

SURREY COUNTY COUNCIL

CABINET



DATE: 23 JULY 2024

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

LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE RESOURCES (INTERIM S151 OFFICER)

SUBJECT: 2024/25 MONTH 2 (MAY) FINANCIAL REPORT

ORGANISATION STRATEGY PRIORITY AREA: NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / TACKLING HEALTH INEQUALITY / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES / HIGH PERFORMING COUNCIL

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| Purpose of the Report: |
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This report provides details of the Council's 2024/25 financial position, for revenue and capital budgets, as at 31st May 2024 (M2) and the expected outlook for the remainder of the financial year.

Regular reporting of the financial position underpins the delivery of all priority objectives, contributing to the overarching ambition to ensure No One Left Behind.

Key Messages – Revenue

- Local government continues to work in a challenging environment of sustained and significant pressures. **At M2, the Council is forecasting an overspend of £15.3m against the 2024/25 revenue budget.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- **Directorates are working on developing mitigating actions to offset forecast overspends** and deliver services within available budgets.
- In addition, and in response to the in-year financial position and an anticipated significant medium term budget gap, a number of spending, procurement and recruitment control measures have been implemented. These controls will be closely monitored, impacts tracked and reported.
- 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. The level of reserves held by the Council provides additional financial resilience should the residual forecast overspend not be effectively mitigated before the end of the financial year.

Key Messages – Capital

- The Capital Programme Panel, alongside Strategic Capital Groups, has undertaken an assurance review of the capital programme to ensure deliverability. This has resulted in a re-phased budget being recommended for 2024/25.
- At M2, capital expenditure of £313.4m is forecast for 2024/25, in line with the re-phased budget.

Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue budget and capital budget positions for the year.
2. Notes the additional grant funding secured by Public Health and Communities & Prevention services in the Adults, Wellbeing & Health Partnerships Directorate as set out in paragraphs 6, which will be allocated to the AWHP Directorate to spend in line with the grant conditions.
3. Approves the re-phased capital budget of £313.4m for 2024/25.

Reason for Recommendations:

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

Executive Summary:

1. At M2, the Council is forecasting a full year overspend of £15.3m against the revenue budget. This is a £7.9m deterioration on the M1 position. Table 1 below shows the forecast revenue budget outturn for the year by Directorate (further details are set out in Annex 1):

Table 1 - Summary revenue budget forecast variances as at 31st May 2024

| | M2 Forecast | Annual Budget | Forecast Variance |
|-----------------------------------------------|----------------|------------------|----------------------|
| | £m | £m | £m |
| Adults, Wellbeing & Health Partnerships | 517.1 | 510.2 | 6.9 |
| Children, Families and Lifelong Learning | 299.0 | 291.6 | 7.4 |
| Environment, Infrastructure & Growth | 183.1 | 182.1 | 1.0 |
| Surrey Fire and Rescue Service | 43.9 | 43.9 | 0.0 |
| Customers, Digital & Change | 49.3 | 49.3 | 0.0 |
| Finance & Corporate Resources | 26.9 | 27.0 | 0.0 |
| Communications, Public Affairs and Engagement | 2.8 | 2.8 | 0.0 |
| Central Income & Expenditure | 101.5 | 101.5 | 0.0 |
| Directorate position | 1,223.7 | 1,208.4 | 15.3 |
| Contingency | 0.0 | 0.0 | 0.0 |
| Corporate Funding | (1,208.4) | (1,208.4) | 0.0 |
| Overall | 15.3 | (0.0) | 15.3 |

2. The forecast overspend relates primarily to the following:
 - **Adults, Wellbeing & Health Partnerships - £6.9m overspend, £6.9m increase from Month 1 position**, which relates to two main pressures in **Adult Social Care**:

An **overspend of £4.6m is forecast on the care package budget**. The 2023/24 outturn report flagged that an estimated £7.4m pressure was likely to carry over in

2024/25 due to care package spending commitments increasing in the latter part of 2023/24. The M2 monitoring position incorporates the impact of these pressures, offset by a forecast £2.2m surplus on assessed charges income and an assumption that demand growth can be avoided in the remainder of the year.

An **overspend of £2m forecast on staffing budgets** due to:

- i. £0.5m forecast underachievement against the £1m 2024/25 workforce reconfiguration efficiency target due to significant waiting times and backlogs, with additional transformation monies required to deliver Care Act duties and compliance. Opportunities for workforce efficiencies continue to be explored, including through a diagnostic review of the service being led by Newton Europe.
- ii. £0.5m relating to additional expenditure to address the backlog with Deprivation of Liberty Safeguard (DoLS) assessments which is a statutory responsibility. Determining the right model and funding for DoLS is being considered as part of AWHP's transformation and improvement programme, including reflecting advice from the Association of Directors of Adult Social Services (ADASS). The outcome of this will be factored into the Council's Medium Term Financial Strategy (MTFS).
- iii. Improved recruitment and retention to deliver core statutory duties has meant that there is now a financial pressure of £1m against the budgeted vacancy factor. As set out above, work is ongoing to determine the future staffing requirement to meet core statutory duties which will influence both the in-year staffing costs and future staffing budgets.

In order to mitigate the pressures forecast above, AWHP's leadership team is working to develop refreshed efficiency plans. In addition, the transformation programme is seeking to deliver changes that will put Adult Social Care on a more sustainable footing in the medium term. Newton Europe has been commissioned to undertake a diagnostic review of the service, which will support in identifying and prioritising opportunities to deliver further efficiencies. Early indications confirm effective practice and better utilisation of existing resources will release significant efficiencies. Areas for focus are maximising the utilisation and effectiveness of reablement, reducing admissions into residential and nursing homes through improved practice, and supporting more people to live independently at home through better utilisation of existing Technology Enabled Care and community prevention resources. These themes fully align with the transformation programme, however as the size of the opportunity becomes clear, prioritisation of existing resources and further investment may be required.

- **Children, Families and Lifelong Learning - £7.4m overspend, unchanged from Month 1**, which relates to Home to School Travel Assistance (further increased overspend has also been highlighted as a risk). This reflects several factors, including growth in eligible SEN pupil numbers exceeding the initial assumptions applied at the time of budget setting. New modelling taking account of current trends has led to the recognition of increases in demand profiles, which has in part been led by additional in year placements being made through the EHCP recovery work.

Also contributing to the spend pressures is the continued increases in rates, due to supply and demand issues in the driver market. There continues to be a significant

number of solo route arrangements, which are regularly reviewed to maximise shared arrangements on compatible routes.

There are multiple activities in hand to tackle the forecast spend increases in Home to School Travel Assistance. A Member and officer oversight group has been set up to review, monitor and target proposed mitigations, which include the following:

- Adherence to policies will be reviewed, working with SEND to look at the implications from EHCP on transportation and developing processes to consider the wider implications.
 - Continue promoting more cost-effective arrangements to meet demands through personal budgets and railcards. Continuous optimisation of routes within the limitation of contractual obligations.
 - Continue to develop relations with key strategic providers and review of our commissioning arrangements and dynamic purchasing systems across the council as whole as part of Freedom to Travel programme to stimulate the market and drive better pricing.
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- **Environment, Transport & Infrastructure - £1m overspend, £1m increase from Month 1**, which relates to waste management and primarily reflects market prices remaining high for dry mixed recyclables.
3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £20.4m, consisting of quantified risks of £22.9m, offset by opportunities of £2.5m. 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.
 4. Directorates are expected to take action to mitigate these risks and maximise the opportunities available to offset them, to avoid these resulting in a forecast overspend against the budget set.
 5. In recognition of the challenging financial position, in-year spending controls have been implemented, including recruitment and procurement controls. Outcomes from these controls will be monitored and reported.

Additional External Grant Funding

6. Public Health and Communities & Prevention services within the Adults, Wellbeing & Health Partnership Directorate (AWHP) have been awarded the following external grant funding. This funding is proposed to be allocated to the AWHP budget to fund prescribed services in line with the grant conditions.
 - £5.3m of Health Determinants Research Collaboration Grant (HDRC) from the National Institute of Health Research (NIHR) to fund a programme to build and strengthen research capacity and capability, allowing more evidence-based decisions impacting health and health inequalities. The Council will work in close partnership with University of Surrey to achieve these outcomes. The programme is due to run from January 2025 for five years.
 - Up to £6.4m of WorkWell Grant from the Department for Work & Pensions (DWP), as a result of a joint bid by the Council and Surrey Heartlands. The grant aims to assist adults who are economically inactive due to extended sick leave or health conditions to find or maintain employment and achieve success in the workplace, which should

help to reduce demand on public services in Surrey. The programme will run until 31 March 2026.

- Up to £6.3m of Individual Placement Support in Primary Care (IPSPC) Grant, also from the DWP. The purpose of the grant is to provide employment support to adults with severe mental health issues or with physical disabilities to help them access and maintain work in the longer term. The programme will be delivered in 2024/25.

Dedicated Schools Grant (DSG) update

7. The table below shows the projected forecast year-end outturn for the High Needs Block.

Table 2 - DSG HNB Summary

| 2024/25 DSG HNB Summary | Budget | Forecast | Variance |
|---------------------------------|---------------|---------------|------------|
| | £m | £m | £m |
| Education and Lifelong Learning | 234.0 | 234.0 | 0 |
| Place Funding | 26.1 | 26.1 | 0 |
| Children's Services | 2.3 | 2.3 | 0.0 |
| Corporate Funding | 2.0 | 2.0 | 0 |
| TOTAL | 264.4 | 264.4 | 0.0 |
| FUNDING | -225.4 | -225.4 | 0.0 |
| In-Year Deficit | 39.0 | 39.0 | 0.0 |

8. The Council remains within the spending profile of the Safety Valve to date and is currently forecasting to be within the budget profile for 2024/25.
9. The first monitoring report for the Safety Valve agreement in 2024/25 has been submitted to the Department for Education at the end of May 2024 in line with the deadline. We await confirmation of a first payment.
10. To date, the Council has received £76.27m in Safety valve payments (76% of the total DfE contributions) with a remaining £23.73m due to be paid over the next three years. Our Safety Valve monitoring report confirmed that the Council remains on track with its agreed trajectory, although also noted continued pressures both from demand within the system and through cost inflation.

Capital Budget

11. The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m. The Capital Programme Panel, working alongside Strategic Capital Groups, has undertaken a detailed review of the programme to validate and ensure deliverability. The re-phased capital programme reduces the 2024/25 budget to £313.4m, as set out below. At month 2 there is no forecast variance to this re-phased position.

| Strategic Capital Groups | Rephased Annual Budget |
|-----------------------------------|------------------------|
| | £m |
| Property | |
| Property Schemes | 131.4 |
| ASC Schemes | 1.6 |
| CFLC Schemes | 2.6 |
| Property Total | 135.6 |
| Infrastructure | |
| Highways and Transport | 123.7 |
| Infrastructure and Major Projects | 28.7 |
| Environment | 9.0 |
| Surrey Fire and Rescue | 2.5 |
| Infrastructure Total | 163.9 |
| IT | |
| IT Service Schemes | 13.9 |
| IT Total | 13.9 |
| Total | 313.4 |

Consultation:

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

Risk Management and Implications:

13. 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:

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

Section 151 Officer Commentary:

15. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty 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 deliver financial efficiencies and reduce spending to achieve a balanced budget position each year.

16. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 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.
17. 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:

18. 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.
19. 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:

20. 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.
21. 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:

22. The relevant adjustments from recommendations will be made to the Council's accounts.
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Consulted: Cabinet, Executive Directors, Heads of Service

Annexes:

Annex 1 – Detailed Outturn position

Detailed Revenue M2 Position

Annex 1

| Service | Cabinet Member | Net budget | Forecast | Outturn variance |
|------------------------------------------------------|---------------------|-------------------|-------------------|------------------|
| Public Health | M Nuti | £36.7m | £36.7m | £0.0m |
| Communities & Prevention | M Nuti | £3.0m | £3.0m | £0.0m |
| Adult Social Care | S Mooney | £470.6m | £477.4m | £6.9m |
| Adults, Wellbeing & Health Partnerships | | £510.2m | £517.1m | £6.9m |
| Family Resilience | C Curran | £66.8m | £66.8m | £0.0m |
| Education and Lifelong Learning | C Curran | £26.2m | £26.2m | £0.0m |
| Commissioning | C Curran | £2.3m | £2.3m | £0.0m |
| Quality & Performance | C Curran | £86.7m | £94.1m | £7.4m |
| Corporate Parenting | C Curran | £111.4m | £111.4m | £0.0m |
| Exec Director of CFLL central costs | C Curran | £-1.7m | £-1.7m | £0.0m |
| Children, Families and Lifelong Learning | | £291.6m | £299.0m | £7.4m |
| Highways & Transport | M Furniss | £68.3m | £68.3m | £0.0m |
| Environment | M Heath/ N Bramhall | £82.8m | £84.7m | £2.0m |
| Infrastructure, Planning & Major Projects | M Furniss | £2.5m | £2.5m | £0.0m |
| Planning Performance & Support | M Furniss | £3.4m | £2.5m | (£1.0m) |
| Land & Property | N Bramhall | £23.8m | £23.8m | £0.0m |
| Economic Growth | M Furniss | £1.2m | £1.2m | £0.0m |
| Environment, Infrastructure & Growth | | £182.1m | £183.1m | £1.0m |
| Surrey Fire and Rescue | K Deanus | £40.4m | £40.4m | £0.0m |
| Safer Communities | K Deanus | £1.0m | £1.0m | £0.0m |
| Emergency Management | K Deanus | £0.7m | £0.7m | £0.0m |
| Trading Standards | D Turner-Stewart | £1.8m | £1.8m | £0.0m |
| Surrey Fire and Rescue Service | | £43.9m | £43.9m | £0.0m |
| Armed Forces and Resilience | K Deanus | £0.1m | £0.1m | £0.0m |
| Comms, Public Affairs & Engagement | T Oliver | £2.7m | £2.7m | £0.0m |
| Communications, Public Affairs and Engagement | | £2.8m | £2.8m | £0.0m |
| Active Surrey | D Lewis | £0.0m | £0.0m | £0.0m |
| Coroners | K Deanus | £4.6m | £4.6m | (£0.0m) |
| Customer Services | D Turner-Stewart | £3.1m | £3.2m | £0.1m |
| Customer Experience | D Turner-Stewart | £0.0m | £0.0m | £0.0m |
| Customer and Communities Leadership | D Turner-Stewart | £0.7m | £0.7m | £0.0m |
| Design & Change | D Lewis | £2.9m | £2.7m | (£0.2m) |
| Heritage | D Turner-Stewart | £0.9m | £0.9m | £0.0m |
| Information Technology & Digital | D Lewis | £21.4m | £21.4m | £0.0m |
| Libraries Services | D Turner-Stewart | £7.8m | £7.8m | £0.0m |
| People & Change | T Oliver | £9.3m | £9.3m | £0.1m |
| Registration and Nationality Services | D Turner-Stewart | £-1.7m | £-1.7m | (£0.0m) |
| Surrey Arts | D Turner-Stewart | £0.4m | £0.4m | £0.0m |
| Transformation Programmes | D Lewis | £0.0m | £0.0m | £0.0m |
| Customers, Digital & Change | | £49.3m | £49.3m | £0.0m |
| Finance | D Lewis | £9.0m | £9.2m | £0.3m |
| Joint Orbis | D Lewis | £6.2m | £6.2m | £0.0m |
| Legal Services | D Lewis | £6.2m | £6.2m | (£0.0m) |
| Democratic Services | D Lewis | £3.9m | £3.9m | £0.0m |
| Director of Resources | D Lewis | £0.1m | £0.1m | £0.0m |
| Leadership Office | D Lewis | £1.8m | £1.5m | (£0.3m) |
| Corporate Strategy and Policy | D Lewis | £1.2m | £1.1m | (£0.0m) |
| Pensions | D Lewis | £-0.7m | £-0.7m | £0.0m |
| Performance Management | D Lewis | £0.2m | £0.2m | £0.0m |
| Procurement | D Lewis | £0.1m | £0.1m | £0.0m |
| Twelve15 | D Lewis | £-1.0m | £-1.1m | (£0.1m) |
| Finance & Corporate Resources | | £27.0m | £26.9m | (£0.0m) |
| Central Income & Expenditure | D Lewis | £101.5m | £101.5m | £0.0m |
| Directorate position | | £1,208.4m | £1,223.7m | £15.3m |
| Corporate Funding | | £-1,208.4m | £-1,208.4m | £0.0m |
| Overall | | £-0.0m | £15.3m | £15.3m |