

SURREY COUNTY COUNCIL

CABINET

DATE: 24 SEPTEMBER 2019



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

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: MONTH 4 FINANCIAL MONITORING REPORT

SUMMARY OF ISSUE:

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

The Council set a balanced budget for 2019/20 revenue budget without relying on the use of one-off resources (reserves). This included a stretching savings target of £82m, while ensuring that the costs of increasing demand for services are contained.

The key messages of this report are as follows.

Revenue

- Without further management action, it is forecast that the General Fund revenue outturn will be an overspend of £9.0m. Whilst the reduction of £0.5m since Month 3 is welcome, the underlying overspend is in excess of £10m, and is being off-set by underspends on interest payments and Minimum Revenue Provision.
- At Month 4, the forecast overspend of £9.0m is mainly due to:

- £8.2m savings gap/unidentified savings (Black savings);
- £3.6m from growth in pupil numbers and increased costs of SEN and mainstream schools transport;

Offset by:

- £2m additional government grants - Section 31 Business Rates grants and New Homes Bonus; and
- £0.8m underspend on capital financing costs (a lower Minimum Revenue Provision being required) due to slippage in the 18/19 capital programme.
- The year to date spending against budget up to 31 July is nearly £18m underspent. This is mainly due to the timing of significant expenditure for Special Educational

Needs within the Education, Lifelong Learning & Culture service and expenditure in the Waste service being higher towards the end of the financial year.

- We are still in the early stages of the financial year, and in line with the new approach to budget accountability embedded in the budgetary framework for 2019/20, Directorates are taking action to address overspends and work within their assigned budget envelopes.

Capital

- The Council set a capital budget for 2019/20 of £129.2m in February 2019. Following the approval of additional schemes in Month 3, and the re-profiling of some capital projects to reflect current expectations of programme delivery, the capital budget is £121.5m at Month

The Council is committed to containing expenditure during the year through diligent planning and monitoring by officers and Cabinet Member and through corrective actions to bring the budget back into balance, however the delivery of this year's budget continues to be challenging.

The Council continues to face considerable challenges in future years from ongoing increases 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 the Council's forecast revenue and capital budget positions for the year.

REASON 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** (attached) provides more detail of Service budget outturn.

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

	Cabinet member(s)	Full year budget £m	Fullyear forecast £m	Full year forecast variance at Month 3 £m	Change in forecast since last month £m
Children, Families, Learning & Culture (CFLC)	M Lewis/ J Iles	242.6	250.7	8.1	0.8
Public Health	S. Mooney				
Health, Wellbeing & Adult Social Care (HWA)	S. Mooney	364.0	364.0	0.0	0.0
Community Protection, Transport & Environment (CTE)	D Turner-Stewrt/ M Furniss/ M Goodman	162.8	163.0	0.2	(0.3)
Resources (Res)	M Few/ Z Grant-Duff	74.0	76.3	2.3	(0.4)
Transformation, Partnership & Prosperity (TPP)	T. Oliver/ Z Grant-Duff/ C Kemp	11.9	13.0	1.1	0.0
Central Income & Expenditure (CIE)	M Few	(855.5)	(858.2)	(2.7)	(0.6)
Deficit/ (Surplus)		0.0	9.0	9.0	(0.5)

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

2. Within Children, Families, Lifelong Learning and Culture, the number of pupils requiring SEN transport continues to rise from its 2018/19 level and in excess of this year's budget provision. This is forecast to rise further and without mitigation this would lead to an overspend of £4m on its budget. The transport review has reduced some of these costs, however there is also an increase in the cost of mainstream transport leading to a budget pressure on transport for this year of £3.6m.
3. There have been small reductions in the volume of both external residential placements and external fostering. However these are forecast to bottom out with marginal falls at the year-end but remain above the budgeted level.
4. Within Health Welfare and Adult Social Care, spending on care packages to directly meet people's individual assessed eligible needs accounts for over 80% of the service's gross expenditure and is the key area of the budget where savings need to be delivered to reduce spending. The trend of care package commitments for both Older People and People with Learning Difficulties has fallen since 2018/19, however this reduction has bottomed out in recent months with a slight increase in Older People care package commitments. Although the service has forecast to deliver within budget, the current level of commitments remains above the budget available for the full year leading to a £6.5m risk to achieving full savings.

2019/20 Savings Programme

5. The Council included £81.6m of savings in the annual budget approved by Council in February 2019. Savings that are now forecast not to be achieved are classified as Black, of which £8.2m are factored into the year-end forecast position. The assumption is that the balance of other savings (£73.4m – Red, Amber, Green and Blue) will be delivered.
6. At Month 4, £13.5m of the original savings for 2019/20 were identified as unachievable. These were offset by £5.3m of alternative savings leaving a net gap of £8.2m (Black). It is expected that the level of Black savings will reduce as further alternatives are identified and plans put in place for delivery. However, at Month 4 the level of black savings remains unchanged at £8.2m
7. As shown in **Table 2** below, of the total £81.6m savings programme; c£30m (36%) are Amber & Green, c£34m (42%) are Blue (achieved/delivered), and £9.8m (12%) Red with £8.2m (10%) deemed black at this at this point in the financial year.

Table 2 – Savings Progress as at 31 July 2019

Directorate	Full Year Target	Full Year Forecast	Forecast variance	Blue Achieved	Green	Amber	Red	Black Unidentified Gap	Last Month
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Children, Families, Learning & Culture	21.7	17.2	(4.5)	4.5	8.4	1.5	2.8	4.5	4.8
Health, Wellbeing & Adult Social Care	20.0	20.0	0.0	11.9	0.0	1.6	6.5	0.0	0.0
Public Health	1.0	1.0	0.0	0.1	0.9	0.0	0.0	0.0	0.0
Community Protection, Transport & Environment	11.9	11.0	(0.9)	5.3	1.6	4.1	0.0	0.9	0.8
Transformation, Partnership & Prosperity	2.7	2.0	(0.7)	0.6	0.7	0.6	0.1	0.7	0.7
Resources	11.7	9.6	(2.1)	4.4	2.6	2.2	0.4	2.1	2.0
Central Income & Expenditure	12.6	12.6	0.0	7.0	5.2	0.5	0.0	0.0	0.0
Total	81.6	73.4	(8.2)	33.8	19.4	10.4	9.8	8.2	8.2

Capital Budget

8. Capital budgets are by nature multi-year. 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 capital budget for Month 3 (June) was £123.5m, and this has reduced by £2m to £121.5m for Month 4 (July).

10. The changes to the budget are listed below.

- £2.4m on approved LEP funded schemes
 - £1.6m LED Street lighting conversion into 2020/21 due to delay in start date.
 - £0.65m delay in Telephone/Unicorn replacement until 2020/21 as a part of the Moving Closer To Residents project
 - £0.35m delay in the Guildford Flood Resilience scheme until 2020/21
 - £0.06m ASC Infrastructure Grant funded projects to align with Agile working
 - £0.04m Basingstoke Canal due to limited number of specialist contractors
 - £0.03m Data Centre Replacement due to procurement delays
- Off-set by bringing forward future years' capital budgets for;
- £2.4m acceleration in procurement of equipment for the Agile programme
 - £0.7m IT project investment in the upgrade for older laptops and Windows 10

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 July 2019

	Cabinet member(s)	Full year budget £m	Year to date actual month 4 £m	Full year forecast outturn at month 4 £m	Full year forecast variance at month 4 £m	Change in forecast since last month £m	Future years' budget £m
Adult Social care	S Mooney	1.9	0.1	1.9	0.0	0.0	7.6
Children Services	M Lewis/ J Ilies	7.1	1.3	7.1	0.0	0.0	6.9
Environment & Planning	M Goodman	1.5	0.4	1.5	0.0	0.0	3.7
Highways & Transport	M Furniss	54.1	11.6	54.1	0.0	0.0	121.1
Information Management & Technology	Z Grant-Duff	6.6	0.6	6.6	0.0	0.0	27.4
Property Services	M Few	24.4	15.9	25.3	0.9	0.0	98.9
Schools Basic Need	Julie Ilies	22.9	0.0	22.9	0.0	0.0	61.1
Surrey Fire & Rescue Service	D Turner-Stewart	2.9	0.1	2.9	0.0	0.0	6.7
Total Capital		121.5	30.0	122.4	0.9	0.0	333.4

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

12. The forecast overspend is mainly due to the Linden Farm scheme. Unforeseen ground conditions and an upgrade for fire safety controls have led to contract extensions. Property Services is investigating potential savings on future schemes to offset this.

CONSULTATION:

13. Executive Directors and Cabinet members have confirmed the forecast outturns for their revenue and capital budgets.

RISK MANAGEMENT AND IMPLICATIONS:

14. 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

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

SECTION 151 OFFICER COMMENTARY

16. 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.
17. 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 £9.0m is contained within resources.

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.

<u>WHAT HAPPENS NEXT:</u>

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

Contact Officer:

Leigh Whitehouse, Executive Director of Resources
020 8541 7246

Consulted:

Cabinet, executive directors, heads of service.

Annexes:

Annex 1 – Detailed Revenue Budget at 31 July 2019.

Revenue Budget by Service - 31 July 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	310.7	0.0	0.0	0.0
Education, Lifelong Learning & Culture	Julie Iles	20.9	32.3	20.2	(12.1)	282.1	96.6	99.9	3.3
Family Resilience	Mary Lewis	17.9	14.5	15.6	1.1	45.9	43.4	45.2	1.8
Corporate Parenting	Mary Lewis	30.0	30.6	29.6	(1.0)	104.4	90.9	91.0	0.1
Quality & Performance	Mary Lewis/ Julie Iles	2.2	2.7	2.7	(0.0)	9.3	8.1	8.2	0.1
Commissioning	Mary Lewis/ Julie Iles	1.9	2.0	1.7	(0.3)	65.5	6.0	5.8	(0.2)
Directorate wide savings		0.0	(0.8)	0.0	0.8	(2.5)	(2.5)	0.6	3.1
Children, Families, Learning & Communities		72.8	81.3	69.8	(11.4)	815.3	242.6	250.7	8.1
Public Health	Sinead Mooney	0.0	(0.0)	0.0	0.0	35.7	(0.0)	0.0	0.0
Adult Social Care	Sinead Mooney	114.4	121.6	119.0	(2.5)	488.3	364.0	364.0	(0.0)
Health, Wellbeing & Adult Social Care		114.4	121.6	119.0	(2.5)	488.3	364.0	364.0	(0.0)
Highways & Transport	Matt Furniss	19.1	17.8	19.7	1.9	73.8	59.0	58.9	(0.1)
Environment	Mike Goodman	19.9	22.9	18.3	(4.6)	73.1	68.8	69.1	0.3
Leadership Team	Mike Goodman	0.3	0.1	0.3	0.2	0.5	0.3	0.3	0.0
Community Protection & Emergencies	Denise Turner-Stewart	10.4	10.9	10.8	(0.1)	36.7	32.6	32.6	0.0
Trading Standards	Denise Turner-Stewart	0.5	0.6	0.6	(0.0)	3.9	1.7	1.7	(0.0)
Communities Support function	Denise Turner-Stewart	0.2	0.1	0.1	(0.0)	0.4	0.4	0.4	0.0
Community Protection, Transport & Environment		50.4	52.5	49.8	(2.6)	188.4	162.8	163.0	0.2
Economic Growth	Colin Kemp	0.2	0.4	0.2	(0.2)	1.2	0.9	0.9	(0.1)
Coroner	Denise Turner-Stewart	0.8	0.6	0.8	0.2	2.3	1.8	2.3	0.5
Strategic Leadership	Tim Oliver	0.2	0.6	0.5	(0.0)	1.4	0.9	0.9	(0.0)
Communications	Zully Grant-Duff	0.5	0.5	0.4	(0.0)	1.4	1.4	1.5	0.1
Insight, Analytics & Intelligence	Zully Grant-Duff	1.2	1.6	1.4	(0.2)	3.9	3.2	3.1	(0.1)
Human Resources & Organisational Development	Zully Grant-Duff	0.8	1.4	0.9	(0.5)	4.1	3.6	3.6	0.0
Transformation programme		0.0	0.0	0.0	0.0	0.3	0.8	0.8	0.0
Cross County		0.0	(0.7)	0.0	0.7	(1.5)	(0.7)	0.0	0.7
Transformation, Partnership & Prosperity		3.9	4.3	4.2	(0.1)	13.2	11.9	13.0	1.1
Property	Mel Few	5.3	5.5	5.5	0.1	28.1	19.0	19.0	0.0
Customer Services	Zully Grant-Duff	1.0	1.0	1.0	(0.1)	2.8	2.6	3.0	0.3
Information Technology & Digital	Zully Grant-Duff	3.3	3.6	3.1	(0.5)	11.5	10.9	10.9	0.1
Business Operations	Zully Grant-Duff	(0.1)	(0.0)	0.0	0.0	(0.1)	(0.1)	(0.1)	0.0
Joint Operating Budget ORBIS	Zully Grant-Duff	10.4	10.6	11.2	0.6	31.9	31.9	33.4	1.5
Finance	Mel Few	0.9	0.9	0.8	(0.1)	4.1	2.7	2.7	0.0
Legal Services	Zully Grant-Duff	1.4	1.2	1.3	0.1	4.0	3.6	4.1	0.4
Democratic Services	Zully Grant-Duff	1.3	1.2	1.1	(0.0)	3.6	3.4	3.4	(0.0)
Resources		23.5	24.0	24.1	0.1	86.0	74.0	76.3	2.3
Corporate Expenditure	Mel Few	3.8	2.3	0.4	(1.8)	47.8	30.7	30.0	(0.7)
Total services' revenue expenditure		268.8	285.9	267.5	(18.4)	1,674.7	886.2	897.1	11.0
Corporate Funding		(358.2)	(340.9)	(340.3)	0.6	0.0	(886.2)	(888.2)	(2.0)
Total Net revenue expenditure		(89.4)	(55.0)	(72.8)	(17.8)	1,674.7	(0.0)	9.0	9.0