

SURREY COUNTY COUNCIL

CABINET

DATE: 29 OCTOBER 2019



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

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: MONTH 5 FINANCIAL MONITORING REPORT

SUMMARY OF ISSUE:

This report provides the details of the County Council's 2019/20 financial position as at 31 August 2019 (P5) for revenue and capital budgets and the expected outlook for the remainder of the financial year. Further details by Service are to be found in **Annex 1**.

The Council set a balanced budget for 2019/20 without relying on the use of one-off resources (reserves). To achieve this a savings programme of totalling £82m was established, while ensuring that the costs of increasing demand for services are contained.

Also contained in this report is a request to approve the transfer of a forced school conversion's revenue surplus to a sponsored academy. (Para 5 – 6).

The key messages of this report are as follows:

Revenue

- The latest forecast for the revenue budget reflects a total overspend of c£12m due to planned savings not being achieved and new pressures. This is partially off-set by additional funding and actions to reduce spend bringing the forecast deficit to £7.8m, a reduction of £1.2m from the previous month. Work is ongoing to identify alternate projects which will reduce this shortfall further. At Month 5, the forecast overspend of c£12m is mainly due to:
 - £6.9m savings gap/unidentified savings (Black savings) of the £82m savings programme;
 - £3.5m from growth in pupil numbers and increased costs for SEN and mainstream schools transport;
 - £1.4m on Social Care element of school placements.

Which has been offset by:

- £2m additional government grants - Section 31 Business Rates grants and New Homes Bonus;
- £1.0m reduced contribution to the Self-Insurance Fund following the triannual actuarial review showing there was sufficient funding and so the contribution can be reduced; and

- £0.9m underspend on capital financing costs (a lower Minimum Revenue Provision being required) due to slippage in the 18/19 capital programme.
- Although the year to date spend to 31 August is nearly £29m below the year to date budget, this reflects timing differences in the spending profiles of Special Educational Needs within the Education, Lifelong Learning & Culture service and the Waste service.

Capital

- The Council set a capital budget for 2019/20 of £129.2m in February 2019. Following the approval of additional schemes and the re-profiling of some capital projects to reflect current expectations of programme delivery, the Capital Budget for 2019/20 has been revised to £121.8m, the details are set out in Table 3.

RECOMMENDATIONS:

The Cabinet is asked to:

1. Approve the transfer of a forced school's conversion (Surrey Hills Primary School) revenue surplus of £38,654 to a sponsored academy. (Paras 5 – 6)
2. Note the Council's forecast revenue and capital budget positions for the year.

REASON FOR RECOMMENDATIONS

- To ensure equal treatment for forced academy conversions, the proposal is to transfer the surplus to Surrey Hills Primary School.
- To note this report is 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 August 2019

Directorate	Cabinet member(s)	Full year budget £m	Full year forecast £m	Current year forecast variance at Month 5 £m	Change in forecast since last month £m
Children, Families, Learning & Culture (CFLC)	M Lewis / J Iles	242.6	250.6	8.0	(0.1)
Public Health	S Mooney	0.0	0.0	0.0	0.0
Health, Wellbeing & Adult Social Care (HWA)	S Mooney	364.0	364.0	0.0	0.0
Community Protection, Transport & Environment (CTE)	D Turner-Stewart/ M Furniss/ M Goodman	162.8	163.1	0.3	0.1
Resources (Res)	M Few/ Z Grant- Duff	74.0	75.3	1.3	(1.0)
Transformation, Partnership & Prosperity (TPP)	T Oliver/ Z Grant-Duff/ C Kemp	12.0	12.9	0.9	(0.2)
Central Income & Expenditure (CIE)	M Few	(855.4)	(858.1)	(2.7)	(0.0)
Deficit/ (Surplus)		0.0	7.8	7.8	(1.2)

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 Special Education Needs (SEN) transport is expected to rise in a similar way to previous years leading to an overspend of £4m. The transport review has identified mitigations to reduce some of these costs reducing the overspend to £2.4m. However, there is also an increase in the cost of mainstream and alternative provision transport leading to an overall budget pressure on transport for this year of £3.5m.
3. There have been reductions in the volume of both external residential placements and external fostering, despite this the activity levels are above budget. It is expected that there will be further placement moves from September.
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 packages has fallen since mid-2018/19, however this reduction has flattened out in recent months with a slight increase in Older People care packages are now being reported. Despite this increase the service is forecasting to deliver within their budget envelope. Should the current level of packages remain above plans this could lead to a £6.5m risk to achieving full savings for the year.
5. Surrey Hills Primary School converted to an academy on 1 December 2018 and the school's revenue surplus at the point of conversion has been determined as £38,654. It is recommended that the school's surplus is transferred to the successor academy.

6. Sometimes the Secretary of State forces a school to convert to a sponsored academy following an inadequate OFSTED judgement. Most schools have an overall revenue surplus or deficit that is held on the balance sheet. If the school chose to convert to an academy then any surplus automatically transfers. However with forced conversions the council technically has a choice as to whether any surplus transfers to the successor academy (although any deficit on a sponsored academy conversion automatically remains with the local authority)
7. The most significant risk to the Council's finances remains Special Educational Needs and Disabilities (SEND) expenditure within the High Needs Block of the Dedicated Schools Grant (DSG). Management action is currently underway to address the pressure, therefore the forecast overspend on the High Needs DSG remains at £29m in 2019/20 (the budgeted contribution to reserve is also £29m). However there remains substantial risk around this forecast and the impact that this could have on 2020/21.

2019/20 Savings Programme

8. The Council included £81.6m of savings in the annual budget approved by Council in February 2019. At this point in the year £53.7m of the plan has been identified as achieved or achievable with £6.9m remaining as non achievable (black savings), which includes off-setting alternative savings. There continue to be risks of achieving the remaining £21m.
9. The status of directorate savings are shown in **Table 2**.

Table 2 – Savings Progress as at 31 August 2019

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	Last Month £m
Children, Families, Learning & Culture	21.7	18.1	3.6	4.8	8.4	4.3	0.7	3.6	4.5
Health, Wellbeing & Adult Social Care	20.0	20.0	0.0	12.4	0.0	1.1	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	11.4	0.5	5.3	1.6	3.3	1.2	0.5	0.9
Transformation, Partnership & Prosperity	2.7	2.0	0.7	0.7	0.6	0.6	0.2	0.7	0.7
Resources	11.7	9.6	2.1	5.4	1.3	2.5	0.4	2.1	2.1
Central Income & Expenditure	12.6	12.6	0.0	7.2	5.1	0.3	0.0	0.0	0.0
Total	81.6	74.8	6.8	35.9	17.8	12.1	8.9	6.9	8.2

Capital Budget

10. Capital budgets are by nature multi-year. Services have reviewed in detail their capital budgets for the 2019/20 financial year and provided updates 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.
11. At M5 the Capital Budget for 2019/20 is £121.8m, an increase of £0.3m from M4. This is due to additional schools' projects funded from third parties (including parent teacher associations).

12. **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 August 2019

		Year to date Full year budget	actual month 5 £m	Full year forecast outturn at month 5 £m	Full year forecast variance at month 5 £m	Change in forecast since last month £m	Future years' budget £m
Adult Social care	S Mooney	1.9	0.3	1.9	0.0	0.0	7.6
Children Services	M Lewis / J Iles	7.4	1.9	7.4	0.0	0.0	6.9
Environment	M Goodman	1.5	0.3	1.5	(0.0)	0.0	3.7
Highways & Transport	M Furniss	54.1	20.9	52.3	(1.9)	(1.9)	123.0
Information Technology & Digital	Z Grant-Duff	6.6	0.6	6.6	0.0	0.0	27.4
Property Services	M Few	24.4	10.7	24.4	0.0	(0.9)	99.8
Schools Basic Need	J Iles	22.9	10.8	22.9	0.0	0.0	61.1
Community Protection	D Turner- Stewart	2.9	0.2	1.9	(1.0)	(1.0)	7.6
Total Capital		121.8	45.7	119.0	(2.8)	(3.7)	337.1

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

13. For month 5, the forecast variance is £2.8m. This is due to slippage of £3.7m, primarily relating to:

- £1.0m in replacing vehicles and equipment (Community Protection);
- £0.9m for the street-lighting LED conversion (Highways & Transport);
- £0.9m at Wray Park Training facility (Property); and
- £0.9m LEP Schemes (grant funded).are expected to underspend (Highways & Transport).

Offset by:

- £1m overspend on the Linden Farm scheme due to unforeseen ground conditions and planning delays (Property).

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

15. 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

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

SECTION 151 OFFICER COMMENTARY

17. 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.

18. 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 £7.8m is contained within resources.

LEGAL IMPLICATIONS – MONITORING OFFICER

19. 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.

20. 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

21. 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.
22. 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:

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

Contact Officer:

Leigh Whitehouse, Executive Director of Resources
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Consulted:

Cabinet, executive directors, heads of service.

Annexes:

Annex 1 – Detailed Revenue Budget at 31 August 2019.

Revenue Budget by Service - 31 August 2019

Service	Cabinet Member	Prior year to date actual £m	Year to date Budget £m	Year to date Actual £m	Year to date variance £m	Full Year Gross budget £m	Full year net budget £m	Full Year net forecast £m	Full year net forecast variance £m
Delegated Schools	J Iles	(4.9)	6.4	6.4	0.0	310.8	0.0	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	22.5	41.5	21.9	(19.6)	282.2	96.6	99.9	3.3
Corporate Parenting	M Lewis	38.4	38.4	36.9	(1.4)	104.6	90.8	90.9	0.1
Commissioning	M Lewis / J Iles	2.4	2.5	2.3	(0.3)	65.5	6.0	6.0	(0.0)
Family Resilience	M Lewis	22.7	18.2	20.0	1.8	46.0	43.5	45.3	1.8
Quality Assurance	M Lewis / J Iles	2.6	3.4	3.3	(0.1)	9.4	8.2	7.9	(0.3)
Directorate wide savings		0.0	(1.1)	0.1	1.1	(2.5)	(2.5)	0.6	3.1
Children, Families, Life long Learning, and Culture		83.7	109.3	90.9	(18.4)	815.9	242.6	250.6	8.0
Public Health	S Mooney	0.0	0.0	0.0	(0.0)	35.7	(0.0)	0.0	0.0
Adult Social Care	S Mooney	145.7	152.7	150.7	(1.9)	488.2	364.0	364.0	0.0
Health, Wellbeing & Adult Social Care		145.7	152.7	150.7	(1.9)	488.2	364.0	364.0	0.0
Highways & Transport	M Furniss	23.2	22.8	22.5	(0.3)	73.8	59.0	58.9	(0.1)
Environment	M Goodman	24.9	28.7	22.8	(5.9)	73.1	68.8	69.1	0.3
Community Protection & Emergencies	D Turner-Stewart	13.4	13.6	13.4	(0.1)	36.7	32.6	32.6	0.0
Trading Standards	D Turner-Stewart	0.7	0.7	0.7	(0.0)	3.9	1.7	1.8	0.1
Communities Support Function	D Turner-Stewart	0.2	0.2	0.1	(0.0)	0.4	0.4	0.4	0.0
Leadership Team	M Goodman	0.4	0.1	0.4	0.3	0.5	0.3	0.3	0.0
Community Protection, Transport & Environment		62.8	66.0	59.8	(6.2)	188.4	162.8	163.1	0.3
Human Resources & Organisational Development	Z Grant-Duff	1.0	1.7	1.2	(0.5)	4.1	3.6	3.6	(0.0)
Insight, Analytics & Intelligence	Z Grant-Duff	1.4	1.7	1.5	(0.2)	3.9	3.2	3.0	(0.2)
Coroner	D Turner-Stewart	1.0	0.7	1.0	0.2	2.3	1.8	2.2	0.4
Strategic Leadership	T Oliver	0.3	0.8	0.7	(0.1)	1.5	1.0	1.0	(0.0)
Communications	Z Grant-Duff	0.7	0.6	0.5	(0.1)	1.4	1.4	1.5	0.1
Economic Growth	C Kemp	0.3	0.5	0.2	(0.3)	1.2	0.9	0.8	(0.1)
Transformation programme		0.0	0.0	0.0	0.0	0.3	0.8	0.8	0.0
Cross County		0.0	(0.8)	0.0	0.8	(1.5)	(0.7)	0.0	0.7
Transformation, Partnership & Prosperity		4.6	5.2	5.1	(0.1)	13.3	12.0	12.9	0.9
Joint Operating Budget ORBIS	Z Grant-Duff	14.1	13.3	13.7	0.4	31.9	31.9	33.6	1.7
Property	M Few	6.9	6.9	7.2	0.3	28.1	19.0	19.0	0.0
Information Technology & Digital	Z Grant-Duff	4.2	4.5	3.8	(0.8)	11.5	10.9	10.9	0.0
Finance	M Few	1.1	1.1	1.1	(0.0)	4.1	2.7	1.7	(1.0)
Legal Services	Z Grant-Duff	1.6	1.5	1.7	0.2	4.0	3.6	4.0	0.4
Democratic Services	Z Grant-Duff	1.5	1.4	1.4	(0.0)	3.6	3.4	3.2	(0.2)
Customer Services	Z Grant-Duff	1.2	1.3	1.2	(0.1)	3.3	2.6	3.0	0.3
Business Operations	Z Grant-Duff	(0.0)	(0.0)	(0.0)	0.0	(0.1)	(0.1)	(0.1)	(0.0)
Savings to find		0.0	0.0	0.0	0.0	(0.5)	0.0	0.0	0.0
Resources		30.5	30.0	30.0	0.0	85.9	74.0	75.3	1.3
Corporate Expenditure	M Few	17.9	20.1	17.2	(2.9)	47.8	37.5	37.1	(0.4)
Total services' revenue expenditure		345.2	383.3	353.9	(29.5)	1,675.3	893.0	903.0	10.0
Corporate funding		(355.2)	(353.7)	(353.0)	0.7	0.0	(893.0)	(895.2)	(2.2)
Total Net revenue expenditure		(10.0)	29.6	0.9	(28.8)	1,675.3	(0.0)	7.8	7.8