

SURREY COUNTY COUNCIL

CABINET

DATE: 16 JULY 2019



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

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: MONTH 2 FINANCIAL MONITORING REPORT

SUMMARY OF ISSUE:

This report summarises the most significant issues for the Council's 2019/20 financial position as at 31 May 2019 for revenue and capital budgets. Annex 1 provides further details on service budgets, expenditure to date and year-end forecast.

The Council set a balanced budget for 2018/19 revenue budget without relying on the use of one-off resources. This included a stretching savings target of £82m, while ensuring that the costs of increasing demand for services are contained.

The main points of this report are as follows.

- Without further management action, it is forecast that the General Fund revenue budget would overspend by £10.3m at year end, which represents just over 1% of the net budget.
- This is still early in the financial year, and in line with the new approach to budget accountability embedded in the budgetary framework for 2019/20, Directorates will take action to address this position by the end of the financial year, and the outturn delivered within budget.
- The forecast overspend of £10.3m is mainly due to:
 - £2.3m from growth in pupil numbers requiring SEN transport
 - £1.5m net overspending within Education, Lifelong Learning & Culture for increases in the volume of social care element of school placements, off-set by savings elsewhere in the service.
 - £8.6m savings gap/unidentified savings (Black), offset by
 - £2m additional government grants - Section 31 Business Rates grants and New Homes Bonus
- At the end of May 2019, expenditure was running below the year to date budget. This year to-date underspend is due to the profiling of the budgets, mainly for SEND expenditure where significant expenditure occurs later in the year. The profiling of the budgets will be adjusted in future months.

- The Council set a capital budget for 2019/20 of £129.2m in February 2019, and the cabinet approved the carry forward of underspent budgets from prior year of £19.5m in May 2019. In reviewing the programme, it is recommended that £34.7m of capital budget is re-profiled into future years to reflect current expectations of programming and delivery. This will result in an adjusted Capital programme of £114m.

The Council is committed to containing expenditure during the year through diligent planning and monitoring by officers and cabinet members, and through corrective actions undertaken in light of this. However, the expectation continues to be that the delivery of this year's budget will be challenging.

The Council continues to face considerable challenges in future years from continuing rise in the need for services and the threat of further reductions in funding from the Fair Funding Review in 2020.

RECOMMENDATIONS:

The cabinet is asked to note;

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

The Cabinet is asked to approve;

2. The re-profiled 2019/20 capital budget of £114m (paragraph 11)
3. The draw-down of revenue funding carried forward at outturn for;
 - i. £0.28m for bus planning (paragraph 7)
 - ii. £0.05m for completed local highways works (paragraph 7)
 - iii. £0.23m for Economic Development (paragraph 8)

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 below shows the revenue budget outturn for the year by Service. **Annex 1** provides more detail of Service budget outturn.

Table 1 Summary revenue budget forecast variances as at 31 May 2019

	Cabinet member(s)	Full year budget £m	Fullyear forecast £m	Full year forecast variance at Month 2 £m
Children, Families, Learning & Culture (CFLC)	M Lewis/ J Iles	242.4	251.1	8.7
Health, Wellbeing & Adult Social Care (HWA)	S. Mooney	366.2	366.2	0.0
Community Protection, Transport & Environment (CTE)	D Turner-Stewrt/ M Furniss/ M Goodman	162.8	163.2	0.4
Resources (Res)	M Few/ Z Grant-Duff	73.8	76.0	2.2
Transformation, Partnership & Prosperity (TPP)	T. Oliver/ Z Grant-Duff/ C Kemp	8.8	9.8	1.0
Central Income & Expenditure (CIE)	M Few	(854.0)	(856.0)	(2.0)
Deficit/ (Surplus)		0.0	10.3	10.3

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

Savings

2. The Council included £82m of savings in the annual budget. Savings that are not now forecast to be achieved are classified as Black, (£8.6m) and are factored into the year end forecast. The assumption is that the balance of other savings (£73.4m) will be delivered.
3. At Month 2, £13.5m of savings were identified as unachievable. These were offset by £4.9m of alternative savings leaving a net gap of £8.6m (Black). It is expected that the level of 'Black' savings will reduce month-on-month as further alternatives are identified and plans put in place for delivery.
4. Of the total £82m savings programme; c£37m (45%) are Amber & Green, c£26m (32%) are Blue (achieved/delivered), and £9.6m (11%) Red with £8.6m (10%) deemed black at this at this point in the financial year.

Table 2 – Revenue Savings Progress

Directorate	Full Year Target £m	Full Year Forecast £m	Forecast variance £m	Blue Achieved £m	Green £m	Amber £m	Red £m	Black Unidentified Gap £m
Children, Families, Learning & Culture	21.7	16.9	(4.8)	3.3	8.4	2.1	3.2	4.8
Health, Wellbeing & Adult Social Care	21.1	20.9	(0.2)	7.0	4.3	3.5	6.1	0.2
Community Protection, Transport & Environment	11.9	11.4	(0.5)	5.3	1.8	4.3	0.0	0.5
Transformation, Partnership & Prosperity	2.5	1.5	(1.0)	0.5	0.4	0.7	0.0	1.0
Resources	11.7	9.8	(1.9)	4.1	2.8	2.6	0.3	1.9
Central Income & Expenditure	12.6	12.4	(0.2)	6.1	5.6	0.8	0.0	0.2
Total	81.6	73.0	(8.6)	26.2	23.4	13.9	9.6	8.6

Adjustments to the Revenue Budget

5. In May 2019, the Cabinet approved a total of £4.4m to be carried forward from the 2018/19 budget in to the current year. These are held in an earmarked reserve and the Council's Financial Regulations require that the Cabinet approve each drawdown to the service budget.
6. The Highways & Transport service request £0.28m to be drawn down for bus planning to cover the cost of a new bus operator. In addition, on Local Highways, the service request draw down of £0.05m as the works have been completed and is required to fund the expenditure.
7. For the Economic Development Service, there is a request for £0.23m to be drawn down to fund delayed Surrey Growth Fund Projects.

Capital Budget

8. Capital budgets are by nature multi-year and must cross over the year end dates. Services have reviewed, in detail, their capital budgets for the 2019/20 financial year in the context of when the expenditure is likely to be incurred, especially for those projects that have completion dates that may straddle the end of the financial year.
9. The Council Budget for 19/20 included £129.2m for capital. This was increased by £19.5m due the carry forward of underspent budgets in 18/19. Officers are requesting that c£35m of their 2019/20 budgets are re-profiled into future years'. This then sets a revised budget of £114m for 2019/20
10. In summary, the significant re-profiling requests are shown below.
 - i. Schools basic need £23.2m SBN programme reviewed and re-profiled over future years in line with reported requirements for School places. The total programme remains unchanged.

- ii. Cranleigh School £4.4m re-profiled into 2020/21 and 2021/22 due to planning delays
- iii. Winter Maintenance Salt Barns £3.2m – Strategic review being undertaken and budget moved to 2020/21
- iv. £2.5m of IMT projects re-profiled in to 2020/21

11. Table 3 below provides a summary of the forecast outturn for the 2019/20 capital budget, including the re-profile requests

Table 3 Summary capital programme budget forecast as at 31 May 2019

	Cabinet member(s)	Full year budget £m	Year to date actual month 2 £m	Full year forecast outturn at month 2 £m
Adult Social care	S Mooney	1.9	0.0	1.9
Children Services	M Lewis/ J Ilies	7.2	0.0	7.2
Environment & Planning	M Goodman	1.5	0.1	1.5
Highways & Transport	M Furniss	51.7	7.6	51.7
Information Management & Technology	Z Grant-Duff	4.3	0.5	4.3
Property Services	M Few	21.7	8.0	22.6
Schools Basic Need	Julie Ilies	22.9	0.0	22.9
Surrey Fire & Rescue Service	D Turner-Stewart	2.9	0.1	2.9
Total Capital		114.0	16.2	115.0

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

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 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:

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 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.
16. The Council has a duty to ensure its expenditure does not exceed resources available. It is drawn to Members' attention that the Council continues to face ongoing uncertainty about future funding, demand pressures, savings and the transformation programme. Within this context the Council is required to develop and implement plans to ensure that the forecast overspend of £10.3m is contained within resources.

LEGAL IMPLICATIONS – MONITORING OFFICER:

17. 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.
18. 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:

19. 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.
20. 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:

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

Contact Officer:

Leigh Whitehouse, Executive Director of Finance
020 8541 7246

Consulted:

Cabinet, executive directors, heads of service.

Annexes:

Annex 1 – Detailed Revenue Budget at 31 May 2019.

Revenue Budget by Service - 31 May 2019

Service	Cabinet Member	Prior year to date actual	Year to Date Budget	Year to Date Actuals	Year to Date variance	Full Year Gross budget	Full Year Net budget	Full Year Net Forecast	Full Year Net Forecast Variance
		£m	£m	£m	£m	£m	£m	£m	£m
Delegated Schools	Julie Iles	0.0	0.0	(0.0)	(0.0)	314.7	0.0	0.0	0.0
Education, Lifelong Learning & Culture	Julie Iles	10.7	16.9	4.6	(12.3)	282.6	97.4	101.1	3.7
Family Resilience	Mary Lewis	8.7	7.2	7.9	0.7	46.0	43.3	43.3	(0.0)
Corporate Parenting	Mary Lewis	13.3	15.5	14.7	(0.9)	103.7	90.2	90.2	0.0
Quality & Performance	Mary Lewis/ Julie Iles	1.0	1.3	1.2	(0.1)	9.1	8.0	8.0	(0.0)
Commissioning	Mary Lewis/ Julie Iles	0.8	1.0	0.7	(0.3)	65.9	6.0	6.0	(0.0)
Directorate wide savings		0.0	(0.4)	0.0	0.5	(2.5)	(2.5)	2.5	5.0
Children, Families, Learning & Communities		34.5	41.6	29.1	(12.4)	819.3	242.4	251.1	8.7
Adult Social Care	Sinead Mooney	54.6	60.5	56.3	(4.1)	488.4	364.4	364.4	(0.0)
Public Health	Sinead Mooney	0.0	0.0	0.0	0.0	35.7	0.0	0.0	0.0
Coroner	Denise Turner-Stewart	0.4	0.3	0.4	0.1	2.3	1.8	1.8	0.0
Health, Wellbeing & Adult Social Care		55.1	60.8	56.7	(4.1)	526.4	366.2	366.2	0.0
Highways & Transport	Matt Furniss	9.3	7.7	9.3	1.6	73.8	59.0	59.1	0.1
Environment	Mike Goodman	8.0	11.5	9.0	(2.5)	73.6	69.0	69.3	0.3
Community Protection & Emergencies	Denise Turner-Stewart	5.2	5.4	5.5	0.1	36.8	32.7	32.7	0.0
Trading Standards	Denise Turner-Stewart	0.2	0.3	0.2	(0.1)	3.9	1.7	1.7	(0.0)
Communities Support function	Denise Turner-Stewart	0.1	0.1	0.0	(0.0)	0.4	0.4	0.4	0.0
Community Protection, Transport & Environment		22.8	25.0	24.0	(1.0)	188.5	162.8	163.2	0.4
Economic Growth	Colin Kemp	0.2	0.2	0.0	(0.1)	1.0	1.0	1.0	0.0
Strategic Leadership	Tim Oliver	0.1	0.2	0.2	0.0	1.0	1.0	0.9	(0.1)
Communications	Zully Grant-Duff	0.3	0.2	0.3	0.0	1.4	1.4	1.4	(0.0)
Insight, Analytics & Intelligence	Zully Grant-Duff	0.4	0.6	0.5	(0.1)	3.5	2.7	2.7	(0.1)
Human Resources & Organisational Development	Zully Grant-Duff	0.5	0.7	0.4	(0.3)	4.2	3.7	3.7	0.0
Transformation programme		0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Cross County		0.0	(0.3)	0.0	0.3	(1.5)	(1.0)	0.0	1.0
Transformation, Partnership & Prosperity		1.4	1.5	1.4	(0.1)	9.6	8.8	9.8	1.0
Property	Mel Few	2.4	2.6	2.5	(0.2)	28.0	18.9	18.9	0.0
Customer Services	Zully Grant-Duff	0.5	0.5	0.5	(0.0)	3.3	3.1	3.1	(0.0)
Information Technology & Digital	Zully Grant-Duff	1.6	1.8	1.5	(0.4)	11.7	11.0	11.3	0.3
Business Operations	Zully Grant-Duff	(0.0)	(0.0)	0.0	0.0	(0.1)	(0.1)	(0.1)	(0.0)
Joint Operating Budget ORBIS	Zully Grant-Duff	5.9	5.3	5.5	0.2	31.9	31.9	33.3	1.4
Finance	Mel Few	0.5	0.4	0.4	(0.0)	3.9	2.4	2.5	0.1
Legal Services	Zully Grant-Duff	0.7	0.6	0.6	0.0	4.0	3.6	3.6	(0.0)
Democratic Services	Zully Grant-Duff	0.6	0.6	0.6	(0.0)	3.6	3.4	3.4	(0.0)
Savings to find		0.0	0.0	0.0	0.0	(0.5)	(0.5)	0.0	0.5
Resources		12.1	11.9	11.5	(0.4)	85.8	73.8	76.0	2.2
Corporate Expenditure	Mel Few	(3.4)	1.8	(0.7)	(2.5)	49.2	32.1	32.3	0.2
Total revenue expenditure		122.6	142.6	121.9	(20.6)	1,678.8	886.1	898.6	12.4
Corporate Funding	Mel Few	(165.2)	(169.2)	(169.9)	(0.7)		(886.1)	(888.3)	(2.2)
Total Net Revenue Expenditure		(42.6)	(26.6)	(48.0)	(21.3)	1,678.8	0.0	10.3	10.3