

SURREY COUNTY COUNCIL

CABINET

DATE: 29 JANUARY 2019



**REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE AND
LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF FINANCE**

LEAD OFFICER: CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

**SUBJECT: FINANCE AND BUDGET MONITORING REPORT TO
30 NOVEMBER 2018**

SUMMARY OF ISSUE:

This report summarises the most significant issues for the Council's 2018/19 financial position as at 30 November 2018 for both revenue and capital budgets. It has one annex, which provide further details on service budgets.

The main points of this report are as follows.

- The forecast outturn is £14m underspent against the budget.
- Use of reserves forecast to support the budget will reduce to £7m.
- The forecast outturn has improved by £6.6m since last month, the main drivers are.
 - £4.5m in Adult Social Care from further management actions to reduce in year spending;
 - £2.8m additional funding from government announced in December for the High Needs Block (HNB) of the Dedicated Schools Grant (DSG);
 - these gains are offset by an overall £0.7m increase in cost, mainly in Education, Lifelong Learning & Culture due to external school placements, continuing use of locums and reduced forecast surplus from Commercial Services.
- Following guidance from the Department for Education:
 - the £15.8m remaining overspending on SEND will be reported as against the High Needs Block of the DSG;
 - the Council will create a new SEND reserve through a contribution of £15.8m to match the forecast overspending;
 - together, these actions have no effect on the Council's bottom line position.
- A small reduction in forecast capital spending of £0.5m.

RECOMMENDATIONS:

1. Cabinet is asked to note the Council's overall revenue and capital budget positions as at 30 November 2018:
 - £14.5m forecast underspend against the 2018/19 budget;
 - £6.7m forecast total draw down reserves;
 - £2.8m additional revenue funding in 2018/19 from the Department for Education to provide support for children and young people with Special Educational Needs and Disabilities (SEND) (Annex 1, paragraph 1), and
 - £132m forecast service capital programme outturn against £134m budget.
2. Cabinet is asked to approve the contribution to a new SEND Reserve an amount matching the overspending on the Dedicated Schools Grant High Needs Block.

REASONS FOR RECOMMENDATIONS

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

Revenue budget

The table below shows the latest forecast position for the year by service. Annex 1 provides more detail of service budget forecasts.

Service	Gross budget £m	Net budget £m	Net forecast £m	Forecast variance £m	Last month variance £m
Delegated Schools	315.2	0.0	0.0	0.0	0.0
Education, Lifelong Learning & Culture	323.9	70.8	87.9	17.1	18.9
Safeguarding & Family Resilience	44.7	42.2	42.5	0.3	0.4
Corporate Parenting	114.8	100.8	99.5	-1.4	-1.5
Quality Assurance	6.6	5.5	6.0	0.4	0.4
Commissioning	12.4	11.2	11.5	0.3	0.2
Children, Families, Learning & Communities	817.6	230.5	247.3	16.8	18.4
Adult Social Care	500.4	381.8	366.7	-15.1	-10.7
Public Health	37.3	0.7	0.5	-0.2	-0.1
Health, Wellbeing & Adult Social Care	537.7	382.5	367.2	-15.3	-10.8
Economy, Growth & Commercial	41.1	30.4	27.3	-3.1	-3.4
Highways & Transport	79.7	67.1	64.7	-2.4	-2.3
Environment	73.5	69.2	68.7	-0.5	0
Surrey Fire & Rescue Service	45.7	31.5	31.2	-0.3	-0.3
Communities	5.1	3.0	2.6	-0.4	-0.4
Highways, Transport & Environment	204.1	170.8	167.3	-3.5	-3.0
Strategic Leadership	0.8	0.8	1.0	0.2	0.1
Communications	1.7	1.7	1.5	-0.2	-0.2
Strategy & Performance	1.4	1.2	0.9	-0.3	-0.3
Customer Services	3.4	3.3	3.0	-0.3	-0.2
Coroner	2.4	1.7	2.0	0.3	0.3
Human Resources & Organisational Development	3.9	3.9	3.1	-0.8	-0.8
Information Technology & Digital	12.9	12.4	10.8	-1.6	-1.6
Joint Operating Budget ORBIS	35.6	35.6	34.2	-1.4	-1.2
Customer, Digital & Transformation	62.2	60.6	56.5	-4.1	-3.9
Finance	4.3	2.6	2.5	-0.1	0
Central Income & Expenditure	54.4	50.1	38.9	-11.2	-11.2
Total services' revenue expenditure	1,721.2	927.5	907.0	-20.5	-13.9
Total general funding		-906.3	-900.3	6.0	6.0
Total movement in reserves		21.2	6.7	-14.5	-7.9

Note: All numbers have been rounded - which might cause a casting difference

Capital programme

Directorates forecast £2.4m underspend against the £133.9m 2018/19 service capital programme budget. This has increased by £0.5m since last month, there is a combination of small underspends on safety barriers, flooding schemes and fire schemes.

Summary capital programme budget variances as at 30 November 2018

	Current full year budget £m	Apr – Nov actual £m	Dec – Mar forecast £m	Full year forecast £m	Full year variance £m	Last month variance £m
Schools basic need	27.1	19.6	7.6	27.1	0.0	0.0
Property Services	30.8	18.6	11.2	29.8	-1.0	-1.0
Highways & Transport	57.8	35.6	22.0	57.5	-0.3	0.0
Environment	2.2	0.9	1.2	2.2	0.0	0.0
IT & Digital	4.5	0.6	3.1	3.7	-0.8	-0.8
Other capital projects	11.5	3.1	8.1	11.2	-0.3	-0.1
Service capital programme	133.9	78.4	53.2	131.5	-2.4	-1.9

Note: All numbers have been rounded - which might cause a casting difference

The 2018 Budget announcement included a capital allocation of £420m in 2018/19 nationally for local highway maintenance. The Council's share is £7.4m, which will be used to support the enhanced Highways & Transport capital programme.

Investment strategy

As part of increasing its overall financial resilience the Council forecasts making £106m net investment in long term income generating assets in 2018/19. The Council forecasts long term investment assets will provide £5m net revenue income in 2018/19. Annex 2 gives further details.

CONSULTATION:

All Cabinet Members have confirmed their service's forecast for the year as shown in the revenue table above.

RISK MANAGEMENT AND IMPLICATIONS:

1. 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 leadership 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 Plan (MTFP). In the light of the increased and significant 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

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

SECTION 151 OFFICER COMMENTARY

3. 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.
4. The Council has a duty to ensure its expenditure does not exceed resources available. During 2018/19, the Council plans to deliver £66m MTFP savings and to reduce spending by a further £40m as it moves towards a sustainable budget for future years. All services must continue to take all appropriate action to keep costs down and optimise income (e.g. through minimising spending, managing vacancies wherever possible). Adverse variances will require remedial in-year efficiencies and budget reductions.
5. It is drawn to members' attention that the Council's reserves are already at low levels bearing in mind the ongoing uncertainty about: future funding, demand pressures, savings and the transformation programme. For these reasons and to increase the Council's financial resilience, the Council needs to achieve all of its £66m MTFP savings and all of the £40m in year cost reductions Cabinet has approved. Unless the Council achieves these savings and cost reductions in 2018/19, it risks depleting reserves to unacceptable levels.

LEGAL IMPLICATIONS – MONITORING OFFICER

6. 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.
7. 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

8. 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.

9. 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.

<u>WHAT HAPPENS NEXT:</u>

10. The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:

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Consulted:

Cabinet, executive directors, heads of service.

Annexes:

Annex 1 – Forecast revenue budget as at 30 November 2018.