

SURREY COUNTY COUNCIL

CABINET

DATE: 29 OCTOBER 2024



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

LEAD OFFICER: ANDY BROWN, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE SERVICES (S151 OFFICER)

SUBJECT: 2024/25 MONTH 5 (AUGUST) 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

### Purpose of the Report:

This report provides details of the Council's 2024/25 financial position, for revenue and capital budgets, as at 31<sup>st</sup> August 2024 (M5) 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 M5, the Council is forecasting an overspend of £16.7m against the 2024/25 revenue budget.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- **All Directorates are working on developing mitigating actions to offset forecast overspends,** to deliver services within available budgets.
- In order to ensure ongoing financial resilience, the Council holds a corporate contingency budget and over recent years has re-established an appropriate level of reserves. These measures provide additional financial resilience should the residual forecast overspend not be effectively mitigated by corrective actions 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 for 2024/25, approved by Cabinet in July 2024.
- At M5, capital expenditure of £318.1m is forecast for 2024/25. This is £3.3m more than the re-phased budget. Further details are provided in paragraphs 7-9.

## Recommendations:

It is recommended that Cabinet:

1. Notes the Council's forecast revenue budget and capital budget positions for the year.

## 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 M5, the Council is forecasting a full year overspend of £16.7m against the revenue budget. This is a £1.3m deterioration on the M4 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 31<sup>st</sup> August 2024**

	M5 Forecast	Annual Budget	Forecast Variance
	£m	£m	£m
Adults, Wellbeing & Health Partnerships	516.3	511.8	4.4
Children, Families and Lifelong Learning	306.9	298.1	8.8
Environment, Infrastructure & Growth	188.5	185.2	3.4
Surrey Fire and Rescue Service	44.2	44.1	0.1
Customers, Digital & Change	49.6	49.5	0.0
Finance & Corporate Resources	27.5	27.4	0.0
Communications, Public Affairs and Engagement	2.8	2.8	(0.0)
Central Income & Expenditure	88.6	89.4	(0.8)
Directorate position	1,224.4	1,208.4	15.9
Corporate Funding	(1,207.6)	(1,208.4)	0.8
Overall	16.7	(0.0)	16.7

2. The forecast overspend relates primarily to the following:

**Adults Wellbeing & Health Partnerships - £4.4m overspend, £0.6m increase from M4.**

The forecast overspend position relates to a £3.3m overspend on the total care package budget, due to growth in the latter part of 2023/24, mainly relating to Older People care packages, and a £2.0m pressure on staffing budgets, due to the underachievement against the workforce reconfiguration efficiency target, pressures related to statutory responsibilities for Deprivation of Liberty Safeguard assessments and improved recruitment and retention to deliver core statutory duties.

These pressures are partially mitigated by £0.5m of additional grant funding and a £0.4m underspend for wider support services.

**Children, Families & Lifelong Learning - £8.8m overspend, £0.1m decrease from M4.**

The overspend relates to a forecast overspend of £7.4m on Home to School Travel Assistance, reflecting several factors, including growth in eligible SEN pupil numbers exceeding the initial assumptions. New modelling taking account of current trends has led to 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 increase 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.

In addition, an overspend of £2m is forecast across external and in-house placement provision for children looked after, care leavers and Unaccompanied Asylum Seeking Children.

These two pressures are partially offset by forecast staffing underspends resulting from vacancies across the department.

**Environment, Infrastructure & Growth - £3.4m overspend , £0.8m increase from M4.**

Forecast pressures in Land & Property have increased by £0.8m to £1.8m, due to the cost of soft facilities management (including additional cleaning and security costs) and increased utilities linked to usage and backdated electricity charges. The increase follows an updated utility supplier forecast and ongoing high levels of reactive maintenance, partially offset by a reduction in planned maintenance.

In addition, waste management continues to forecast a £1.4m overspend after mitigations, primarily due to market costs of managing dry mixed recyclables. Additionally, there is c£0.3m of other smaller pressures.

While Highways and Transport are forecasting no variation overall, this is after net pressures totalling £1.7m relating to parking and traffic enforcement, staffing and income have been mitigated by planned drawdown of prior year parking surpluses.

**Surrey Fire & Rescue Service - £0.1m overspend, no change from M4.**

The overspend is due to abortive prior year capital costs relating to a new fleet management system. The system implementation has been ceased and therefore the capital costs incurred to date need to be written off against the revenue budget. This has been partly offset by a net staffing underspend and efficiencies generated through shared support costs of Joint Fire Control.

**Central Income & Expenditure & Corporate Funding.**

There is a £0.8m overspend/under-recovery forecast in relation to corporate funding relating to various business rates movements, including pressures relating to appeals, partially offset by additional income through the Business Rate Pool. This is offset by a forecast underspend of £0.8m in Central Income & Expenditure mainly due to reduced forecasts for secondary pension contributions and other smaller underspends.

3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £16.8m, consisting of quantified risks of £20.3m, offset by opportunities of £3.5m. This is a reduction in net risks of £1m from M4. 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.

**Dedicated Schools Grant (DSG) update**

5. 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 £m	Forecast £m	Variance £m
Education and Lifelong Learning	229.0	237.0	0.0

Place Funding	23.1	23.1	0.0
Children's Services	2.3	2.3	0.0
Corporate Funding	2.0	2.0	0.0
<b>TOTAL</b>	<b>264.4</b>	<b>264.4</b>	<b>0.0</b>
FUNDING	-225.4	-225.4	0.0
In-Year Deficit	39.0	39.0	0.0

6. The Council remains within the spending profile of the Safety Valve and is currently forecasting to be within the budget profile for 2024/25.
7. The second monitoring report for the Safety Valve agreement in 2024/25 was submitted to the Department for Education at the end of August 2024. The next instalment payment of £2m is expected to be received at the end of September. The next monitoring return is due at the end of November.
8. To date, the Council has received £78.18m in Safety Valve payments (78% of the total DfE contributions) with a remaining £21.82m 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, and capital programme delays including the DfE funded Specialist Free Schools. There is also a new risk arising from potential VAT charges to non-maintained independent schools which may increase the number of parents seeking council funding through an EHCP (Education Health and Care Plan).

### Capital Budget

9. 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 £316.5m, as approved by Cabinet in July 2024.
10. The month five forecast is £319.1m, which is £2.8m more than the re-phased budget.

Strategic Capital Groups	Annual Budget	FY Forecast at M5	M5 Forecast Variance	M4 Forecast Variance	Change from M4 to M5	Movement
	£m	£m	£m	£m	£m	
<b>Property</b>						
Property Schemes	131.2	132.1	0.9	0.0	0.9	Increase
ASC Schemes	1.6	1.6	0.0	0.0	0.0	Unchanged
CFLC Schemes	4.4	4.4	0.0	0.0	0.0	Unchanged
<b>Property Total</b>	<b>137.2</b>	<b>138.1</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>	Increase
<b>Infrastructure</b>						
Highways and Transport	125.2	131.2	6.0	6.0	(0.0)	Decrease
Infrastructure and Major Projects	29.0	26.7	(2.3)	(1.9)	(0.4)	Decrease
Environment	8.7	7.8	(0.9)	0.0	(0.9)	Decrease
Surrey Fire and Rescue	2.5	2.4	(0.1)	0.0	(0.1)	Decrease
<b>Infrastructure Total</b>	<b>165.4</b>	<b>168.1</b>	<b>2.7</b>	<b>4.1</b>	<b>(1.4)</b>	Decrease
<b>IT</b>						
IT Service Schemes	13.9	13.1	(0.8)	(0.8)	0.0	Unchanged
<b>IT Total</b>	<b>13.9</b>	<b>13.1</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>0.0</b>	Unchanged
<b>Total</b>	<b>316.5</b>	<b>319.3</b>	<b>2.8</b>	<b>3.3</b>	<b>(0.5)</b>	Decrease

11. The overall variance is attributable to the following:

- **Land and Property - £0.9m variance over budget** caused by acceleration of works at Extra Care Phase 2 sites.
- **Infrastructure - £2.7m variance over budget**, this includes £5m of accelerated and additional surface dressing and safety defect spend, including the A24 emergency works which it is assumed will be recovered through Damage to County Property processes, and other smaller changes to road safety and improvement schemes. There is also a £1.0m increase in Safety Barriers to be funded by Lane Rental bids.

These are partly offset by a delay to part of the Farnham Town Centre programme (£1.0m), slippage across various SIP schemes (£0.9m) and the early termination of a National Highways scheme (£0.5m) for improved air quality on the A3.

Home Upgrade Grant 2 is forecasting an underspend of £0.9m due to slow down in delivery due to the general election and installer capacity.

- **IT - £0.8m variance under budget**, caused by a further reprofile of the WAN / Wi-Fi refresh programme that has reprofiled spend into future years. This is due to a recent change in the scope and sites at which the work will take place this financial year.

### 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 fund 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 ongoing analysis.

### **What Happens Next:**

22. The relevant adjustments from recommendations will be made to the Council's accounts.
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### **Report Author:**

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**Consulted:** Cabinet, Executive Directors, Heads of Service

### **Annexes:**

Annex 1 – Detailed Outturn position

Service	Cabinet Member	Net budget	Forecast	Outturn variance
Public Health	M Nuti	£37.8m	£37.8m	£0.0m
Communities & Prevention	M Nuti	£3.2m	£3.1m	(£0.1m)
Adult Social Care	S Mooney	£470.8m	£475.3m	£4.5m
<b>Adults, Wellbeing &amp; Health Partnerships</b>		<b>£511.8m</b>	<b>£516.3m</b>	<b>£4.4m</b>
Family Resilience	C Curran	£68.5m	£69.1m	£0.6m
Education and Lifelong Learning	C Curran	£31.6m	£31.6m	£0.0m
Commissioning	C Curran	£2.1m	£2.1m	£0.0m
Quality & Performance	C Curran	£87.2m	£94.4m	£7.2m
Corporate Parenting	C Curran	£112.0m	£112.9m	£0.9m
Exec Director of CFLL central costs	C Curran	-£3.2m	-£3.2m	£0.0m
<b>Children, Families and Lifelong Learning</b>		<b>£298.1m</b>	<b>£306.9m</b>	<b>£8.8m</b>
Highways & Transport	M Furniss	£71.1m	£71.1m	£0.0m
Environment	M Heath/ N Bramhall	£82.8m	£84.4m	£1.6m
Infrastructure, Planning & Major Projects	M Furniss	£2.5m	£2.5m	(£0.0m)
Planning Performance & Support	M Furniss	£3.4m	£3.4m	£0.0m
Land & Property	N Bramhall	£24.0m	£25.8m	£1.8m
Economic Growth	M Furniss	£1.4m	£1.4m	£0.0m
<b>Environment, Infrastructure &amp; Growth</b>		<b>£185.2m</b>	<b>£188.5m</b>	<b>£3.4m</b>
Surrey Fire and Rescue	K Deanus	£40.4m	£40.5m	£0.1m
Safer Communities	K Deanus	£1.2m	£1.2m	£0.0m
Emergency Management	K Deanus	£0.7m	£0.7m	£0.0m
Trading Standards	D Turner-Stewart	£1.8m	£1.8m	£0.0m
<b>Surrey Fire and Rescue Service</b>		<b>£44.1m</b>	<b>£44.2m</b>	<b>£0.1m</b>
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	£0.0m
Comms, Public Affairs & Engagement	T Oliver	£2.7m	£2.7m	(£0.0m)
<b>Communications, Public Affairs and Engagement</b>		<b>£2.8m</b>	<b>£2.8m</b>	<b>(£0.0m)</b>
Active Surrey	D Lewis	£0.0m	£0.0m	£0.0m
Coroners	K Deanus	£4.6m	£4.6m	(£0.0m)
Customer Services	D Turner-Stewart	£3.2m	£3.3m	£0.1m
Customer Experience	D Turner-Stewart	£0.2m	£0.2m	£0.0m
Customer and Communities Leadership	D Turner-Stewart	£0.5m	£0.5m	£0.0m
Design & Change	D Lewis	£3.3m	£3.1m	(£0.2m)
Heritage	D Turner-Stewart	£0.9m	£0.9m	£0.0m
Information Technology & Digital	D Lewis	£21.1m	£21.1m	(£0.0m)
Libraries Services	D Turner-Stewart	£7.8m	£7.8m	£0.0m
People & Change	T Oliver	£9.3m	£9.4m	£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
<b>Customers, Digital &amp; Change</b>		<b>£49.5m</b>	<b>£49.5m</b>	<b>£0.0m</b>
Finance	D Lewis	£9.2m	£9.2m	£0.0m
Joint Orbis	D Lewis	£6.0m	£6.2m	£0.2m
Legal Services	D Lewis	£6.2m	£6.2m	(£0.0m)
Democratic Services	D Lewis	£3.9m	£4.0m	£0.1m
Director of Resources	D Lewis	£0.1m	£0.2m	£0.1m
Leadership Office	D Lewis	£2.1m	£1.9m	(£0.2m)
Corporate Strategy and Policy	D Lewis	£1.2m	£1.1m	(£0.1m)
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	-£1.0m	£0.0m
<b>Finance &amp; Corporate Services</b>		<b>£27.4m</b>	<b>£27.5m</b>	<b>£0.1m</b>
<b>Central Income &amp; Expenditure</b>	<b>D Lewis</b>	<b>£89.4m</b>	<b>£88.6m</b>	<b>(£0.8m)</b>
<b>Directorate position</b>		<b>£1,208.4m</b>	<b>£1,224.3m</b>	<b>£16.0m</b>
<b>Corporate Funding</b>		<b>-£1,208.4m</b>	<b>-£1,207.6m</b>	<b>£0.8m</b>
<b>Overall</b>		<b>-£0.0m</b>	<b>£16.7m</b>	<b>£16.7m</b>

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