

SURREY COUNTY COUNCIL

CABINET

DATE: 28 APRIL 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 11 (FEBRUARY) FINANCIAL REPORT

SUMMARY OF ISSUE:

This report provides the details of the County Council's 2019/20 financial position as at 29 February 2020 (M11) 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

- The Council is almost through the financial year, with £72m (88%) of the £82m of the programme of efficiencies set up for the year on track to be achieved or delivered. The latest forecast for the year-end (excluding any impact of the additional expenditure associated with COVID-19), is for a Revenue deficit of £0.1m, an improvement of £1.2m since Month 10. 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 is currently forecast at £0.1m, mainly due to:
 - Underlying overspends of £19.4m:
 - £9m unachieved/black efficiencies in the programme of £82m set for this year;
 - £4.2m 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;
 - £3.7m in Special Educational Needs (SEN) and mainstream schools transport, from a growth in pupil numbers and increased costs;
 - £0.5m in High Needs Block (HNB) due to increase in both unit costs and volume of placements since M10. The increase will result in an increase to the contribution to the offsetting reserve; and
 - £2m to support 2019/20 general fund revenue carry forwards (paragraph 6-7).
 - The main offsets and mitigating actions of c£19.3m include:
 - Children, Families, Lifelong Learning and Culture (CFLC) £3.9m as set out in paragraphs 2 and 3 below;

- Adult Social Care £0.5m underspend as set out in paragraphs 4 and 5 below;
- Public Health: £0.4m underspend;
- Environment Transport and Infrastructure:
 - £5.9m highway repairs (£5.3m) reclassified as capital expenditure, and therefore funded from borrowing or capital receipts; and
 - £0.6m underspend due to a reduction in staffing costs following a Fire Service union dispute reducing the take up of overtime;
- Resources: £2.4m underspend:
 - £1m underspend from Land & Property's review of the planned maintenance budget (£1.5m) offset by £0.5m pressure relating to consultant spend and reduced income due to rent reviews and vacant properties
 - £1m reduced contribution to the Self-Insurance Fund following the actuarial review showing there was sufficient funding to reduce the contribution; and
 - £0.4m reduction in the IT&D forecast mainly driven by the recognition of contract efficiencies; and
- Central Income & Expenditure:
 - £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; and
 - £0.9m underspend on capital financing costs due to slippage in the 2018/19 capital programme.

The overall financial position for Month 11 includes a £2m transfer to a general fund reserve for 2019/20 service carry forward proposals.

Note: the financial position for the period was presented to Directorate and Corporate Leadership Teams before the Prime Minister placed the UK on lockdown and is therefore devoid of any COVID-19 impacts. The financial implications of the pandemic will be reviewed prior to the close of period 12, in preparation of the Outturn Report, and 19/20 impacts identified

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 £124.2m, with forecast in-year slippage of £7.1m at Month 11. 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 29 February 2020

Directorate	Cabinet member(s)	Full year budget £m	Full year forecast £m	Current year forecast variance at Month 11 £m	Change in forecast since last month £m
Children, Families, Learning & Culture (CFLC)	M Lewis / J Iles	242.9	246.5	3.6	(0.1)
Public Health	S Mooney	30.2	29.8	(0.4)	0.1
Health, Wellbeing & Adult Social Care (HWA)	S Mooney	364.0	363.5	(0.5)	(0.5)
Environment, Transport & Infrastructure (ETI)	D Turner-Stewart/ M Furniss/ M Goodman	128.4	129.5	1.1	(0.1)
Community Protection	D Turner-Stewart	34.5	33.9	(0.6)	(0.3)
Resources (Res)	M Few/ Z Grant- Duff	71.2	71.1	(0.1)	(0.6)
Transformation, Partnership & Prosperity (TPP)	T Oliver/ Z Grant-Duff/ C Kemp	14.4	15.2	0.8	(0.3)
Central Income & Expenditure (CIE)	M Few	(885.6)	(889.2)	(3.6)	0.5
Deficit/ (Surplus)		0.0	0.1	0.1	(1.2)

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

Note: I 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 £2.9m. 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 £3.7m.
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 £29.5m in 2019/20 (which will lead to an overspend on the budgeted contribution to the offsetting reserve). 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 1,230 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. The revised position represents a forecast overspend on SEND of £29.5m, £0.5m higher than the budgeted overspend. Whilst management action will be taken to reduce where possible there is limited time remaining within the financial year to do this in 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. Although the Directorate 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 £5.1m. 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.

Reserve for 2019/20 revenue carry forwards to 2020/21 Financial Year

6. The M11 position provides for a £2m general fund reserve for revenue carry forwards from 2019/20 to 2020/21. The application of this reserve against potential bids for 2020/21 is yet to be determined.
7. Within the revised financial regulations, the S151 Officer, in consultation with the Leader of the Council and the Cabinet Member for Finance, will approve any potential bids that place a call on this reserve.

COVID-19 Financial Implications

8. The M11 position outlined in this report does not include any costs directly attributable to the on-going COVID-19 pandemic. However, as the situation develops, the Council is incurring additional expenditure across services, 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.
9. It is anticipated that the financial costs of the pandemic will mostly impact 2020/21. A process to capture all COVID-19 related costs, loss of income and risks for both revenue and capital has been put in place. This will contribute towards the assessment of the impact on the outturn position and the delivery of the 2020/21 budget. This information is reported to the Corporate Leadership Team on a weekly basis. The Council has received an initial grant payment of £25.2m, as reported to Cabinet on the 31 March 2020, which will contribute towards funding the financial impact.

2019/20 Efficiency Programme

10. The Council included £82m of efficiency proposals in the annual budget approved by Council in February 2019. At Month 11, £72m (88%) of the plan has been achieved or expected to be delivered. The Council considers £9m 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.

11. Directorate efficiencies are shown in **Table 2** below.

Table 2 - Efficiency Progress as at 29 February 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	16.9	1.4	0.4	0.3	2.8	2.8
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	8.9	3.0	5.3	1.9	1.7	0.0	3.0	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	2.6	0.8	2.4	0.2	0.0	0.0	0.8	0.8
Resources	11.0	8.6	2.4	8.3	0.3	0.0	0.0	2.4	2.3
Central Income & Expenditure	12.6	12.6	0.0	12.3	0.3	0.0	0.0	0.0	0.0
Total	81.6	72.7	9.0	66.3	4.0	2.0	0.3	9.0	8.8

Capital Budget

12. The M11 budget of £124.2m is an increase of £0.5m from M10. This is as a result of additional schools' expenditure of £0.5m, which will be funded by third party contributions, including the Devolved Formula Grant.

13. **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 29 February 2020

		Full year budget	Year to date actual month 11	Full year forecast outturn at month 11	Full year forecast variance at month 11	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, Families, Lifelong Learning & Culture	M Lewis / J Iles	8.0	7.1	7.2	(0.8)	(0.8)	6.9
Environment	M Goodman	1.1	0.8	0.9	(0.2)	(0.0)	0.9
Highways & Transport	M Furniss	60.0	46.0	53.9	(6.2)	(0.8)	119.5
Information Technology & Digital	Z Grant-Duff	8.0	7.1	8.1	0.1	(0.1)	26.9
Property Services	M Few	23.3	23.0	24.9	1.6	0.8	110.0
Schools Basic Need	J Iles	19.5	18.2	19.1	(0.4)	0.0	64.6
Community Protection	D Turner-Stewart	2.4	0.5	0.8	(1.6)	0.0	7.1
Total Capital		124.2	103.3	117.0	(7.1)	(0.9)	343.5

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

14. For M11, the forecast variance is a £7.1m against budget. This is a deterioration of £0.9m from the M10 position. This is primarily comprised of the following:

Underlying overspends and additional spend of £3.2m:

- **£2.9m overspend in Property:**
 - **£1.2m SEN strategy** - some projects are ahead of schedule. Budgets in future years will be brought forward to reduce future year spend;
 - **£1.2m Priority Schools Building Programme 2** accelerated progress; and
 - **£0.5m The Linden Farm** scheme is complete. Final accounts are currently under negotiation, but there is an expected overspend of £0.5m 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 £10.3m of delays:

- **£0.8m primarily relating to:**
 - Library PC renewal (£0.5m) - delays to resolve some difficult technical issues around multiple users on the same devices
 - Schools Kitchens (£0.2m) – a grant funded scheme with some delivery delayed to 2020/21
- **£6.2m in Highways & Transport** primarily due to delays in Bridge strengthening schemes (£2.0m) especially with Network Rail to Farnham Road Rail Scheme (£0.9m) and various highway schemes (bridge work, structural maintenance and footways) (£0.7m); contract negotiations to Street Lighting LED conversion (£1.0m); and land purchase and design work in the Guildford Town Centre (£1.6m) Local Enterprise Partnership (LEP) scheme; and drainage issues in the Wider Staines (£1.2m) 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 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£1.3m in Property** primarily due to delays refurbishing the utility blocks at Traveller sites (£0.4m) and Schools Capital Maintenance scheme capacity and resources (£0.8m).

CONSULTATION:

15. Executive Directors and Cabinet Members have confirmed the forecast outturns for their revenue and capital budgets.

RISK MANAGEMENT AND IMPLICATIONS:

16. 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:

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

SECTION 151 OFFICER COMMENTARY:

18. 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.
19. 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:

20. 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.
21. 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:

22. 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.

23. 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:

24. 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 29 February 2020

Detailed Revenue Budget as at 29 February 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	(0.0)	0.9	0.9	(0.0)	312.4	(0.0)	0.0	0.0
Education, Lifelong Learning & Culture	J Iles	84.9	89.3	82.5	(6.8)	284.4	96.9	98.0	1.2
Corporate Parenting	M Lewis	88.6	88.3	87.0	(1.3)	110.7	96.0	94.6	(1.4)
Commissioning	M Lewis / J Iles	4.2	5.5	12.0	6.5	65.6	6.0	6.4	0.4
Family Resilience	M Lewis	28.6	35.1	36.8	1.7	40.3	38.1	38.9	0.8
Quality Assurance	M Lewis / J Iles	3.0	7.9	8.0	0.1	10.4	8.6	8.0	(0.5)
Directorate wide savings		0.0	(2.4)	0.4	2.7	(2.6)	(2.6)	0.4	3.0
Children, Families, Lifelong Learning, and Culture		209.2	224.5	227.6	3.0	821.2	242.9	246.5	3.6
Public Health	S Mooney	(0.0)	27.7	27.2	(0.5)	30.3	30.2	29.8	(0.4)
Adult Social Care	S Mooney	307.1	333.4	341.1	7.7	488.3	364.0	363.5	(0.5)
Health, Wellbeing & Adult Social Care		307.1	333.4	341.1	7.7	488.3	364.0	363.5	(0.5)
Highways & Transport	M Furniss	55.9	55.2	49.8	(5.4)	73.6	59.0	54.7	(4.3)
Environment	M Goodman	46.3	63.1	53.8	(9.4)	73.4	68.9	73.5	4.6
Communities Support Function	D Turner-Stewart	0.4	0.3	0.3	(0.1)	0.4	0.4	0.3	(0.1)
Leadership Team (ETI)	M Goodman	0.7	0.2	0.8	0.6	0.5	0.3	1.0	0.7
Environment, Transport & Infrastructure		103.4	118.9	104.6	(14.2)	147.9	128.4	129.5	1.1
Fire & Rescue	D Turner-Stewart	29.0	29.4	29.3	(0.2)	36.2	32.1	31.6	(0.5)
Trading Standards	D Turner-Stewart	1.3	1.6	1.6	0.0	3.9	1.7	1.7	(0.0)
Emergency Management		0.3	0.4	0.4	(0.0)	0.5	0.5	0.4	(0.1)
Health & Safety		0.0	0.1	0.1	0.0	0.1	0.1	0.1	(0.0)
Military Covenant		0.0	0.1	0.1	(0.0)	0.1	0.1	0.1	0.0
Community Protection		30.6	31.6	31.5	(0.2)	40.7	34.5	33.9	(0.6)
Human Resources & Organisational Development	Z Grant-Duff	2.3	3.4	2.7	(0.8)	3.7	3.2	3.0	(0.2)
Insight, Analytics & Intelligence	Z Grant-Duff	2.6	2.9	2.5	(0.4)	3.8	3.1	2.7	(0.4)
Customer Services	Z Grant-Duff	2.8	2.9	2.6	(0.3)	3.3	2.6	2.9	0.2
Coroner	D Turner-Stewart	1.9	1.6	2.2	0.5	2.3	1.8	2.4	0.6
Strategic Leadership	T Oliver	0.8	1.1	1.2	0.1	1.2	1.2	1.3	0.1
Communications	Z Grant-Duff	1.5	1.3	1.2	(0.1)	1.4	1.4	1.4	(0.0)
Economic Growth	C Kemp	0.6	1.1	0.6	(0.5)	1.2	0.9	0.7	(0.2)
Transformation programme		4.8	0.8	1.0	0.2	0.8	0.8	0.8	(0.0)
Cross County		0.0	(1.8)	0.0	1.8	(2.0)	(0.7)	0.0	0.7
Transformation, Partnership & Prosperity		17.2	13.3	13.9	0.6	15.8	14.4	15.2	0.8
Joint Operating Budget ORBIS	Z Grant-Duff	30.5	29.3	30.3	1.0	31.9	31.9	33.7	1.8
Property	M Few	14.9	17.2	17.4	0.2	28.1	19.0	18.0	(1.0)
Information Technology & Digital	Z Grant-Duff	8.9	10.0	9.4	(0.6)	11.6	10.9	10.5	(0.4)
Finance	M Few	2.1	2.5	1.5	(1.0)	4.1	2.7	1.6	(1.1)
Legal Services	Z Grant-Duff	4.0	3.3	3.8	0.5	4.0	3.6	4.2	0.6
Democratic Services	Z Grant-Duff	3.1	2.9	2.7	(0.2)	3.4	3.2	3.0	(0.2)
Business Operations	Z Grant-Duff	(0.0)	(0.1)	(0.0)	0.0	(0.1)	(0.1)	(0.1)	0.0
Savings to find		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resources		63.5	65.0	65.0	(0.0)	83.0	71.2	71.0	(0.2)
Corporate Expenditure	M Few	24.8	34.4	28.4	(6.0)	53.2	41.5	39.4	(2.1)
Total services' revenue expenditure		755.9	848.9	839.3	(9.7)	1,680.5	927.2	928.7	1.7
Corporate funding		(796.2)	(789.4)	(791.1)	(1.7)	0.0	(927.2)	(928.8)	(1.6)
Total Net revenue expenditure		(40.3)	59.5	48.2	(11.4)	1,680.5	0.0	(0.1)	0.1

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