

SURREY COUNTY COUNCIL

CABINET

DATE: 31 MARCH 2020



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

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

SUBJECT: 2019/20 MONTH 10 (JANUARY) FINANCIAL REPORT

SUMMARY OF ISSUE:

This report provides the details of the County Council's 2019/20 financial position as at 31 January 2020 (M10) for revenue and capital budgets, and the expected outlook for the remainder of the financial year. Further details on Service budgets are to be found in **Annex 1**.

Key Messages - Revenue

- To achieve a balanced budget for the year a programme of efficiencies including transformation activities totalling £82m was established. The Council is more than three quarters of the way through the financial year, with £72m (88%) of the £82m target on track to be achieved or delivered.
- The latest forecast for the year-end is for a Revenue deficit of £1.3m, an improvement of £1.1m since month 9. The deficit is broadly due to planned efficiencies not being achieved; emerging pressures mainly in waste; and indicative carry forwards, offset by various mitigating actions.
- The revenue projection currently forecast at £1.3m is mainly due to:
 - Underlying overspends of £17.7m:
 - £8.8m unachieved/black efficiencies in the programme of £82m set for this year;
 - £4.4m in Waste Management, due to increased costs of recycling and disposing of waste, and the decision not to implement changes at community recycling centres, including closures;
 - £3.2m in Special Educational Needs (SEN) and mainstream schools transport, from a growth in pupil numbers and increased costs; and
 - £1.3m of proposed carry forwards which have been taken to corporate contingency for services to bid against in 2020/21.
 - Offsets and mitigating actions of c£16.4m include:
 - £5.3m highway repairs reclassified as capital expenditure, and therefore funded from borrowing or capital receipts;

- £2m additional government grants - Section 31 Business Rates grants and New Homes Bonus;
 - £1.5m reduced forecast for the Corporate Redundancy budget;
 - £1.4m contingency draw down to support the Environment, Transport and Infrastructure LED delayed efficiencies;
 - £1m reduced contribution to the Self-Insurance Fund following the actuarial review showing there was sufficient funding to reduce the contribution;
 - £0.9m underspend on capital financing costs due to slippage in the 2018/19 capital programme;
 - £0.5m underspend in Public Health due to reduction in anticipated costs for out-of-county sexual health placements; and
 - £3.8m other Children, Families, Lifelong Learning and Culture (CFLC) mitigating actions including £0.9m from reduced costs within supplies and services; £0.8m from staffing underspends within education; £0.6m above target efficiencies on Libraries and culture; £0.6m on lower than expected school redundancy costs; and £0.9m on other smaller mitigating items.
- The projected year end outturn position has been determined, taking into account seasonal spending profiles.
 - The overall financial position for Month 10 includes indicative service carry forwards. There remains some vulnerability in the outlook going forward due to some red risks which are not factored into the current forecast, and any impact from the current COVID-19 developments, which are likely to materialise by outturn (paragraph 6-7).

Key Messages - Capital

- The Council set a capital budget for 2019/20 of £129.2m in February 2019. Over recent months the budget has been adjusted for an in-year review leading to re-profiling of budgets to future years to reflect the current position on programme delivery, new schemes and reviews. As a result, the current 2019/20 capital budget has been revised to £123.6m, with forecast in-year underspend of £6.3m at Month 10. Details are set out in **Table 3**.

RECOMMENDATIONS:

The Cabinet is asked to:

- Note the Council's forecast revenue and capital budget positions for the year.

REASON FOR RECOMMENDATIONS:

- 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 forecast revenue budget outturn for the year by Service. **Annex 1** (attached) provides more detail of service forecast outturn.

Table 1 - Summary revenue budget forecast variances as at 31 January 2020

Directorate	Cabinet member(s)	Full year budget £m	Full year forecast £m	Current year variance at month 10 £m	Indicative Carry Forward £m	Current year variance £m	Change in forecast since last month £m
Children, Families, Lifelong Learning & Culture (CFLC)	M Lewis / J Iles	242.9	246.4	3.5	0.0	3.5	(2.3)
Public Health	S Mooney	30.0	29.5	(0.5)	0.0	(0.5)	(0.5)
Adult Social Care (ASC)	S Mooney	364.0	364.0	0.0	0.0	0.0	0.0
Environment, Transport & Infrastructure (ETI)	D Turner-Stewart/ M Furniss/ M	128.4	129.6	1.2	0.3	1.5	1.3
Community Protection	D Turner-Stewart	34.5	34.2	(0.3)	0.3	(0.0)	0.2
Resources (Res)	M Few/ Z Grant-Duff	71.1	71.6	0.4	0.5	1.0	0.2
Transformation, Partnership & Prosperity (TPP)	T Oliver/ Z Grant-Duff/ C Kemp	14.4	15.5	1.1	0.2	1.3	0.3
Central Income & Expenditure (CIE)	M Few	(885.6)	(891.0)	(5.4)	0.0	(5.4)	0.0
		0.0	0.0	0.0	1.3	1.3	(1.1)

Note: The Public Health grant is now shown within Central Income & Expenditure.

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

Children, Families, Lifelong Learning & Culture (CFLC) Directorate

2. In the CFLC Directorate, the number of pupils requiring SEN transport is continuing to rise in a similar pattern to previous years. The Transport Review has identified mitigations to reduce some of these costs with the forecast overspend for SEN Transport is now assessed at £2.4m. 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 £3.3m.
3. There have been reductions in the volume of both external residential placements and external fostering; however, these levels remain above-budget. A key area of risk for the Council is in Special Educational Needs and Disabilities (SEND), which is funded through the Dedicated Schools Grant (DSG). The current projected position assumes an overspend on SEND of £29m in 2019/20 (equivalent to the budgeted contribution to reserves). The main contributor to this overspend is the increase in the number of Non-Maintained Independent (NMI) placements (a significant factor in the cost of SEND) which could rise to 1,216 by the end of the financial year based on the current trajectory compared to 1,030 at the beginning of the year and 1,106 which was forecast in the SEND reset business case. There, however, remains some risk that the projected overspend of £29m could increase and this will likely have an impact on 2020/21 financial year. In order to limit the overspend to £29m, there remains some risk around this forecast and the impact that this could have on 2020/21. As mentioned last month, a Member Board has been established to monitor the transformation programme. There remains a substantial risk around the deliverability of the plans and the impact that this could have on 2020/21.

Adult Social Care (ASC) Directorate

4. In ASC, although the service remains confident that a balanced outturn can be achieved, significant risks remain relating to care package spending. ASC is forecast to under achieve the care package efficiencies budgeted for 2019/20 by some £5.5m. This underachievement is being largely offset by one-off underspends and some additional income.
5. Care package spending continues to be above the profile to achieve the 2020/21 budget, which requires a month-on-month reduction in spending. After three successive months of reductions in care package spending between October and December, spending commitments increased in January. This has therefore increased the risk in the delivery of the 2020/21 budget. The Adults Leadership Team remains focused on trying to reduce care package spending in the remainder of 2019/20 to bring it closer to the profile required to delivery next year's budget.

COVID-19 costs

6. The M10 position outlined in this report does not include any costs directly attributable to the on-going COVID-19 pandemic. However, as the situation is developing the Council is incurring additional expenditure across service lines, which is unbudgeted. There is also likely to be a reduction in budgeted income from fees and charges, as economic activity slows down due to the acceleration of social-isolation measures. This will put pressure on delivering a balanced outturn position.
7. It is anticipated that the financial cost of the pandemic will mostly impact 2020/21. A process to capture all COVID-19 related costs, estimates and risks has been put in place, to assess the impact on the outturn position and also the delivery of the 2020/21 budget. This will be reported to the Corporate Leadership Team. The Council is also seeking clarification on how it can access emergency funding that has been announced in the March 2020 Budget and subsequent government announcements.

2019/20 Efficiency Programme

8. The Council included £82m of efficiency proposals in the annual budget approved by Council in February 2019. At this point in the year £72m (88%) of the plan has been achieved or expected to be delivered. The Council considers £8.8m of the remaining efficiency proposals to be unachievable (black proposals). There continue to be risks around the achievability of remaining efficiencies, which are being managed and monitored.
9. Directorate efficiencies are shown in **Table 2** below.

Table 2 - Efficiency Progress as at 31 January 2020

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, Lifelong Learning & Culture	21.7	18.9	2.8	15.6	2.2	0.5	0.5	2.8	2.7
Adult Social Care	20.0	20.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0
Public Health	1.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Environment, Transportation & Infrastructure	11.9	9.1	2.8	5.3	1.9	1.9	0.0	2.8	2.8
Community Protection group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transformation, Partnership & Prosperity	3.4	2.5	0.8	2.2	0.3	0.0	0.0	0.8	0.7
Resources	11.0	8.6	2.4	8.0	0.5	0.1	0.0	2.4	1.9
Central Income & Expenditure	12.6	12.6	0.0	12.1	0.5	0.0	0.0	0.0	0.0
Total	81.6	72.8	8.8	64.3	5.5	2.4	0.5	8.8	8.2

Capital Budget

10. The M9 budget of £123.6m is an increase of £0.6m from M9. This is as a result of additional schools' expenditure of £0.1m, which will be funded by third party contributions, including the Devolved Formula Grant. There is also an increase to the budget for PC renewals within Libraries approved by the Capital Programme Panel in February 2020 (£0.4m).
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 January 2020

		Full year budget	Year to date actual month 10	Full year forecast outturn at month 10	Full year forecast variance at month 10	Change in forecast since last month	Future years' budget
		£m	£m	£m	£m	£m	£m
Adult Social Care	S Mooney	1.9	0.5	2.2	0.3	0.0	7.6
Children Services	M Lewis / J Iles	7.5	6.6	7.5	0.0	0.0	7.1
Environment	M Goodman	1.1	0.7	0.9	(0.1)	(0.1)	3.8
Highways & Transport	M Furniss	60.0	41.9	54.6	(5.4)	(2.3)	123.5
Information Technology & Digital	Z Grant-Duff	8.0	6.7	8.1	0.2	(0.3)	26.0
Property Services	M Few	23.3	19.9	24.2	0.8	(0.3)	106.6
Schools Basic Need	J Iles	19.5	17.4	19.1	(0.4)	(0.4)	64.6
Fire & Rescue	D Turner- Stewart	2.4	0.5	0.8	(1.6)	(1.7)	7.1
Total Capital		123.6	94.2	117.4	(6.3)	(4.9)	346.3

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

12. For M10, the forecast variance is a £6.3m slippage. This is a deterioration of £4.9m from the M9 position. This is primarily comprised of the following:

Underlying overspends and additional spend of £2.4m:

- **£2.0m overspend in Property:**
 - **£0.8m SEN strategy** - some projects are ahead of schedule. Budgets in future years will be brought forward to reduce future year spend;
 - **£0.8m Priority Schools Building Programme 2** accelerated progress; and
 - **£0.6m The Linden Farm** scheme is complete. Final accounts are currently under negotiation, but there is an expected overspend of £0.6m due to unforeseen ground conditions and planning delays.
- **£0.3m additional spend on the ASC Adaptations Scheme**, which will be met from the revenue budget.

Offset by c£8.7m of slippage:

- **£5.4m slippage in Highways & Transport** primarily due to delays with Network Rail to Farnham Road Rail Scheme (£0.9m); contract negotiations to Street Lighting LED conversion (£1.0m); and land purchase and design work in the Guildford Town Centre (£1.8m) Local Enterprise Partnership (LEP) scheme; and drainage issues in the Wider Staines (£1.3m) LEP schemes.

There is currently a “deep dive” underway to review LEP scheme delivery in order to provide confidence in the forecast for both 2019/20 and 2020/21.

- **£1.6m slippage in Community Protection (Fire & Rescue)** relating primarily to due to Vehicle Replacement (£1.3m) – vehicles have been ordered but will not be delivered in 19/20 – and delayed implementation of the Joint Transport Project (£0.3m).
- **£0.4m Schools Basic Need** delays on Chart Wood project.
- **c£1.2m slippage in Property** primarily due to delays refurbishing the utility blocks at Traveller sites (£0.4m) and Schools Capital Maintenance scheme capacity and resources (£0.9m).

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 Medium Term Financial Plan. In the light of the 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 and efficiencies. Within this context the Council will continue to develop and implement plans to ensure the delivery of services are 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.

WHAT HAPPENS NEXT:

22. 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 Month 10 (January 2020)

Detailed Revenue Budget as at Month 10 (January 2020)

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	14.5	1.8	1.8	(0.0)	310.8	0.0	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	(11.9)	80.9	70.3	(10.6)	282.0	96.9	97.1	0.3
Corporate Parenting	M Lewis	1.6	80.5	75.3	(5.2)	110.3	96.0	95.3	(0.7)
Commissioning	M Lewis / J Iles	0.2	4.9	4.7	(0.2)	65.4	6.0	6.3	0.4
Family Resilience	M Lewis	0.0	32.4	32.3	(0.1)	40.6	38.1	39.0	0.9
Quality Assurance	M Lewis / J Iles	0.1	7.2	6.4	(0.8)	10.4	8.6	7.9	(0.7)
Directorate wide savings		0.0	(2.1)	0.4	2.5	(2.5)	(2.6)	0.7	3.3
Children, Families, Life long Learning, and Culture		4.5	205.6	191.4	(14.4)	816.8	242.9	246.4	3.5
Public Health	S Mooney	0.0	(0.0)	0.0	0.0	35.7	30.0	29.5	(0.5)
Adult Social Care	S Mooney	(2.1)	304.4	300.8	(3.6)	488.4	364.0	364.0	0.0
Highways & Transport	M Furniss	0.1	50.1	44.4	(5.7)	73.6	59.0	54.9	(4.0)
Environment	M Goodman	(1.3)	57.4	47.0	(10.3)	73.4	68.9	73.8	4.9
Communities Support Function	D Turner-Stewart	(0.0)	0.3	0.2	(0.1)	0.4	0.4	0.4	(0.0)
Leadership Team (ETI)	M Goodman	(0.0)	0.2	0.7	0.5	0.5	0.3	0.9	0.6
Environment, Transport & Infrastructure		(1.2)	108.0	92.4	(15.6)	147.9	128.4	129.9	1.5
Fire & Rescue	D Turner-Stewart	4.3	26.8	44.5	17.7	36.2	32.1	32.1	0.0
Trading Standards	D Turner-Stewart	(0.0)	1.5	1.5	0.0	3.9	1.7	1.7	0.0
Emergency Management		(0.0)	0.4	0.5	0.1	0.0	0.5	0.5	0.0
Community Protection Support		0.0	0.2	0.0	(0.2)	0.0	0.2	0.2	0.0
Community Protection		4.2	28.8	46.4	17.7	40.1	34.5	34.5	0.0
Human Resources & Organisational Development	Z Grant-Duff	0.1	3.1	2.4	(0.7)	3.7	3.2	3.5	0.3
Insight, Analytics & Intelligence	Z Grant-Duff	(1.7)	2.8	2.4	(0.4)	3.8	3.1	2.7	(0.3)
Customer Services	Z Grant-Duff	(0.0)	2.6	2.4	(0.2)	2.8	2.6	2.9	0.3
Coroner	D Turner-Stewart	0.0	1.5	2.0	0.5	2.3	1.8	2.3	0.6
Strategic Leadership	T Oliver	0.1	0.8	1.1	0.3	0.7	1.2	1.3	0.1
Communications	Z Grant-Duff	(0.0)	1.2	1.0	(0.2)	1.4	1.4	1.4	0.0
Economic Growth	C Kemp	(0.0)	1.0	0.5	(0.5)	1.2	0.9	0.7	(0.2)
Transformation Support Unit		(1.9)	0.7	0.7	0.0	1.1	0.8	0.8	(0.0)
Cross County		0.0	(1.7)	0.0	1.7	(1.5)	(0.7)	0.0	0.7
Transformation, Partnership & Prosperity		(3.5)	12.0	12.5	0.4	15.6	14.4	15.7	1.3
Joint Operating Budget ORBIS	Z Grant-Duff	19.0	26.6	29.0	2.4	31.9	31.8	33.7	1.9
Property	M Few	(0.7)	15.4	15.5	0.2	28.1	19.0	19.0	0.0
Information Technology & Digital	Z Grant-Duff	(0.2)	9.0	7.7	(1.3)	11.5	10.9	10.6	(0.3)
Finance	M Few	(0.1)	2.2	1.3	(0.9)	4.1	2.7	1.6	(1.1)
Legal Services	Z Grant-Duff	0.1	3.0	3.4	0.4	4.0	3.6	4.2	0.6
Democratic Services	Z Grant-Duff	(0.0)	2.8	2.4	(0.4)	3.6	3.2	3.0	(0.2)
Business Operations	Z Grant-Duff	0.0	(0.1)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	0.0
Resources		18.1	59.0	59.4	0.4	83.2	71.1	72.1	1.0
Corporate Expenditure	M Few	(19.3)	32.9	27.0	(5.9)	47.8	34.7	32.9	(1.8)
Total services' revenue expenditure		0.9	750.7	729.9	(20.9)	1,675.4	920.3	925.2	4.9
Corporate funding		(611.9)	(622.5)	(622.4)	0.1	0.0	(920.3)	(923.9)	(3.6)
Total Net revenue expenditure		(611.0)	128.2	107.5	(20.8)	1,675.4	0.0	1.3	1.3

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