Cabinet approvals, although budgets are yet to be reset.
- **Property Schemes – £0.1m decrease** due to small variances on various schemes

Consultation:

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

Risk Management and Implications:

19. 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:

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

Section 151 Officer Commentary:

21. 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.
22. 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.
23. 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.
24. The Section 151 Officer confirms that a review of the Council reserve balances compared to the risk benchmark has concluded that there is sufficient capacity to fund these one-off increases to the Council budgets. Any unutilised element of the 2023/24 contingency budget can be used to replenish reserves at financial year end. The ongoing financial implications of these additional investments will be factored into the budget setting process for 2024/25.

Legal Implications – Monitoring Officer:

25. 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.
26. 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:

27. 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.
28. 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 £m	Net budget £m	Forecast £m	Outturn variance £m
Family Resilience	C Curran	£39.8m	£34.7m	£35.2m	£0.5m
Education and Lifelong Learning	S Mooney	£282.4m	£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	-£3.7m	-£3.7m	£0.0m
Children, Families and Lifelong Learning		£622.0m	£250.3m	£256.3m	£6.0m
Public Health	M Nuti	£35.8m	£35.8m	£35.8m	£0.0m
Public Service Reform	M Nuti	£2.3m	£2.0m	£2.0m	£0.0m
Public Health and PSR		£38.1m	£37.8m	£37.8m	£0.0m
Adult Social Care	M Nuti	£604.1m	£438.9m	£441.4m	£2.5m
Highways & Transport	M Furniss / K Deanus	£80.8m	£63.6m	£63.6m	£0.0m
Environment	M Heath/ N Bramhall	£83.5m	£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	£0.6m	£0.0m
Environment, Transport & Infrastructure		£171.9m	£149.6m	£149.7m	£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	£2.2m	£0.1m
Communications	T Oliver	£0.1m	£0.1m	£0.1m	£0.0m
Communications, Public Affairs and Engagement		£2.2m	£2.2m	£2.3m	£0.1m
PPG Leadership	T Oliver	£0.3m	£0.3m	£0.3m	£0.0m
Economic Growth	M Furniss	£1.8m	£1.8m	£1.8m	(£0.0m)
Prosperity, Partnerships and Growth		£2.2m	£2.2m	£2.1m	(£0.0m)
Community Partnerships	D Turner-Stewart	£1.9m	£1.9m	£2.0m	£0.1m
Customer Services	D Turner-Stewart	£3.1m	£2.9m	£3.1m	£0.2m
Customer Experience	D Turner-Stewart	£0.5m	£0.5m	£0.5m	£0.0m
Cultural Services	D Turner-Stewart	£18.5m	£8.3m	£8.6m	£0.3m
Customer and Communities Leadership	D Turner-Stewart	£2.7m	£2.2m	£1.8m	(£0.4m)
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	£0.1m
Coroners	K Deanus	£4.5m	£4.5m	£4.5m	(£0.0m)
Customers and Communities		£38.4m	£20.9m	£21.2m	£0.3m
Land & Property	N Bramhall	£32.9m	£25.1m	£25.1m	£0.0m
Information Technology & Digital	D Lewis	£21.0m	£20.2m	£20.2m	£0.0m
Twelve15	D Lewis	£20.5m	-£1.3m	-£1.4m	(£0.0m)
Finance	D Lewis	£12.7m	£7.6m	£7.5m	(£0.1m)
People & Change	T Oliver	£7.4m	£7.3m	£7.5m	£0.2m
Legal Services	D Lewis	£6.3m	£5.9m	£6.1m	£0.2m
Joint Orbis	D Lewis	£6.2m	£6.2m	£6.2m	£0.0m
Democratic Services	D Lewis	£4.0m	£3.8m	£3.7m	(£0.1m)
Business Operations	D Lewis	£2.5m	£0.7m	£1.0m	£0.3m
Executive Director Resources (incl Leadership Office)	D Lewis	£3.5m	£3.5m	£3.9m	£0.4m
Corporate Strategy and Policy	D Lewis	£1.1m	£1.1m	£1.1m	(£0.0m)
Transformation and Strategic Commissioning	D Lewis	£1.7m	£1.7m	£1.7m	£0.0m
Procurement	D Lewis	£0.1m	£0.1m	£0.1m	£0.0m
Performance Management	D Lewis	£0.2m	£0.2m	£0.2m	£0.0m
Resources		£120.1m	£82.1m	£83.0m	£0.9m
Central Income & Expenditure	D Lewis	£103.2m	£79.3m	£79.3m	£0.0m
Overall before funding		£1,746.7m	£1,102.0m	£1,111.7m	£9.7m
Corporate funding			-£1,102.0m	-£1,102.0m	£0.0m
Overall		£1,746.7m	£0.0m	£9.7m	£9.7m

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