

SURREY COUNTY COUNCIL

CABINET

DATE: 19 DECEMBER 2023



REPORT OF CABINET MEMBER: DAVID LEWIS, CABINET MEMBER FOR FINANCE AND RESOURCES

LEAD OFFICER: LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES (S151 OFFICER)

SUBJECT: 2023/24 MONTH 7 (OCTOBER) FINANCIAL REPORT

ORGANISATION STRATEGY PRIORITY AREA: NO ONE LEFT BEHIND / GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT / TACKLING HEALTH INEQUALITY / ENABLING A GREENER FUTURE / EMPOWERED AND THRIVING COMMUNITIES / HIGH PERFORMING COUNCIL

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Purpose of the Report:

This report provides details of the County Council's 2023/24 financial position, for revenue and capital budgets, as at 31st October 2023 (M7) and the expected outlook for the remainder of the financial year.

Regular reporting of the financial position underpins the delivery of all priority objectives, contributing to the overarching ambition to ensure No One Left Behind.

Key Messages – Revenue

- Local government continues to work in a challenging environment of sustained and significant pressures. **At M7, the Council is forecasting an overspend of £1.9m against the 2023/24 revenue budget, after the application of the contingency budget.** The details are shown in Annex 1 and summarised in Table 1 (paragraph 1 below).
- The application of the contingency reduces the overall net forecast overspend position and enables Directorates to focus on maximising the opportunities to offset further risks of overspends, in order to contain costs within available budget envelopes.
- Alongside, the identification of these areas of focus, the Council has assessed the level of reserves, balancing the need to ensure ongoing financial resilience with the need to ensure funds are put to best use. The level of reserves held by the Council provides additional financial resilience should the residual forecast overspend not be effectively mitigated.

Key Messages – Capital

- At month 7, capital expenditure of £268.5m is forecast for 2023/24, a variance of £0.2m to the re-set budget of £268.3m. Further details are set out in paragraph 11.

Recommendations:

It is recommended that Cabinet:

- Notes the Council's forecast revenue budget (after the application of the full contingency budget) and capital budget positions for the year.

Reason for Recommendations:

This report is to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval of any necessary actions.

Executive Summary:

- At M7, the Council is forecasting a full year overspend of £1.9m against the revenue budget, a deterioration of £1m since the M6 report. Table 1 below shows the forecast revenue budget outturn for the year by Directorate (further details are set out in Annex 1):

Table 1 - Summary revenue budget forecast variances as of 31st October 2023

	M7 Forecast £m	Annual Budget £m	M7 Forecast Variance £m
Adult Social Care	440.0	438.9	1.1
Public Service Reform & Public Health	38.1	38.1	0.0
Children, Families and Lifelong Learning	277.6	257.1	20.5
Environment, Transport & Infrastructure	155.0	153.8	1.3
Surrey Fire and Rescue	38.9	38.7	0.2
Customer & Communities	20.9	20.8	0.1
Resources	83.9	83.1	0.8
Communications, Public Affairs and Engagement	2.2	2.2	(0.0)
Prosperity, Partnerships & Growth	2.1	2.2	(0.1)
Central Income & Expenditure	45.3	47.4	(2.1)
Directorate position	1,104.1	1,082.2	21.9
Contingency	0.0	20.0	(20.0)
Corporate Funding	(1,102.2)	(1,102.2)	0.0
Overall	1.9	0.0	1.9

2. The £1.9m forecast overspend is made up of an overspend of £21.9m on Directorate positions, offset by the application of £20m contingency budget, as approved by Cabinet in October 2023. The £21.9m underlying forecast overspend relates primarily to the following:

- **Adult Social Care - £1.1m overspend, £1.1m deterioration** since last month. There is significant pressure on ASC's care package budget due to demand and market pressures and the forecast impact of assessed fees & charges debt across the year. An overall overspend of £6.2m is forecast for ASC's care package budget, which is being partially mitigated by additional grant funding and some underspends against other budgets.

The position has deteriorated by £1.1m since last month due to increased costs of care packages relating to young people transitioning from Children, Families and Lifelong Learning services into ASC, increased numbers of Older People receiving funded care packages and reductions in budgeted efficiencies for Learning Disabilities / Autism services.

Within the latest position there is a £3.1m shortfall across efficiencies relating to strengths-based practice, demand management and changing care models, the delivery of which has been impacted by a focus on fulfilling statutory obligations in the context of the new CQC assurance regime. This is forecast to be fully offset by overachievement of efficiencies relating to the completion of the closure of in-house Older People care homes.

- **Children, Families and Lifelong Learning - £20.5m overspend, £0.1m deterioration** since September. The issues affecting this budget are also seen in many county councils across the country and are due to number of factors:
 - A £4.7m pressure in relation to Home to School Transport Assistance (H2STA); despite the net increase in transport budgets of £14.6m for 2023/24, the H2STA budget is experiencing significant pressures from unit costs over and above what was anticipated. This is partly related to the tender of c30% of contracts, where prices have come in higher than budget. The contracts are for three years, so although we are experiencing higher costs this year, it should enable some stability of costs in the next two years.
 - A forecast overspend of £15.9m in external social care placements for our children looked after. This is due to a national lack of market sufficiency and price inflation, meaning children are having to be placed in extremely high-cost placements, as there are no viable alternatives. Intelligence from other County Council's suggest this is an issue affecting a large proportion of local authorities due to the lack of alternative options in the placement market.
 - Further risks remain for placements, with volatility in demand on services and prices paid. The current forecast assumes an increase in the use of in-house provision will be delivered by the end of the year.
 - Legislative changes and matching of special guardianship rates to fostering child allowances results in a £1.7m pressure in 2023/24.
 - Demand pressures within children with disability of £1.5m reflecting a continuation of the demand experienced in 2022/23.
 - These pressures are partially mitigated by a net improvement on Unaccompanied Asylum Seeking Children budgets due to increased grant rates (£1.2m), underspends on in-house fostering due to a lower number of children supported through in-house foster carers (£1.1m) and reduced current capacity for in-house residential provision (£0.7m).

- **Environment, Transport & Infrastructure - £1.3m overspend, £0.1m deterioration** since September. The change primarily relates to additional costs for managing ash die back on the corporate estate within in the Environment Service partly offset by a number of small improvements in Highways. Existing pressures include net £0.7m within Highways & Transport due to a range of items including additional staffing (including inspectors), reduced income related to the housing market and delays associated with the new approach to managing parking enforcement, partly offset by a concessionary fares saving and other highway savings; £0.2m in the Planning, Performance & Support service due to additional capacity to support service improvements and legislative change and resources to support community engagement; £0.1m due to an additional interim director to support the Planning, Place and Infrastructure services; and £0.1m additional resource in Emergency Management. In addition, Highways & Transport have other pressures that are being monitored but are currently expected to be contained within the overall service budget envelope.
 - **Surrey Fire and Rescue - £0.2m overspend, £0.3m improvement** since September, due to a backdated national pay award agreed in March at a higher rate than budgeted for, partly mitigated by management of vacancies and savings through partnership working.
 - **Resources - £0.8m overspend, unchanged** since September. The overspend is mainly due to the anticipated reduction in income from the provision of payroll services caused by a decrease in customer numbers (£0.3m) as well as staffing pressures in Business Services and People & Change due to agency and restructure costs (£0.4m).
 - **Customer & Communities - £0.1m overspend, unchanged** since September. The overall overspend position is due mainly to under recovery of income in Libraries, offset by staffing underspends. The libraries' income budget was set at 2019/20 levels as footfall continued to recover after the pandemic, however it is now considered unlikely that income will fully recover. The service is seeking new revenue streams to replace income reductions.
 - **Central Income & Expenditure –£2.1m underspend, unchanged** since September, relating to one-off additional business rate income from the Business Rates pool gain and additional grant income due to higher than forecast inflationary compensation.
3. In addition to the forecast overspend position, emerging risks and opportunities are monitored throughout the year. Directorates have additionally identified net risks of £16.4m, consisting of quantified risks of £17.2m, offset by opportunities of £0.8m. These figures represent the weighted risks and opportunities, taking into account the full value of the potential risk or opportunity adjusted for assessed likelihood of the risk occurring or opportunity being realised.
 4. Directorates are expected to take action to mitigate these risks and maximise the opportunities available to offset them, in order to avoid these resulting in a forecast overspend against the budget set.

Dedicated Schools Grant (DSG) update

5. The table below shows the projected forecast year end outturn for the High Needs Block. The forecast at month 7 is in-line with the budget.

Table 2 - DSG HNB Summary

2023/24 DSG HNB Summary	Budget £m	Forecast £m
Education and Lifelong Learning	231.7	231.7
Place Funding	22.7	22.7
Children's Services	2.3	2.3
Corporate Funding	2.0	2.0
Total expenditure	258.7	258.7
DSG High Needs Block	(218.3)	(218.3)
Deficit	40.4	40.4

6. As reported in Month 6, the second monitoring report for the safety valve agreement in 2023/24 has been approved by the Department for Education, with a further £3m funding paid to SCC. The report confirmed that the Council remains on track with its agreed trajectory, although also noted continued pressures both within the system and through rising inflation. This brings the total DfE contributions to £6m in this financial year and £70m in total. Reporting requirements are now for 3 submissions during each financial year with the next submission being due in December.

Capital Budget

7. The 2023/24 Capital Budget was approved by Council on 7th February 2023 at £319.3m, with a further £92.7m available to draw down from the pipeline and £15m budgeted for Your Fund Surrey. After adjustments for 2022/23 carry forwards and acceleration, the revised budget was £326.4m.
8. During August a re-set of the capital budget was undertaken, to ensure that the budget reflects spend profiles more accurately, taking into account known delays, additional in-year approvals and reflecting the current supplier market and wider economic conditions impacting on programme delivery. The re-set budget is **£268.3m**.

9. Capital expenditure of **£268.5m** is forecast against this budget, which represents a forecast variance of £0.2m (a decrease of £0.1m since month 6), as summarised below.

Table 3 - Summary capital budget

Strategic Capital Groups	Annual Budget	2023-24 Outturn Forecast at M7	M7 Forecast Variance	M6 Forecast Variance	Change from M6 to M7	Increase / Decrease / Unchanged
	£m	£m	£m	£m	£m	
Property						
Property Schemes	101.8	101.7	(0.1)	0.1	(0.1)	Decrease
ASC Schemes	1.6	1.6	0.0	0.0	0.0	Unchanged
CFLC Schemes	2.4	2.4	0.0	0.0	0.0	Unchanged
Property Total	105.8	105.7	(0.1)	0.1	(0.1)	Decrease
Infrastructure						
Highways and Transport	121.9	121.9	(0.0)	0.0	(0.0)	Decrease
Infrastructure and Major Projects	15.9	15.9	(0.1)	0.0	(0.1)	Decrease
Environment	9.5	9.8	0.3	0.3	0.0	Increase
Surrey Fire and Rescue	6.0	6.0	0.0	0.0	0.0	Unchanged
Infrastructure Total	153.4	153.6	0.3	0.3	(0.0)	Decrease
IT						
IT Service Schemes	9.2	9.2	0.0	0.0	0.0	Unchanged
IT Total	9.2	9.2	0.0	0.0	0.0	Unchanged
Total	268.3	268.5	0.2	0.4	(0.1)	Decrease

10. The overall variance is attributable to the following:

- **Property Schemes - £0.1m variance under budget** representing accelerated spend on Looked After Children schemes (£2.4m), reflecting the acquisition of properties for care leavers accommodation. This is offset by slippage on Depots due to procurement and other delays (£2.4m) and further minor slippage on SOLD – High Ashurst.
- **Infrastructure and Major Projects - £0.1m variance under budget** due to slippage on Surrey Infrastructure Plan schemes.
- **Environment Schemes - £0.3m variance over budget.** An overspend is forecast on Surrey Flood Alleviation schemes (£0.2m). Additional funding has been approved for the 2023/24 Tree Planting Programme which is not yet reflected in the budget. This is offset by a £0.2m underspend on the Greener Homes LAD3 Sustainable Warmth scheme following confirmation of final delivery figures from the delivery partner £0.1m).

Consultation:

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

Risk Management and Implications:

12. 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 Corporate 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 Strategy. 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:

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

Section 151 Officer Commentary:

14. Significant progress has been made in recent years to improve the Council's financial resilience and the financial management capabilities across the organisation. Whilst this has built a stronger financial base from which to deliver our services, the increased cost of living, global financial uncertainty, high inflation and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to be forward looking in the medium term, as well as the delivery of the efficiencies to achieve a balanced budget position each year.
15. In addition to these immediate challenges, the medium-term financial outlook beyond 2023/24 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
16. The Council has a duty to ensure its expenditure does not exceed the resources available. As such, 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.

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.

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Consulted:

Cabinet, Executive Directors, Heads of Service

Annexes:

Annex 1 – Detailed Outturn position

Detailed Revenue Outturn position

Annex 1

Service	Cabinet Member	Gross	Net	Forecast	Outturn
Family Resilience	S Mooney	£58.4m	£58.4m	£59.2m	£0.8m
Education and Lifelong Learning	C Curran	£28.2m	£28.2m	£28.3m	£0.1m
Commissioning	S Mooney	£69.6m	£69.6m	£74.4m	£4.8m
Quality & Performance	S Mooney	£10.2m	£10.2m	£10.0m	(£0.3m)
Corporate Parenting	S Mooney	£94.1m	£94.1m	£109.1m	£15.0m
Exec Director of CFLL central costs	S Mooney	-£3.3m	-£3.3m	-£3.3m	£0.0m
Children, Families and Lifelong Learning		£257.1m	£257.1m	£277.6m	£20.5m
Public Health	M Nuti	£35.8m	£35.8m	£35.8m	£0.0m
Public Service Reform	M Nuti	£2.3m	£2.3m	£2.3m	£0.0m
Public Health and PSR		£38.1m	£38.1m	£38.1m	£0.0m
Adult Social Care	M Nuti	£439.7m	£438.9m	£440.0m	£1.1m
Highways & Transport	M Furniss / K Deanus	£67.1m	£67.1m	£67.8m	£0.7m
Environment	M Heath/ N Bramhall	£82.6m	£81.5m	£81.7m	£0.2m
Infrastructure, Planning & Major Projects	M Furniss	£2.8m	£2.8m	£2.9m	£0.1m
Planning Performance & Support	M Furniss	£1.9m	£1.9m	£2.1m	£0.2m
Emergency Management	K Deanus	£0.5m	£0.5m	£0.6m	£0.0m
Environment, Transport & Infrastructure		£154.9m	£153.8m	£155.0m	£1.3m
Surrey Fire and Rescue	D Turner- Stewart	£38.7m	£38.7m	£38.9m	£0.2m
Armed Forces and Resilience	K Deanus	£0.1m	£0.1m	£0.1m	(£0.0m)
Communications	T Oliver	£2.1m	£2.1m	£2.1m	£0.0m
Communications, Public Affairs and Engagement		£2.2m	£2.2m	£2.2m	(£0.0m)
PPG Leadership	T Oliver	£0.3m	£0.3m	£0.3m	(£0.0m)
Economic Growth	M Furniss	£1.8m	£1.8m	£1.7m	(£0.1m)
Partnerships, Prosperity and Growth		£2.2m	£2.2m	£2.1m	(£0.1m)
Community Partnerships	D Turner-Stewart	£1.9m	£1.9m	£1.9m	(£0.0m)
Customer Services	D Turner-Stewart	£2.9m	£3.0m	£3.1m	£0.2m
Customer Experience	D Turner-Stewart	£0.5m	£0.5m	£0.5m	£0.0m
Cultural Services	D Turner-Stewart	£8.3m	£8.3m	£8.8m	£0.4m
Customer and Communities Leadership	D Turner-Stewart	£2.2m	£2.2m	£1.7m	(£0.5m)
Registration and Nationality Services	D Turner-Stewart	-£1.5m	-£1.5m	-£1.5m	(£0.0m)
Trading Standards	D Turner-Stewart	£1.9m	£1.9m	£1.9m	(£0.0m)
Health & Safety	D Turner-Stewart	£0.0m	£0.0m	£0.0m	£0.0m
Coroners	K Deanus	£4.5m	£4.5m	£4.5m	£0.0m
Customers and Communities		£20.7m	£20.8m	£20.9m	£0.1m
Land & Property	N Bramhall	£26.3m	£25.1m	£25.4m	£0.3m
Information Technology & Digital	D Lewis	£20.2m	£20.2m	£20.2m	£0.0m
Twelve15	D Lewis	-£1.3m	-£1.1m	-£1.2m	(£0.1m)
Finance	D Lewis	£7.6m	£7.7m	£7.6m	(£0.1m)
People & Change	T Oliver	£7.8m	£7.8m	£8.1m	£0.2m
Legal Services	D Lewis	£5.9m	£5.9m	£5.9m	£0.0m
Joint Orbis	D Lewis	£6.2m	£6.2m	£6.2m	£0.1m
Democratic Services	D Lewis	£3.8m	£3.8m	£3.8m	£0.0m
Business Operations	D Lewis	£0.7m	£0.8m	£1.2m	£0.5m
Executive Director Resources (incl Leadership Office)	D Lewis	£3.5m	£3.5m	£3.6m	£0.1m
Corporate Strategy and Policy	D Lewis	£1.1m	£1.2m	£1.1m	(£0.0m)
Transformation and Strategic Commissioning	D Lewis	£1.7m	£1.7m	£1.6m	(£0.1m)
Procurement	D Lewis	£0.1m	£0.1m	£0.1m	£0.0m
Performance Management	D Lewis	£0.2m	£0.2m	£0.2m	£0.0m
Resources		£83.9m	£83.1m	£83.9m	£0.8m
Central Income & Expenditure	D Lewis	£48.0m	£47.4m	£45.3m	(£2.1m)
Directorate position		£1,085.4m	£1,082.2m	£1,104.1m	£21.9m
Contingency	D Lewis	£20.0m	£20.0m	£0.0m	(£20.0m)
Corporate Funding			-£1,102.2m	-£1,102.2m	£0.0m
Overall		£1,105.4m	£0.0m	£1.9m	£1.9m

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