

SURREY COUNTY COUNCIL

CABINET

DATE: 25 JUNE 2024



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

LEAD OFFICER: ANNA D'ALESSANDRO, INTERIM EXECUTIVE DIRECTOR FOR FINANCE & CORPORATE SERVICES (INTERIM S151 OFFICER)

SUBJECT: 2024/25 MONTH 1 (APRIL) FINANCIAL REPORT

ORGANISATION STRATEGY: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A PRIORITY AREA: GREENER FUTURE/EMPOWERING COMMUNITIES

Purpose of the Report:

This report provides details of the County Council's 2024/25 financial position as at 30th April 2024 (M1), and the expected outlook for the remainder of the financial year. As in previous years, M1 is a high-level review, focussing on risks and opportunities in relation to the 2024/25 budget.

Key Messages – Revenue

- **At M1, the Council is forecasting an overspend of £7.4m against the 2024/25 revenue budget** approved by Council in February 2024. The forecast overspend relates to increasing Home to School Travel Assistance (H2STA) pressures. The home to school transport team continue to work on a number of activities to try to contain and mitigate against the rising transport costs, as set out in paragraph 6. An Oversight Board will be reconstituted for HTSTA to monitor progress.
- **£22.1m of net risks** to the forecast position have been quantified (further details in paragraphs 4-10). **Historically risks are high in the early part of the financial year** as certainty over the likelihood they will materialise, and the financial impact, is unclear.
- **Directorates will take action to mitigate** these risks and maximise the opportunities to offset, in order to contain costs within available budget envelopes.
- On 6th February 2024, Council approved a revenue budget of £1,197.1m. The Council papers referenced the additional funding which had recently been announced by Government, as a result of successful lobbying by the County Council Network. The Final Local Government Finance Settlement (LGFS) provided details of the Council's specific allocations, which amounted to an additional £11.3m, including the subsequent increase to the Public Health Grant. Cabinet is asked to approve the increase to the Council's revenue budget to £1,208.4m for 2024/25 and the proposed use of the additional funding, as set out in paragraphs 16-18.

Key Messages – Capital

- In February 2024 Council approved a capital budget of £404.9m for 2024/25.
- At this early stage in the financial year, not all risks and opportunities to delivering the capital programme budget can be identified. Further work is underway, led by Capital Programme Panel, working alongside Strategic Capital Groups, to validate the delivery of the capital programme. The capital programme will likely be re-phased before detailed budget monitoring is reported for May month end.

Recommendations:

It is recommended that Cabinet:

1. Notes the risks and opportunities identified in relation to the Council's budget position for the year.
2. Approves the increase in the net revenue budget to £1,208.4m due to the additional funding announced as part of the Final Local Government Finance Settlement (paragraphs 14-16).
3. Allocates up to £8m of Council reserves to fund the Adults, Wellbeing & Health Partnerships transformation & improvement programme over the period 2024/25 to 2026/27, as set out in paragraphs 19–21.

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.

Revenue Budget:

Risks and Opportunities

1. **At M1, the Council is forecasting an overspend of £7.4m** against the 2024/25 revenue budget. The projected overspend relates to Children, Families and Lifelong Learning due to continued pressure on Home to School Travel Assistance (H2STA) budgets caused by providers continuing to increase fees, an increase in the number of travel days in the financial year, and the progression of the Education Health & Care Plans (EHCP) recovery, which is anticipated to expedite SEND demand into H2STA.
2. These are a continuation of pressures from 2023/24. Whilst budgets were increased for 2024/25, the pressures continued to grow towards the end of the financial year and based on the current trajectory, an overspend is forecast in 2024/25.
3. The home to school transport team continue to work on a number of activities to contain and mitigate against the rising transport costs. As demand for SEND transport continues to rise, closer working as part of the EHCP planning to ensure transport arrangements are taken into consideration is being developed. The team is actively promoting personal budgets for families, which proves a far more cost effective option than managed transport services. The team has introduced more frequent optimisation of routes, and although this creates changes in transport arrangements for children which is not ideal, it does drive more cost effective routes. The team is reviewing all discretionary transport arrangements and moving to a tighter application of transport policies, however wider considerations will always be considered if the transport arrangement results in savings elsewhere in the system. "Blind" tendering has been introduced since April, resulting in a more competitive tendering process leading to lower costs. Work continues as part of the Freedom to Travel programme to ensure opportunities across the wider transport arrangements are being explored and implemented including activity such as independent travel training, commissioning and the review of dynamic purchasing systems. An Oversight Board will be reconstituted for HTSTA to monitor progress.
4. Local authorities across the south east are experiencing high costs in Home to School Travel. Officers will explore any regional procurement options, as well as lobbying at national level.

5. In addition, **Directorates have identified net risks of £22.1m (1.8% of the net revenue budget)**, consisting of quantified risks of £24.6m and opportunities of 2.5m. These figures represent the weighted risks and opportunities, which adjusts for assessed likelihood of the risk occurring or opportunity being realised.
6. 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.
7. **Historically, risks are high in the early part of the financial year as certainty over the likelihood they will materialise, and the financial impact, remains unclear.**
8. The £22.1m net weighted risks by Directorate are:

Directorate	Risks Weighted £m	Opportunities £m
Adults, Wellbeing & Health Partnerships	19.4	-1.6
Children, Families, and Lifelong Learning	2.1	
Environment, Infrastructure & Growth	1.3	-0.9
Surrey Fire & Rescue Service	0.4	
Resources	0.5	
Communications, Public Affairs and Engagement	0.3	
Central Income & Expenditure	0.6	
Total Council	24.6	-2.5

- **£19.4m of weighted risks in Adults, Wellbeing and Health Partnerships** made up of:
 - £12.9m related to the risk that care package spending is higher than budgeted due to pressures carried over from 2023/24 not being recovered and the risk that demand growth during 2024/25 is higher than budgeted. The leadership team is working on refreshing demand management efficiency plans to address these risks.
 - £3.9m relating to the risk that debts owed by local Integrated Care Boards relating to Continuing Health Care and Section 117 Aftercare may not be recovered in full, or that it may be necessary for the Council to raise credit notes for an element of invoices paid on account. The Finance team is working closely with colleagues and health partners to try to resolve these issues.
 - £1.5m related to the risk of not delivering budgeted efficiencies based on latest confidence level assessments. The refresh of efficiency plans being conducted by the leadership team is designed to mitigate these risks and identify alternatives where efficiencies are considered undeliverable.
 - £0.8m relating to cost of replacing the Reablement rostering system. Funding sources for this are currently being investigated.
 - £0.3m relating to the risk that demand for sexual health services exceed budgeted levels, based on increased activity in recent months. This is being closely monitored by Public Health so mitigations can be put in place if required.

- **£2.1m of weighted risks in Children, Families and Lifelong Learning** which relate to market management and the ability to procure more cost-effective placements and potential cost pressure within the Children with Disabilities budget.
- **£0.4m of weighted risks in Surrey Fire & Rescue Service** primarily related to pensions issues, the most significant of which is a national sector issue relating to the introduction of the 2015 pension scheme which, due to its nature, the Council anticipates will be funded by the Government.
- **£0.5m of weighted risks in Resources** relating to the risk of People and Change requiring additional staffing resources to manage temporary increases in activity in payroll services and the risk of income being less than forecast. The service will continue to review processes to deliver efficiencies. Other mitigations could include reducing spend in other areas.
- **£0.3m of weighted risks in Communications, Public Affairs & Engagement (CPAE):** there may be delays to the achievement of the organisation wide engagement and communications efficiency. Recruitment delays within CPAE and the mutually agreed resignation scheme may mitigate some costs.
- **£1.3m of weighted risks in Environment, Infrastructure & Growth** including the risk of higher prices of dry mixed recyclable materials which are largely offset by savings achieved through re-procurement of waste processing contracts; various Highway pressures including the impact of national changes to concessionary fares reimbursements which are offset by other expenditure changes and use of one-off funding; and achievement of Agile programme efficiencies which are at risk due to delayed office moves, and which the service will seek to mitigate by accelerating other office moves and exploring options including additional rental income.
- **£0.6m of weighted risks in Central Income & Expenditure** due to uncertainty over the final costs of the pay award for 2024/25 which is still under negotiation.

9. **Quantified opportunities of £2.5m have been identified as follows:**

- £1.6m within Adult Social Care relating to the potential that a provision for Covid grant repayments from providers may not be required in full, enabling the balance to be released to support the General Fund position, and Better Care Fund monies carried forward from 2023/24 in the pooled budgets that the Council may be able to use to support in-year budget pressures in during 2024/25.
- £0.9m relating to delays to Agile efficiencies. The Agile programme is on track to achieve £2.2m of efficiencies however this is likely to be achieved later than expected. The consequent 2024/25 pressures on the Land and Property budgets will potentially be offset by underspends on the Agile programme budget.

10. Through the budget envelope approach, Directorates are required to deliver services within their approved budget, so the first call on the opportunities identified here will be to offset the risks identified in paragraph 9.

11. **Spending Control mechanisms have been put in place** for recruitment and procurement to control spend and encourage a culture of value of money and strong financial management. Processes to measure the benefits of these controls are being developed and will be reported over the course of the next few months.

12. **Supporting the budget is a general contingency of £20m**, providing further financial resilience. The current expectation is that Directorates will find mitigations to reduce the forecast position, without reliance on the contingency.

Additional Funding

13. On 6th February 2024, Council approved a revenue budget of £1,197.1m. The Council papers referenced the additional funding which had been announced by Government via a written ministerial statement on 24th January 2024, ahead of the publication of the Final Local Government Finance Settlement (LGFS). Details of specific allocations were not available until the publication of the LGFS. Surrey County Council were in receipt of an additional £10.9m of funding as a result of this announcement.
14. In addition, in February 2024, the Council's 2024/25 Public Health Grant allocation was increased by £0.4m to £41.9m from previously published indicative levels. The additional national allocation is to meet the NHS Agenda for Change 2023/24 pay award impact on Local Authority commissioned NHS contracts. These costs were partly met by the NHS in 2023/24 on a one-off basis and Local Authorities are expected to take on the recurring cost in 2024/25.
15. Cabinet is asked to approve the increase of the Council's revenue budget to £1,208.4m for 2024/25. It is proposed that the follow specific allocations are made from this funding:
- £0.4m increase in the Public Health Grant to Adults, Wellbeing & Health Partnerships (Public Health) so that the cost increase relating to Public Health commissioned NHS contracts, which include 0-19 universal services, sexual health and substance misuse services, can be met.
 - £2.6m to increase the revenue budget in Environment, Infrastructure and Growth relating to the delivery of the recommendations of last year's Task & Finish Group. Increasing the budget available for these activities from £5.2m allocated in the budget to £7.8m. The additional funding will be used to deliver improvements relating to drainage, defects relating to highway trees and road markings.
 - £6.5m to provide funding towards preventative activities within the Children, Families & Lifelong Learning (CFLL) Directorate. This allocation builds on the £5m approved by Full Council in February and is the result of ongoing discussions with the Children, Families, Lifelong Learning & Culture Select Committee. In addition to the measures set out in the Council papers in February, the £6.5m will be spent on providing support to expand the SEND play and leisure overnight respite pilot, support for the implementation and roll out of the Surrey Foster Carers Charter, additional support in schools for neurodiverse children, support for autism friendly schools work and further support for the provision of short breaks. Discussions are ongoing with CFLL on how to utilise the remaining £1.8m.

Adults, Wellbeing & Health Partnerships Transformation & Improvement programme

16. The Adults, Wellbeing & Health Partnerships (AWHP) directorate is taking forward an ambitious transformation & improvement programme with three overarching workstreams:
- **Customer journey** which will focus on streamlining processes to enable better experiences for people who approach the Council for information, advice and support, ensure compliance with the Care Act, promote choice and control, and improve wellbeing and equity of outcomes. This workstream will also ensure the Council's Adult Social Care (ASC) workforce has the right shape, size and skills mix and is located in the right places to most effectively discharge the Council's ASC responsibilities and deliver the right outcomes for residents.

- **Market Shaping and Commissioning** which will deliver a Technology Enabled Care and Digital Strategy to enable greater independence for residents, a Right Homes, Right Support, Right Community Opportunities programme including a focus on pathways to employment, developing new affordable Extra Care Housing, Supported Independent Living services and specialist Residential and Nursing services in line with demand profiles, a renewed and improved offer of community based support services across the county and an approach to reablement that is embedded in all aspects of care and support. The Council will work closely with ASC providers and other key partners and stakeholders to deliver these ambitions.
- **Thriving Communities & Prevention** which will enable better connectivity between Places, Districts and Boroughs, Towns and Villages, Wards and key Neighbourhoods, and focus on prevention across a range of partner organisations to build assets and capacity in local communities to reduce and delay need, improve quality of life for residents and use insight to improve prevention strategies across the whole system. This will help to reduce demand pressures on ASC and Children, Families and Lifelong Learning services in the Council, as well as having benefits for other Council services and partners, particularly those in the NHS.

17. The Council's 2024-29 Medium Term Financial Strategy (MTFS) included £47m of efficiencies for the Adult Social Care service over the 5-year period from 2024/25 to 2028/29. The AWHP transformation & improvement programme will directly support delivery of £26m of these efficiencies. The increasingly constrained financial environment means that further efficiencies beyond those already identified will be required in order to maintain the financial sustainability of the Council. The AWHP transformation & improvement programme will be a key driver of identifying areas of opportunity for additional efficiencies which will be incorporated into the budget planning process for 2025/26 and MTFS to 2029/30. Newton Europe has been commissioned to undertake a diagnostic of Surrey's ASC practice and performance as part of this. Their work is now underway and outputs will be produced in the summer. The learning from this will form a key part of refreshing ASC's service and financial strategies. Recruitment to a range of temporary transformation roles is also actively underway.

18. Investment in temporary roles and some external support is required in order to enable delivery of the AWHP transformation programme. Cabinet is asked to approve up to £8m to be drawn down from reserves over the period 2024/25 to 2026/27, as required based on actual expenditure, which has been reviewed thoroughly and agreed by Cabinet and the Corporate Leadership Team. The latest estimated expenditure profile is c. £4.4m in 2024/25, £2.8m in 2025/26 and £0.8m in 2026/27, though the spend in each year will depend on a range of factors including progress with the recruitment that is underway.

Capital Budget

19. The 2024/25 Capital Budget was approved by Council on 6th February 2024 at £404.9m.

20. At this early stage in the financial year, not all risks and opportunities to delivering the capital programme budget can be identified. Further work is underway, led by Capital Programme Panel, working alongside Strategic Capital Groups, to validate the delivery of the capital programme. The capital programme will likely be re-phased before detailed budget monitoring is reported for May month end.

Consultation:

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

Risk Management and Implications:

22. 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:

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

Section 151 Officer Commentary:

24. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty 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 deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.

25. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 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.

26. 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:

27. 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.

28. 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:

29. 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.

30. 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:

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