

SURREY COUNTY COUNCIL**CABINET****DATE: 30 APRIL 2019**

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

LEAD OFFICER: CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

**COMMUNITY VISION
OUTCOME: COUNCIL**

**SUBJECT: FINANCE AND BUDGET MONITORING REPORT TO
28 FEBRUARY 2019**

SUMMARY OF ISSUE:

This report summarises the most significant issues for the Council's 2018/19 financial position as at 28 February 2019 for revenue and capital budgets. Annex1 provides further details on service budgets, expenditure to date and year-end forecast.

The Council's original 2018/19 revenue budget, relied on significant use of one-off resources, including drawing £21.3m from reserves. Material additional pressures which arose early in 2018/19, and continuing funding uncertainties from 2019/20 onwards mean that the further use of reserves is not sustainable. In response, Cabinet agreed a £40m in year cost reduction programme in September 2018, with two objectives:

- achieve in year cost reductions to prevent unplanned use of reserves; and
- avoid any draw down of the planned £21.3m use of reserves this financial year.

The main points of this report are as follows.

- Subject to the carry forward of some expenditure items the latest forecast is for a small draw down from reserves of £0.4m., This result represents an underspend against the original budget of £20.9m.
- A further improvement from last month's results of £0.9m mainly due to the sale of the County's interests in Babcock4S and dividend income from the County's Investment Properties and subsidiary companies; offset by £1m further pressure on the High Needs DSG block from SEND.
- These forecasts include Services' in principle requests to carry forward £4.1m in to the 2019/20 financial year to complete projects that straddle the financial year end, and to meet known pressures that will occur in the new year.

- The Council forecasts capital spending on service provision to be £118m in 2018/19, which is an underspend of just under £19m.

The Council's resolve in reducing its expenditure during the year has been achieved through deliberate and targeted work, as well as focused planning and monitoring by officers and cabinet members throughout the year. Eliminating the need to use reserves to support the budget this year has increased the Council's financial resilience going into the new financial year. However, the Council continues to face considerable challenges from the continuing rise in the demand for services and the possibility of further reductions in funding from the Fair Funding Review which will be completed in 2019/2020 financial year.

The focus on reduced spending will need to continue to achieve a balanced budget in the new, 2019/20, financial year.

RECOMMENDATIONS:

The Cabinet is asked to note the following:

1. The Council's overall revenue and capital budget positions as at 28 February 2019:
 - £0.4m forecast draw down from reserves; following the successful drive to reduce costs by £106m during this financial year
 - £20.8m forecast underspend against the original 2018/19 budget; and
 - £118m forecast service capital programme outturn against £137m 2018/19 budget.

The Cabinet is asked to approve the following, in principle, subject to confirmation in the Year-End report to be presented to the Cabinet in May 2019:

2. The carry forward of £4.1m of revenue budget into the 2019/20 financial year. (Paragraph 3).
3. All Cabinet Members have confirmed their service's forecast for the year as shown in the revenue table below.

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

1. Table 1 shows the latest forecast position for the year by service, assuming that the requested budget carry forwards are approved in May 2019. Annex 1 provides further detail of service expenditure and budget forecasts.

Table 1 Summary revenue budget variances as at 28 February 2019

Service	Gross budget	Net budget	Net forecast	Requested C/fwd.	Forecast variance after c/fwd.	Change from Last Month
	£m	£m	£m	£m	£m	£m
Delegated Schools	306.9	0.0	0.0		0.0	0.0
Education, Lifelong Learning & Culture	320.5	68.9	88.3		19.4	0.9
Safeguarding & Family Resilience	45.6	42.2	42.4		0.2	0.0
Corporate Parenting	114.8	100.6	99.2		(1.4)	(0.2)
Quality Assurance	6.9	5.8	6.3		0.5	(0.0)
Commissioning	12.4	11.2	11.4		0.3	0.0
Children, Families, Learning & Communities	807.1	228.7	247.7	0.0	19.0	0.8
Adult Social Care	500.4	381.8	356.7	3.2	(21.9)	(0.6)
Public Health	36.7	0.0	(0.1)		(0.1)	(0.0)
Health, Wellbeing & Adult Social Care	537.1	381.8	356.6	3.2	(22.0)	(0.6)
Highways & Transport	79.7	67.0	63.5	0.5	(3.0)	(0.0)
Environment	73.3	69.2	68.6		(0.5)	(0.0)
Surrey Fire & Rescue Service	49.1	32.0	31.7		(0.4)	(0.1)
Communities	5.6	3.5	3.0		(0.6)	(0.3)
Highways, Transport & Environment	207.8	171.8	166.8	0.5	(4.5)	(0.4)
Customer & Performance	7.4	7.0	6.3		(0.7)	(0.2)
Coroner	2.4	1.7	2.1		0.4	0.0
Property	31.2	21.6	16.8		(4.9)	(0.6)
Orbis HR&OD, IT&D and Joint Operating Budget	52.4	51.8	46.8	0.4	(4.6)	(0.1)
Customer, Digital & Transformation	93.4	82.1	72.0	0.4	(9.8)	(0.9)
Finance, Law & Governance	13.2	10.4	10.3		(0.2)	(0.0)
Central Income & Expenditure	56.9	52.8	41.8		(11.0)	0.9
Total services' revenue expenditure	1,715.5	927.6	895.2	4.1	(28.5)	(0.2)
Total general funding		(906.3)	(898.7)		7.6	(0.7)
Total movement in reserves		21.3	(3.5)	4.1	(20.9)	(0.9)

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

2. In a number of cases, where there is an underspending, services are requesting to carry forward some of the budgets for projects that straddle the financial year, are not complete and to ensure that sufficient budget is available in the new financial year. The total requested is £4.1m and this will require confirmation in the Year-End report coming to this Cabinet's meeting in May 2019.
3. Table 2 below provides an overview and the reasons for the requested carry forwards.

Table 2 – Requested Revenue Carry Forwards

Service	Reason	£000	£000
Highways	To address the backlog of Safety Barrier repairs	88	
Highways	To support the re procurement of the Highways Contract	133	
Highways	To fund the budget pressure created in 19/20 following the ceasing of operation of Excetera bus services.	280	
Highways			501
Adult Social Care	Winter Pressures fund in 2019/20 to support the delivery of transformation plans, and support local schemes agreed with health partners		3,200
IT&D	To purchase a number of items which could not be delivered in 2018/19 due to procurement process or resource constraints. These include solutions to enable new working practices and the decommissioning of old legacy technologies.		440
			4,141

Capital programme

4. The Council is forecasting an in-year underspending on the capital budget of £18.6m,
5. The principal reasons for this in-year underspending are;
 - £3.2m due to delays in Schools Basic Need projects;
 - 4.5m due to contractual delays, resourcing and procurement within Property Services;

- £3.5m IT&D delays on equipment replacement procurement & network infrastructure;
- £6.6m for delays to delegated schools expenditure, vehicle and equipment purchases and the commencement of the Fire Transformation Programme, within Other Capital Projects.

6. Table 3 presents a summary of the capital programme.

Table 3 Summary capital programme budget variances as at 28 February 2019

	Current full year budget £m	Apr - Feb actual £m	Mar Forecast £m	Full year forecast £m	Full year variance £m
Schools basic need	27.1	22.7	1.2	23.9	(3.2)
Property Services	30.8	24.9	1.4	26.3	(4.5)
Highways & Transport	57.9	45.5	12.0	57.5	(0.4)
Place Development & Waste	2.1	0.8	0.9	1.7	(0.4)
IT & Digital	5.0	0.6	0.9	1.5	(3.5)
Other capital projects	14.1	5.6	1.9	7.5	(6.6)
Service capital programme	137.0	100.1	18.3	118.5	(18.6)

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

7. Officers are reviewing the capital budgets and will propose the re-profiling of any budgets in the Year End report.

Investment strategy

8. In 2013 the Council adopted a strategy of investing in long term income generating assets to provide an additional stream of income and improve its overall financial resilience. As a part of this strategy, the Council has approved £101m net investment in long term income generating assets during 2018/19. The Council forecasts total net revenue income in 2018/19 of £5m from this strategy. This is included in the Central Income and Expenditure budget line.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

10. 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 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

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

SECTION 151 OFFICER COMMENTARY

12. 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.
13. The Council has a duty to ensure its expenditure does not exceed resources available. During 2018/19, the Council planned to deliver £66m MTFP savings and to reduce spending by a further £40m as it moves towards a sustainable budget for future years. Although these spending reductions have been mostly achieved and there will not be a reduction in reserves this year, Services must continue to take all appropriate action to keep costs down and optimise income (e.g. through minimising spending, managing vacancies wherever possible).

LEGAL IMPLICATIONS – MONITORING OFFICER

14. 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.
15. 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

16. 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.

17. 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:

18. 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 28 February 2019.

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