Budget monitoring period 10 2013/14 (January 2014)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget for 2013/14 is to underspend by -£2.1m on services.(paragraph 1).
2. Forecast ongoing efficiencies and service reductions achieved by year end is £61.3m (paragraph 79).
3. Forecast capital expenditure and investment of £232.6m against a budget of £224.7m (paragraphs 83 to 89).

The Cabinet is asked to approve the following.

4. The transfer of £2m from increased business rates and government grants to the Budget Equalisation Reserve for supporting future years' budgets. (paragraph 61 & 66).

Revenue summary

Surrey County Council has now set its budget envelope for the 2014/15 financial year and in line with its multi year approach to financial management approved the use of the this year's unused £13m risk contingency. The council is forecasting an underspending of -£2.1m on its revenue budget of which £1.6m may be used in the next financial year to complete projects and schemes that are not finished by the 31 March cut-off. The council will continue to face significant pressures in the future from reduced central government funding and rising demand for our services. As a part of this forecast underspending and to support future years' budgets £2m is proposed to be transferred to the Budget Equalisation Reserve. This has arisen from increased receipts from business rates and government grants.

In addition to on-going demand and funding pressures, the council has to prepare for emergencies, such as the recent severe weather and flooding. Part of this preparedness is having adequate balances and reserves. The council currently has nearly £20m in general balances. The cost of the immediate response and temporary repairs required as a result of this flooding and associated stormy weather is estimated to be £3.2m, with £3m of this relating to damage sustained to local highways. The cost of long-term capital and revenue repairs to highways infrastructure is estimated to be £4.5m. The council will pursue all available relief funding from central government.

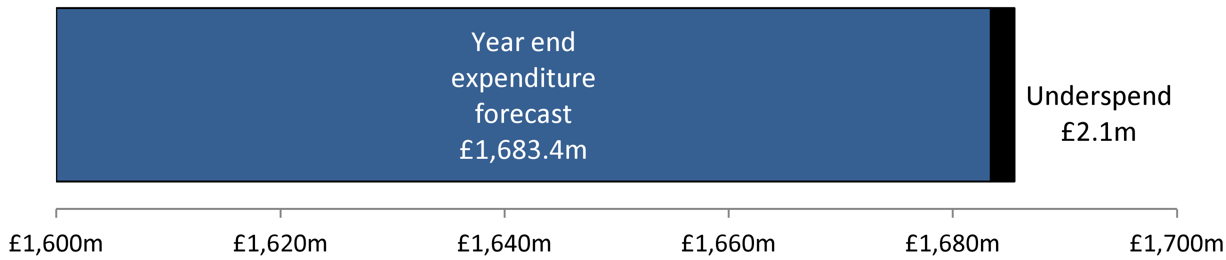
The financial strategy has a number of long term drivers to ensure sound governance, managing the council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum consistent with the delivery of key services through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the council's reliance on council tax and government grant income. The council is heavily dependent on these sources of funding, which are being eroded.
- Balance the council's 2014/15 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey

Keeping the call on the council tax payer to a minimum, consistent with the delivery of key services

For the fourth year running the council will end the year with a small underspending, demonstrating the tight financial management in this authority. The council will continue to seek further savings this year in line with the corporate strategy of using our resources responsibly to plan for future years of financial uncertainty.

Figure 1: Year end forecast revenue position



Continuously driving the efficiency agenda

A key objective of MTFP 2013-18 is to increase the council's overall financial resilience, including reducing reliance on government grants in the long term. MTFP 2013-18 includes savings and reductions totalling £68.3m in 2013/14 (£167m for 2013-18). At the end of January 2014, services forecast to achieve £61.3m efficiencies by year end. This under-achievement is due to slippage in ASC's innovative Family, Friends and Community Support (FF&C) strategy (+£6.0m) partly offset by Business Services forward planning to bring forward 2014/15 efficiencies (-£1.3m).

The total savings from efficiencies includes £10.4m ASC savings re-categorised as one-off measures. These savings, budgeted for 2013/14, will need to be made in 2014/15.

Capital summary

Maximising our investment in Surrey

A key element of Surrey County Council's corporate vision is to create public value by improving outcomes for Surrey's residents. This vision is at the heart of the capital programme and the MTFP 2013-18 set a £699m five year capital programme. Following cabinet approved of re-profiling the 2012/13 carry forward budgets and virements, the revised 2013/14 capital budget is £224.7m. The council also wants to reduce reliance upon government funding and the council tax payer. To this end, it has invested £39.6m in long term capital investment assets.

The total forecast capital expenditure this year, including the investment, is £232.6m

Flooding update

In December the River Wey and River Mole burst their banks causing flooding across the centre of the county such as in Godalming, Dorking and Leatherhead. The cost of the immediate response and temporary repairs required as a result of this flooding and associated stormy weather is estimated to be £3.2m, with £3m of this relating to damage sustained to local highways. The cost of long-term capital and revenue repairs to highways infrastructure is estimated to be £4.5m. In February, the River Thames burst its banks and caused flooding in the north of the county across Runnymede, Elmbridge and Spelthorne and in other locations. The costs associated with this more recent flooding event are still to be determined but as the flooding has been more severe and widespread the costs are likely to be higher.

Local authorities can apply for a grant from the Department for Communities and Local Government to compensate them for the costs incurred from the immediate actions they take in connection with a disaster or emergency, above a certain threshold. The grant is defined by the Bellwin scheme. The published threshold for the council has been rescinded and we are waiting for confirmation of the new value from the Department for Communities and Local Government. The council has registered for the scheme and has up to 30 May 2014 to incur eligible expenditure. The Bellwin scheme does not usually cover capital costs, therefore the Department for Transport has made £33.5m available to local highways authorities under the Severe Weather Recovery Scheme. This grant will be distributed based on the miles of road and number of bridges damaged by flooding. The council has submitted a claim and we are waiting to hear back on any possible funding that we will receive under this scheme.

Revenue budget

1. The updated revenue budget for the 2013/14 financial year, including schools, is supported by £23.0m of earmarked and general reserves, plus £7.9m revenue carried forward from 2012/13 to fund committed 2013/14 expenditure. The current projection for services' net revenue budget is -£2.1m underspent. (-£0.9m at the end of December).
2. At this later stage of the financial year, Directorates are indicating some carry forwards. There are two at present (Customer & Communities (-£0.2m, paragraph 38) and Business services (-£1.4m, paragraph 44)). If these proposed carry forwards were approved at the end of the year, it would lead to an increase in general balances of £0.5m.
3. The year to date budget variance at the end of January is -£21.8m underspend. This is predominately due to:
   - Dedicated Schools Grant – nursery provision underspends (-£2.9m), government grants for schools budgets (-£0.4m)
   - the income ahead of budget for business rate and government grants and reduced capital financing costs(-£6.7m);
   - delayed maintenance work for both Highways and Property (-£3.4m and -£2.2m), brought forward saving plans for Business Services and better contracts combined with rent and rates rebates (-£1.6m), and scheduling of Business Services projects (-£2.8m);
   - timing of expenditure and income on third party grants, member allocations and cultural service income and trading standards income (-£2.4m),
   - Revolving Investment & Infrastructure Fund (-£0.7m), offset by
   - timing of Whole System funding and cost of transition clients (+£2.0m).
4. Schools funding is determined by an agreed formula under statute and expenditure decisions are the responsibility of each school's governing body.
5. shows the year to date and forecast year end net revenue position for services and the council overall. Net revenue position for services is gross expenditure less income from specific grants plus fees, charges and reimbursements.

Table 1: 2013/14 Revenue budget - net positions by directorate

Dec's forecast variance £m	Directorate	YTD budget £m	YTD actual £m	**YTD variance £m**	Full year (revised) budget £m	Feb – Mar remaining forecast £m	Full year forecast £m	**Full year variance £m**
5.8	Adult Social Care	281.6	283.6	2.0	336.4	58.7	342.3	6.0
0.4	Children, Schools & Families	149.9	145.3	-4.6	181.1	35.7	181.0	-0.1
0.0	Schools	0.1	-0.3	-0.4	0.1	0.4	0.1	0.0
	(gross exp £502.3m)							
-0.7	Customer & Communities	50.4	47.9	-2.4	60.0	11.4	59.3	-0.7
2.5	Environment & Infrastructure	104.7	103.0	-1.7	131.6	31.6	134.6	3.0
-4.6	Business Services	68.6	62.0	-6.6	82.9	15.3	77.3	-5.6
-0.5	Chief Executive's Office	14.0	13.3	-0.7	16.4	2.6	15.9	-0.5
-3.7	Central Income & Expenditure	-209.4	-214.8	-5.4	-210.2	1.7	-213.1	-2.9
-0.9	**Service net budget**	**459.8**	**440.0**	**-19.8**	**598.2**	**157.4**	**597.4**	**-0.8**
0.0	Local taxation	-488.2	-489.5	-1.3	-599.3	-111.1	-600.6	-1.3
0.0	Revolving Infrastructure & Investment Fund		-0.7	-0.7		0.7		0.0
-13.0	Risk contingency			0.0	13.0	13.0	13.0	0.0
-13.9	**Overall net budget**	**-28.4**	**-50.2**	**-21.8**	**11.9**	**59.9**	**9.7**	**-2.1**

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

6. Both the year to date and forecast revenue budget positions are shown by directorate in the graphs below. Table App 3 in the appendix to this annex shows the overall income and expenditure for the year to date and year end forecast positions.
7. The small forecast year end underspend on services is a result of: Adult Social Care slippage implementing its innovative FF&C strategy (+£6.0m), plus flood repairs, waste management pressure and support for local bus routes (+£3.0m); offset by underspends in Children's Services' volume pressures, offset by Schools & Learning (-£0.1m); Business Services (-£5.6m) Customer & Communities (-£0.7m) and Central Income & Expenditure (-£2.9m).
8. Table 2 below summarises the main movements in forecast year end variances over the last month. The Directorate commentaries provide further information on the forecasts.

Table 2: 2013/14 Revenue budget year end variance monthly movement by directorate

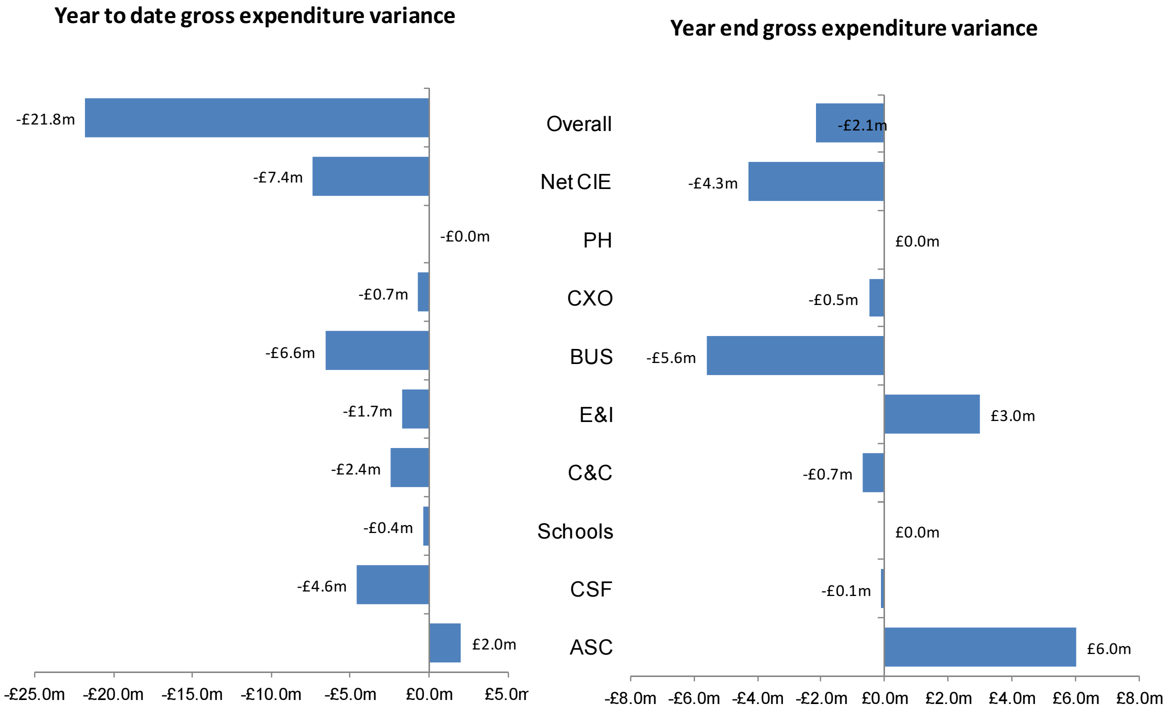
Directorate	Dec YE Variance £m	Movement £m	**Jan YE Variance £m**
Adult Social Care	**5.8**	0.2	**6.0**
Children, Schools & Families	**0.4**	-0.5	**-0.1**
Schools	**0.0**	0.0	**0.0**
Customer & Communities	**-0.7**	0.0	**-0.7**
Environment & Infrastructure	**2.5**	0.5	**3.0**
Business Services	**-4.6**	-1.0	**-5.6**
Chief Executive's Office	**-0.5**	0.0	**-0.5**
Central Income & Expenditure	**-3.7**	0.8	**-2.9**
Service net budget	**-0.9**	**0.1**	**-0.8**

Summarised movements:	**Movement £m**	**Directorate**
Increased demand pressure	0.2	ASC
Increased assessment for flooding	0.5	E&I
Planned maintenance delayed due to flooding	-0.5	BUS
Utilities, rent and rates under spends	-0.5	BUS
Various cost reductions across services	-0.5	CSF
Reserves offset by income	0.8	CIE
Rounding	0.1	
Overall movement	**0.1**	

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

Figure 2 shows services' gross expenditure variances for year to date and forecast year end positions.

Figure 2: Year to date and forecast year end expenditure variance



9. Below, each directorate summarises its year to date and forecast year end income and expenditure position and service and policy financial information. These explain the variances, their impact and services' actions to mitigate adverse variances. The appendix gives the updated budget with explanations of budget movements.

Adult Social Care

Table 3: Summary of the revenue position for the directorate

Adult Social Care	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb – Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Summary by subjective							
Income	-55.9	-66.6	-10.7	-69.1	-12.9	-79.5	-10.4
Expenditure	337.4	350.1	12.7	405.5	71.7	421.8	16.4
Net position	**281.6**	**283.6**	**2.0**	**336.4**	**58.8**	**342.4**	**6.0**
Summary by service							
Income	-55.9	-66.6	-10.7	-69.1	-12.9	-79.5	-10.4
Older People	136.9	147.7	10.8	164.8	28.2	175.9	11.1
Physical Disabilities	39.5	40.8	1.3	47.4	8.7	49.5	2.1
Learning Disabilities	104.6	108.0	3.4	125.5	24.3	132.3	6.8
Mental Health	7.6	8.1	0.5	9.1	1.6	9.7	0.6
Other Expenditure	48.9	45.5	-3.3	58.6	8.9	54.4	-4.2
Total by service	**281.5**	**283.5**	**2.0**	**336.4**	**58.8**	**342.4**	**6.0**

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

10. The December projected outturn for Adult Social Care is +£6.0m (1.78%) overspend. This represents an increase of +£0.2m from last month. The year to

date position is showing an overspend of +£2.0m, although year to date expenditure is currently understated due to timing issues associated with costs for new Transition clients that are anticipated in the last 2 months but not incorporated in the year to date position.

11. A projected overspend was highlighted as a risk during the 2013/14 budget planning process and needs to be set in context of ASC's very challenging savings target of £45.9m. The Directorate has made good progress in many of the savings actions and judges that £31.8m of savings have either been achieved or will be achieved without needing further management action. While there is considerable work ongoing to generate savings, the Directorate is unlikely to be able to bring the budget completely back in line by year end.

12. The most significant element of the Directorate's savings plans is the social capital agenda, now formally re-launched as Family, Friends and Community Support (FFC). It is a new and innovative strategy designed to provide more personalised community support options to individuals requiring care, while at the same time reducing direct costs to the council. ASC is implementing the new strategy and it has been a key driver in the recent Rapid Improvement Events (RIEs) on the social care and financial assessment processes.

13. The FFC savings target for 2013/14 is £15.5m. Although the Directorate continues to prioritise work on implementation of the key policy changes required to deliver the benefits expected by FFC, these actions are anticipated to now impact on next year's budget rather than achieve significant levels of savings this year. The MTFP in March 2014 will confirm the overall savings that can be achieved following the work of the Chief Executive and Chief Finance Officer with the directorate as agreed by the cabinet on 4 February. The slippage in the FFC programme reflects the amount of cultural and systems change and community development required to implement the strategy in full.

14. ASC is looking at all possible opportunities to cover the slippage on FF&C and smaller shortfalls on some other savings plans. At present, ASC has identified two main counter-measures:

    i. draw down £7.5m of unused 2011/12 whole system funding, approved by Cabinet in September and actioned in October, and

    ii. £1.7m draw down of previous years' winter pressures funding approved by Cabinet in October and actioned in November.

15. Although these measures are helping to improve this year's budget position they do not prevent a pressure arising for next year's budget as they need to be replaced by new on-going savings next year. The latest forward budget planning indicates that when combined with this year's projected overspend, other non-recurring one-off savings used this year, additional demand pressures forecast next year and a review of forward savings plans, additional savings of at least £14m need to be identified. Joint work with the Chief Executive, Chief Finance Officer and Interim Director of Adult Social Care is on-going to consider options available.

16. The current year end projection relies on the Directorate implementing £0.9m of management action savings plans in the remainder of the financial year. Table 4 summarises the management actions included in the January projections.

17. The key driver of the underlying pressures the service faces is individually commissioned care services (also known as "spot" care). The gross spend to date on spot care, excluding Transition, has on average been £21.6m per month for April to January. That compares with £21.3m in the last quarter of 2012/13, indicating that while ASC is largely containing new in year demand pressures, expenditure has not yet decreased as planned by delivery of the FFC savings programme. Assuming all savings occur as currently forecast or are replaced by other means, then the Directorate can afford to spend only £21.2m per month in the remainder of

the financial year. Therefore, it needs to reduce expenditure on individually commissioned care services by 2% in the remaining two months. That is half of the 6% reduction projected last month.

18. Table 4: Summary of Adult Social Care forecast

	£m	£m
ASC MTFP efficiency target		**(45.9)**
Additional demand pressure above those anticipated in 2013-18 MTFP		(2.1)
Revised efficiency target		(48.0)
Total savings achieved (or not needing further management action) to date		(31.9)
Savings forecast in remainder of the year through use of FF&C	0.0	
Other savings forecast in the remainder of the year and included as Management actions	(0.9)	
Total savings forecast in remainder of the year		(0.9)
Total forecast savings before draw downs		(32.8)
Whole systems funding 2011/12 draw down		(7.5)
Proposed winter pressure funding 2011/12 draw down		(1.7)
Total forecast savings		(42.0)
Under / (over) performance against MTFP target		**6.0**

Children, Schools & Families

Table 5: Summary of the revenue position for the directorate

Children, Schools & Families	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Summary by subjective							
Income	-122.4	-123.3	-0.9	-149.1	-28.7	-152.0	-2.9
Expenditure	272.3	268.6	-3.7	330.2	64.4	333.0	2.8
Net position	**149.9**	**145.3**	**-4.6**	**181.1**	**35.7**	**181.0**	**-0.1**
Summary by Service:							
Income	-122.4	-123.3	-0.9	-149.1	-28.7	-152.0	-2.9
Strategic Services	5.1	4.6	-0.5	5.8	0.7	5.3	-0.5
Children’s Services	73.9	76.9	3.0	89.0	15.3	92.2	3.2
Schools and Learning	173.1	166.0	-7.1	210.5	44.0	210.0	-0.5
Services for Young People	20.2	21.1	0.9	24.9	4.4	25.5	0.6
Total by service	**149.9**	**145.3**	**-4.6**	**181.1**	**35.7**	**181.0**	**-0.1**

19. The forecast outturn for the Children Schools and Families directorate (CSF) at January 2014 is a small underspend of -£0.1m in contrast to the overspends previously forecast this year. This is a reduction of -£0.4m compared to the position reported last month.

20. Within the directorate there continue to be pressures in Children’s Services and increasing demand for transport in relation to children with special education needs (SEN). This is partly offset by an improved trading position for Commercial Services and underspends elsewhere, mainly within Schools and Learning.

21. The year to date underspend of -£4.6m is mainly due to a DSG underspend on nursery provision (-£2.9m), staffing across the directorate (-£0.9m) and other under spends in Schools and learning (-£3.7m). These are partly offset by non staffing overspends in Children’s Services (+£3.0m).

Children's Services

22. In Children's Services the projected overspend is +£3.2m although this is partly offset by additional income of -£0.5m. This is a small reduction compared to the position at the end of December. The main reasons for this overspend are a combination of rising demand, increased complexity of need and some increases in prices.

23. Increasing demand has led to overspends in the following areas.

- Higher numbers of agency placements earlier in the year have given rise to an overspend of +£0.8m. Numbers have now returned to the level seen in April although the position remains volatile - there are currently three remand placements required at a cost of £4,000 per week until the end of the financial year.
- There continue to be pressures on fostering allowances and in the cost of adoption allowances (+£0.5m). Although the number of children for whom we pay a fostering allowance reduced by 21 this month it remains 12 higher than the average of 474 budgeted for. In addition the number of Special Guardianship Orders has increased; an additional 65 SGOs will be made this year compared to 45 in 2012/13.
- The budgets for leaving care and asylum seekers are expected to overspend by +£0.6m as the number of care leavers and asylum seekers with no recourse to public funds continues at a similar level to that experienced in 2012/13 when a similar overspend occurred.
- Area care services forecast a +£0.5m overspend. This is mainly due to an increase in the instances and cost of court proceedings (there are currently 217 cases compared to 169 for the whole of 2012/13) and increasing costs for supervised contact and SGO's compared to 2012/13.

24. The budgets for children with disabilities are overspending by +£1.7m due to a combination of rising demand, greater complexity of need and the service being unable to achieve the planned savings in these circumstances. Of the overspend, +£1.5m relates to the budget reduction for the MTFP efficiency in this service area which has not been achieved. However, alternative underspends elsewhere across the directorate have offset the impact of this overspend. In addition the service are seeing more complex and costly cases and rising demand with an extra 33 cases (4%) since April 2013.

25. There continue to be difficulties recruiting permanent social workers and a resulting reliance on more expensive agency staff. A +£0.5m overspend is anticipated. This is an ongoing problem and CSF has plans to improve recruitment and retention of social workers through the career progression framework and the recruitment programme in the North East Area to grow our own skilled workforce. The results of these initiatives will take time to be realised. Overall the staffing budget across Children's Services is in line with the budget due to turnover and careful management of vacancies.

26. Offsetting these overspends are net underspends of -£1.4m across Children's Services. These are planned to continue in order to help alleviate the cost pressures.

Schools & Learning

27. Schools & Learning forecast a -£0.5m underspend on county funded services which together with additional income of -£2m gives an overall underspend of -£2.5m.

28. The main pressure on the Schools and Learning budget is an overspend on transport of +£1.9m, mainly in relation to SEN. The school transport service already faced a budget pressure of +£0.7m reported as an overspend in the 2012/13 outturn

report. In addition to this pupil numbers and costs have continued to rise, particularly around SEN, leading to additional costs of +£0.6m. Also there are extra academic days in this financial year adding an additional funding pressure of +£0.6m.

29. Offsetting the transport overspend is an underspend on centrally held budgets of -£2.2m. This is mainly against the budget for demographics and inflation. Given its £7m savings requirement, CSF prudently decided to hold this budget centrally to cover pressures arising from demand led budgets where the impact of funding changes would not become clear until the start of the new academic year.

30. Commercial Services projects a higher than budgeted contribution to corporate overheads of -£1.1m. This projection takes into account the reduced contribution due to the loss of cleaning and catering contracts which is more than offset by improved contract prices and contracted income.

31. Although not included in the council's reported position services funded by Dedicated Schools Grant (DSG) are forecast to underspend by -£2.9m. The main reason being less demand for two, three and four year old nursery provision than the grant funding level which underpins the budget. There are other small underspends on DSG services, though overall these are partly offset by increasing demand for support to children with SEN, particularly paediatric therapy services (£0.9m).

Services for Young People and Strategic Services

32. Services for Young People forecast a +£0.6m overspend although additional income brings this down to £0.3m. Strategic Services anticipates an underspend of -£0.5m mainly due to recognition that resources set aside for one off service initiatives are now unlikely to be required this financial year.

Schools (delegated budget)

Table 6: Summary of the revenue position for the delegated schools budget

Summary	**YTD Budget**	**YTD Actual**	**YTD Variance**	**Full Year (Revised) Budget**	**Feb - Mar Forecast**	**Full Year Projection**	**Full Year Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Income	-441.6	-441.6	0.0	-502.3	-60.7	-502.3	0.0
Expenditure	441.7	441.3	-0.4	502.4	61.1	502.4	0.0
Net position	**0.1**	**-0.3**	**-0.4**	**0.1**	**0.4**	**0.1**	**0.0**

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

33. The forecast is unchanged since the beginning of the year. The budget has been updated for the recent transfers of Surrey schools to academy status (-£2.9m) There also were volume related grant changes of +£2.9m. The schools delegated budget is reviewed each month.

Customer & Communities

Table 7: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Income	-20.1	-21.2	-1.1	-24.1	-3.7	-24.9	-0.8
Expenditure	70.5	69.2	-1.3	84.1	15.0	84.2	0.1
Net position	**50.4**	**48.0**	**-2.4**	**60.0**	**11.4**	**59.3**	**-0.7**
Summary by service							
Cultural Services	9.0	8.3	-0.7	10.8	2.3	10.6	-0.2
Fire & Rescue	29.8	29.8	0.0	35.6	5.9	35.7	0.1
Customer Services	3.3	3.2	-0.1	4.0	0.7	3.9	-0.1
Trading Standards	1.8	1.7	-0.1	2.2	0.5	2.2	0.0
Community Partner & Safety	3.7	2.5	-1.2	4.1	1.3	3.8	-0.3
C&C Directorate Support	1.9	1.5	-0.4	2.2	0.4	1.9	-0.3
County Coroner	0.9	1.0	0.1	1.1	0.2	1.2	0.1
Total by service	**50.4**	**48.0**	**-2.4**	**60.0**	**11.4**	**59.3**	**-0.7**

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

34. The year to date underspend is -£2.4m, partly due to the timing of expenditure - (£1.2m) on third party grants and member allocations within Community Partnership and Safety. The remainder is due to the timing of Library Resources expenditure and Cultural Services income already earned, Trading Standards legal costs and Customer Services recoveries, along with the year to date impact of the full year underspend.

35. The directorate currently projects an underspend of -£0.7m (no change from end of December). This is predominantly within Directorate Support (-£0.3m) due to cost sharing and holding posts for the early achievement of the 2014/15 MTFP efficiency and an expected underspend on the Community Improvement Fund (-£0.2m) due to waiting for grant conditions to be met before funds are released. Further underspends are expected within Customer Services (-£0.1m) from staffing and miscellaneous savings and Registration (-£0.2m) from the continued increase in income generation. Future MTFP income targets will reflect this appropriately. Member allocations are expected to underspend (-£0.1m) however the leader has asked members to note that any funds not committed by the end of February will become unavailable.

36. Pressures are emerging within Fire (+£0.1m) due in part to the cost of responding to the recent flooding and Coroner (+£0.1m) where legislative changes are resulting in the increased cost of inquests. The full year effect for the Coroner’s pressures is expected to be in the region of +£0.2m from 2014/15 onwards.

37. A carry forward request will be made to match the committed underspend on the Community Improvement Fund, currently predicted as £0.2m. A further carry forward request will be made where member allocations have been committed by the end of February but are unable to be paid before the end of March, currently predicted as £20,000. This will enable payments for these to be made within the new financial year.

Environment & Infrastructure

Table 8: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Income	-15.5	-15.1	0.4	-18.6	-4.7	-19.8	-1.2
Expenditure	120.2	118.1	-2.1	150.2	36.3	154.4	4.2
Net position	**104.7**	**103.0**	**-1.7**	**131.6**	**31.6**	**134.6**	**3.0**
Summary by service							
Environment	46.6	49.1	2.5	61.0	127	61.8	0.8
Highways	36.0	32.6	-3.4	44.3	14.5	47.1	2.8
Economy, Transport & Planning	21.9	21.1	-0.8	26.1	4.4	25.5	-0.6
Other Directorate Costs	0.2	0.2	0.0	0.2	0.0	0.2	0.0
Total by service	**104.7**	**103.0**	**-1.7**	**131.6**	**31.6**	**134.6**	**3.0**

38. The year to date position for Environment & Infrastructure (E&I) is a -£1.7m underspend. This primarily relates to highway maintenance works including local schemes, road maintenance (where some payments have been delayed) and also to economic development projects funded through New Homes Bonus grant, which is not now expected to be fully utilised this financial year.

39. The forecast outturn for E&I is an overspend of +£3.0m, an increase of £0.5m from last month. The most significant variance, and the reason for the movement this month, is the additional cost associated with continued flooding. Expenditure relates to immediate response/making safe, damage assessments, emergency generators to power water pumps, and the expected cost of repairing roads and potholes. Longer term costs will include drainage works and permanent repairs to damaged roads and structures, some of which will be capital works. The highway cost this year is estimated at £2.9m, although significant uncertainty remains and continued severe weather could have further financial implications.

40. Other significant variations include:

- waste management expects to overspend by + £0.8m primarily due to the need for external specialist advice required to successfully complete the contract variation;
- local bus support expects to overspend by + £0.5m as a result of difficulty achieving planned contract savings this year and also a number of instances where bus routes are no longer commercially viable and need financial support from the council;
- economic development projects funded through New Homes Bonus grant are expected to underspend by - £0.5m.
- additional employee costs of + £0.1m are expected to be largely offset by additional income and recharges; and
- the balance is comprised of a number of variations including additional parking income and planning fees.

Business Services

Table 9: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Income	-12.4	-13.3	-0.9	-14.9	-2.2	-15.5	-0.6
Expenditure	81.0	75.3	-5.7	97.8	17.5	92.8	-5.0
Net	**68.6**	**62.0**	**-6.6**	**82.9**	**15.3**	**77.3**	**-5.6**
Summary by service							
Property	26.5	22.1	-4.4	32.0	6.4	28.5	-3.5
Information Management & Technology	19.2	18.9	-0.3	23.3	4.4	23.3	0.0
Human Resources & OD	7.0	6.5	-0.5	8.3	1.5	8.0	-0.3
Finance	7.3	7.0	-0.3	8.8	1.4	8.4	-0.4
Shared Services	3.5	3.2	-0.3	4.3	0.8	4.0	-0.3
Procurement & Commissioning	2.8	2.8	0.0	3.3	0.5	3.3	0.0
Business Improvement	2.3	1.5	-0.8	2.9	0.3	1.8	-1.1
Total by service	**68.6**	**62.0**	**-6.6**	**82.9**	**15.3**	**77.3**	**-5.6**

41. Business Services estimates a revenue underspend of -£5.6m. Business Services has challenging revenue savings targets for this year and next. The service will deliver this year's efficiency savings and aims to bring forward some of next year's. It is also achieving one-off revenue savings. The estimated revenue underspend has increased by -£1.1m compared to last month. The recent bad weather has diverted resources from the planned maintenance programme and some projects cannot proceed at present because of the flooding, causing an increased underspend of -£0.5m. The rest of the directorate's additional underspend has been achieved in other areas of Property and HR.

42. The Business Services year to date underspend is -£6.6m. The largest variance is -£4.4m in Property which is mainly as a result of maintenance work (-£2.2m). The full year maintenance underspend is likely to be -£1.8m. Efficiencies will be delivered as a result of the new property management system (-£0.4m). Unfortunately there have also been delays to planned maintenance because of the 'Build Surrey' initiative leading to difficulties letting contracts (-£0.9m). The service is working to resolves these issues. The current flooding is also affecting the planned maintenance programme as buildings cannot be accessed and capacity is needed elsewhere to overcome urgent weather related emergencies. As a result the planned maintenance programme will underspend by a further -£0.5m and if the extreme conditions continue then this will increase further.

43. The service is requesting a carry forward of the planned maintenance forecast underspend (-£1.4m) as they will deliver these planned works in 2014/15 alongside their planned programme of works, £1m of this is already commissioned.

44. The other year to date variances in Property are reflected in the full year estimated underspend of -£3.5m. These are a result of forecast underspends on utilities (-£0.6m), rents (-£0.7m) and rates (-£0.3m).

45. The Making a Difference programme is on track to deliver savings of £6.6m each year from the office portfolio and has supported staff to work more flexibly with the benefits of new technology and a change in the way we work. The programme started in 2010 and includes implementing Electronic Data & Record Management (EDRM) across the council. EDRM solutions have been implemented for social care

activity and will be implemented for the rest of the organisation by IMT alongside a Lotus Notes upgrade, resulting in a Making a Difference saving of -£1.1m.

46. The IMT year to date underspend is -£0.3m, this largely relates to project work and is offset by an overspend on demand led budgets, the estimated full year forecast variance is zero.

47. HR and Organisational Development year end forecast is an underspend of -£0.3m, a variance of -£0.2m compared to last month. This is mainly due to delivering staffing efficiencies early.

48. The remaining services' year to date variances are in line with the year end forecasts. The Shared Services estimated full year variance is an under spend of -£0.3m. The service is expected to deliver 2014/45 savings early on both staffing (-£0.2m) and income (-£0.1m). Finance is forecasting a full year underspend of -£0.4m, -£0.2m of this relates to the audit fee and -£0.2m is staffing.

Chief Executive's Office

Table 10: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Jan Full Year Variance £m
Income	-20.9	-19.0	1.9	-27.8	-5.7	-24.7	3.1
Expenditure	34.9	32.3	-2.6	44.2	8.3	40.6	-3.6
Net	**14.0**	**13.3**	**-0.7**	**16.4**	**2.6**	**15.9**	**-0.5**
Summary by service							
Strategic Leadership	0.3	0.3	0.0	0.5	0.2	0.5	0.0
Legacy	0.5	0.5	0.0	0.5	-0.1	0.4	-0.1
Emergency Management	0.4	0.4	0.0	0.5	0.1	0.5	0.0
Communications	1.7	1.6	-0.1	2.0	0.4	2.0	0.0
Legal & Democratic Services	8.3	7.9	-0.4	9.7	1.6	9.5	-0.2
Policy & Performance	2.8	2.6	-0.2	3.2	0.4	3.0	-0.2
Public Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total by service	**14.0**	**13.3**	**-0.7**	**16.4**	**2.6**	**15.9**	**-0.5**
Public Health – income	-19.9	-17.9	1.9	-26.5	-5.5	-23.4	3.1
Public Health - expenditure	19.9	17.9	-1.9	26.5	5.5	23.4	-3.1
Public Health - net expenditure	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

49. The Chief Executive's Office (CXO) is currently projecting a -£0.5m underspend (no change from December) against a total revenue budget of £16.4m. The underspend is predominantly due to the one-off savings (-£0.2m) against the local elections budget following receipt of final invoices from district and borough councils. The remaining underspend is mainly due to staff vacancies across the directorate, which are offset by pressures within Legal due to the cost and volume of child protection cases.

50. The year to date underspend is mainly due to the local elections costs being less than expected, timing of expenditure on member allowances and expense payments along with the year to date impact of staff vacancies.

51. CXO has taken on the council's new responsibility for Public Health (PH) this year. Some uncertainties remain in this first year of Public Health budgets.

52. In determining the Public Health grant allocation to SCC, the Department of Health (DH) misallocated £3.3m of the sexual health funds, which instead were transferred to the CCGs. The DH requested that this error was resolved locally and to date efforts have been made to undertake this. However, given that the majority of the year has passed without any progress, it is prudent now to plan on the assumption that the money will not be received. Therefore the budget is now being monitored against the lower cash limit, and every effort will be made, by avoiding further commitments, to contain spend within that. Inevitably, that will in turn limit the service's ability to take forward developments designed to meet the Government's performance targets.

53. The other ongoing budget issue under investigation is the cost of prescribing drugs related to the Public Health Agreements. It has come to light nationally that local authorities may be recharged for such costs by the NHS Business Services Authority and this amount had not been included in the council's baseline allocation. Initial estimates show Surrey's liability could be in the region of £1.9m. As this is a country wide issue the Director of Public Health (DPH) is linking with other DPHs to progress this matter nationally with DH.

54. Due to the fact that a number of staff did not transfer to the council from NHS Surrey as part of the changes to the NHS from 1 April 2013, PH has had vacancies throughout its team, including many at a senior level. Recruitment to all vacancies has now been completed and all staff are now in post.

55. Public Health is continuing to ensure a strong service is delivered across Surrey. Delivery is happening through previous NHS contracts which are being novated to Surrey and also through tenders for new contractors. The full range of Public Health services are now being delivered across sexual health, substance misuse, school nursing, obesity, physical activity, smoking and health checks.

56. PH is carefully reviewing its expenditure plans to ensure that these fit within their budget, which has been reduced this month to account for the increasing possibility that the £3.3m of funding misallocated to the CCGs will not be received.

Central Income & Expenditure

Table 11: Summary of the revenue position for the directorate

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Feb - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Summary by subjective							
Income	-240.9	-243.7	-2.8	-252.9	-10.5	-254.2	-1.3
Expenditure	31.5	28.9	-2.6	42.7	12.2	41.1	-1.6
Net	**-209.4**	**-214.8**	**-5.4**	**-210.2**	**1.7**	**-213.1**	**-2.9**
Local Taxation	-488.2	-489.5	-1.3	-599.3	-111.1	-600.6	-1.3
Risk contingency			0.0	13.0	13.0	13.0	0.0
Total net	**-697.6**	**-704.3**	**-6.7**	**-796.5**	**-96.4**	**-800.7**	**-4.2**

57. The year to date variance of -£6.7m is caused by lower than budget capital financing costs and redundancy & compensation. In addition, income from retained business rates and government grants is £3.2m ahead of budget, although by year-end this over recovery will reduce slightly, as explained below.

58. Capital financing costs under the interest payable budget is -£1.1m under budget due to the council not undertaking any borrowing to fund its capital programme so far this year. The Minimum Revenue Provision (MRP) is money set aside to repay

debt and is calculated on the audited balance sheet at 31 March 2013. Following the unqualified audit of the statement of accounts in September, this budget is -£0.5m underspent, and will remain at that level at year end.

59. The cost of auto-enrolment of staff into the Pension Schemes is less than originally budgeted, currently by -£0.8m, this will result in a year-end underspend of £1m.

60. The medium term financial plan included a business rates safety net top slice return of £2.4m. The council will not now receive this grant due to national call on the safety net (this will also be a pressure in 2014/15). The Education Support Grant has also been reduced by £1m, due to schools gaining academy status. However, this is offset in 2013/14 by additional grant income which was not included in the MTFP which will now be greater than the shortfall. These include the Local Authority Central Spend Efficiency Grant (£1.4m), Adoption Reform (£1.5m), Small Business and Empty Property Rate Relief grant (£0.7m), Council Tax Transition Grant (£0.3m), and HM Courts Service (£0.1m).

61. In addition, the collection of Business Rates in 2013/14 is expected to yield £1.3m in additional revenue in excess of the original budget. It is proposed that this amount is contributed to the Budget Equalisation Reserve along with the amount received in relation to the Small Business & Empty Property Rate Relief Grant.

62. Interest receivable is projected to over-recover by around -£0.7m due to higher cash balances held at the beginning of the year as a result of the up-front payment of a number of Government grants.

63. As described above, the MRP charge will underspend this year by -£0.5m, due to lower borrowing in 2012/13 than projected at the time of setting the 2013/14 MRP budget.

64. In setting the budget, the council assumed that it would use its cash balances to fund capital expenditure in place of borrowing externally. However, a provision was made against any external borrowing being undertaken. The council has been able to maintain its internal borrowing strategy throughout 2013/14 and the possibility of requiring this provision is now very small. Therefore this budget is forecast to underspend by -£0.9m. In addition, there is a further -£0.9m of unspent New Homes Bonus within the interest payable budget.

65. In April 2013 the council were required to auto-enrol its staff into the relevant Pension Scheme. The MTFP made a provision for the additional cost of this, based on the nine months year to date there is likely to be an underspend of £1m.

66. The council set aside £13m as a risk contingency. As this will not be required this year, the council approved this funding to be carried forward to support the 2014/15 budget.

Revolving Infrastructure & Investment Fund

Table 12: Summary

Summary	YTD Actual £m	Full Year Forecast £m
Income	-1.8	-2.2
Expenditure	1.1	1.5
Net Revenue Position	**-0.7**	**-0.7**

67. The Revolving Infrastructure & Investment Fund was established in the 2013-18 MTFP in order to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. Net income, after the deduction of

funding costs, is being delivered this financial year by the Joint Venture project to deliver regeneration in Woking town centre (Bandstand Square) and from various property acquisitions that have been made for future service delivery.

68. Capital expenditure to date includes the purchase of four properties (Ranger House, Egham High Street, Parkside House and Bridgehead House), loans to the Woking Bandstand Joint Venture company and a small investment in FutureGov.

69. The forecast capital spend includes an estimate of further loans to the Joint Venture company and the £10.3m purchase of asset as agreed by Cabinet.

70. Funding costs are being charged to the Revolving Infrastructure & Investment Fund to reflect the opportunity cost of using internal capital resources. As additional borrowing has not yet been required, the projects noted above will deliver gross income of £2.1m for the year, with the additional income of £1.4m being recorded in the Central Income & Expenditure interest receivable account.

Staffing costs

71. The council employs three categories of staff.

- Contracted staff are employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
- Bank staff are contracted to the council and paid through the payroll but have no guaranteed hours.
- Agency staff are employed through an agency with which the council has a contract.

72. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff. This is particularly the case in social care.

73. A sensible degree of flexibility in the staffing budget is good, as it allows the council to keep a portion of establishment costs variable. The current level is approximately 92% of costs are due to contracted staff.

74. The council sets its staffing budget based upon the estimated labour required to deliver its services. This is expressed as budgeted full time equivalent staff (FTEs) and converted to a monetary amount for the budget. This budget includes spending on all three categories of staff and is the key control in managing staffing expenditure.

75. The council's total full year budget for staffing is £313.0m based on 8,025 budgeted FTEs. The year to date budget for the end of January 2014 is £259.1m and the expenditure incurred is £255.0m. At the end of January 2014, the council employed 7,339 FTE contracted staff.

76. Table 13 shows the staffing expenditure and FTEs for the period to January against budget, analysed among the three staff categories for each directorate. The table includes staff costs and FTEs that are recharged to other public services for example: other councils, NHS Trusts, outsourced to South East of England Councils or capital funded (super fast broadband). The funding for the recharges is within other income.

Table 13: Staffing costs and FTEs to end of January 2014

	Staffing budget to Jan 2014 £m	Staffing spend by category						Jan 2014 occupied contracted FTE
		Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	Budget FTE	
Adult Social Care	59.9	52.6	3.0	1.7	57.3	-2.6	2,187	1,863
Children Schools & Families	87.1	78.8	4.0	3.3	86.2	-0.9	2,690	2,465
Customer and Communities	47.7	42.8	0.8	3.8	47.5	-0.3	1,507	1,431
Environment & Infrastructure	19.2	18.2	0.8	0.3	19.4	0.2	524	512
Business Services and Central Income & Expenditure	35.0	32.1	2.4	0.1	34.6	-0.4	892	830
Chief Executive's Office	10.1	9.7	0.2	0.2	10.1	0.0	225	238
Total	259.1	234.3	11.2	9.5	255.0	-4.1	8,025	**7,339**

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

77. The most material variance is a -£2.6m underspend in ASC due to recruitment delays, mainly in reablement and front line teams. However, such staffing savings are counterproductive as they reduce the directorate's ability to implement key strategic savings plans such as FF&C and in most cases are outweighed by additional spend on care ASC might otherwise have avoided.

78. Table 14 shows there are 575 "live" vacancies, for which active recruitment is currently taking place, with 444 of these in social care. The live vacancies figure for

social care in the December report should have been 364. Many vacancies are covered on a temporary basis by either agency or bank staff, the cost of which are shown in Table 13. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest way to measure this is to look at the actual expenditure as shown in table 13 (agency and bank staff)

Table 14: full time equivalents in post and vacancies

	Jan FTE
Budget	8,025
Occupied contracted FTE	7,339
"Live" vacancies (i.e. actively recruiting)	575
Vacancies not occupied by contracted FTEs	111

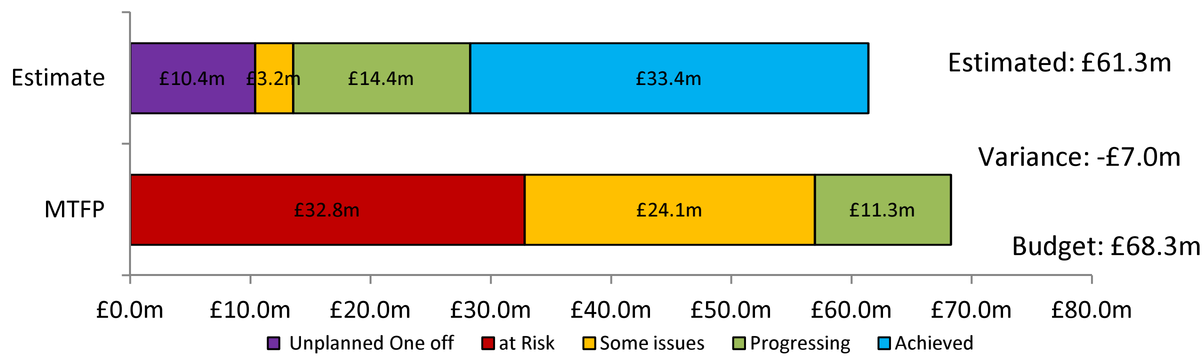
Efficiencies

79. The MTFP incorporates £68.3m of expenditure efficiencies. Overall, the council forecasts achieving £61.3m by year end, an under achievement of -£7.0m. This is the same forecast as at the end of January.

80. The appendix to this annex includes each directorate's efficiencies and a brief commentary on progress. Directorates have evaluated efficiencies on the following risk rating basis:

- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place.
- AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place
- GREEN – Plans in place to take the actions to achieve the saving
- BLUE – the action has been taken to achieve the saving.

Figure 2: 2013/14 ragged overall efficiencies



81. The bulk of the -£7.0m variance is from ASC (-£6.0m), largely due to slippage in the innovative FF&C strategy as outlined above in the directorate's revenue budget commentary.

82. Under achievements in CSF (-£1.8m) and E&I (-£0.5m) remain as reported for December. CSF is experiencing delays in achieving the efficiencies planned in services for children with disabilities together with increasing demand for care packages. This means the planned saving in that area of £1.5m is unlikely to be achieved in 2013/14. Given the pressure on the transport budget, it is also unlikely that the planned efficiency of £0.3m will be achieved. E&I forecasts -£0.4m underachievement on the bus service contract savings. This is offset by overachievement by Business Services bring 2014/15 efficiencies forward (+£1.3m). The appendix to this annex includes each directorate's efficiencies as at the end of January 2014.

Capital

83. By planning significant capital investment as part of MTFP 2013-18, the council demonstrated its firm long term commitment to stimulating economic recovery in Surrey.

84. Table 15 shows current forecast expenditure for the service capital programme and long term investments of £232.6m against a budget of £224.7m. The material variances are summarised below.

- the school basic need programme (-£7.0m);
- acquiring land for waste schemes (-£5.9m);
- contract and adverse weather impeded site access to corporate projects (-£5.3m);
- from archaeological finds at Guildford Fire Station (-£3.0m);
- deliveries for the fire vehicle and equipment replacement programme and mobilisation control (-£2.6m);
- safe cycle bid and economic regeneration projects (-£2.5m);
- replacement of boiler specifications (-£2.0m); and
- obtaining planning permission to improve a travellers' site (-£1.2m).
- Long term investments (£39.5m)

85. There are other smaller variances in the capital programme within Adult Social Care (-£0.2m), Children Schools and Families (-£0.2m), and Environment & Infrastructure (+£1.6m).

86. These variances relate to project duration rather than spending savings. Therefore the overall capital programme will spend the same and funding is unaltered.

Table 15: 2013/14 Capital expenditure position

2013/14 Monitoring	Revised Full Year Budget £m	Apr -Jan actual £m	Feb - Mar projection £m	Full year forecast £m	Full year variance £m
Adult Social Care	2.0	1.2	0.5	1.7	-0.3
Children, Schools & Families	8.0	8.1	-0.4	7.7	-0.3
Customer & Communities	4.8	2.3	-0.1	2.2	-2.6
Environment & Infrastructure	69.3	63.7	1.5	65.2	-4.1
School Basic Need	54.3	36.9	10.4	47.3	-7.0
Business Services	74.8	47.8	9.8	57.6	-17.2
Chief Executive Office	11.5	6.5	4.9	11.4	-0.1
Long term investments	0	28.8	10.7	39.5	39.5
Overall programme	**224.7**	**195.3**	**37.3**	**232.6**	**7.9**

87. The council initially approved the 2013/14 capital expenditure budget at £187.3m. Cabinet subsequently reprofiled the capital budget for 2013/14 by -£2.5m, which reduced it to £184.8m. Up to 31 December 2013 the capital budget was updated for: new approved schemes; re-profiling requests and new grant funded schemes (+£2.7m); drawing down capital grants for Walton Bridge (£0.6m); wellbeing centres (£0.1m); purchasing Woking Magistrates Court (£0.9m); purchasing Quadrant court (£21.3m); and reprofiling highway maintenance (£11.0m) and external funding from sources such as schools' parent teacher associations of £3.2m.

88. In January, the council updated the capital budget for: further funding of £0.1m from local scheme. The revised capital budget for 2013/14 is £224.7m.

89. Table App 4 in the appendix to this annex summarises the budget changes.

Appendix

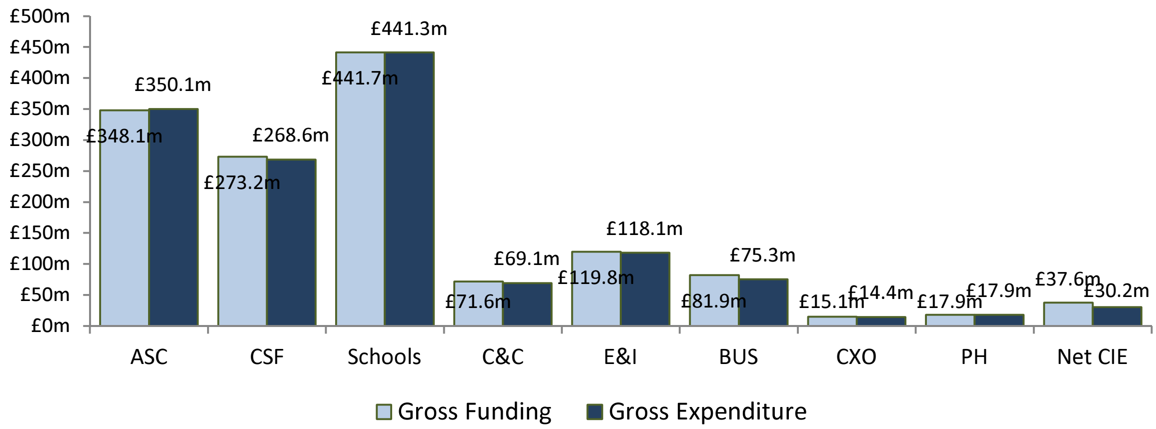
Contents

Corporate performance scorecard – finance

App. 1. Figure 3 shows the gross funding and expenditure for the council for the year to date (as included in the quarterly corporate performance scorecard). Gross funding for a service is its receivable income plus its budgeted share of funding from the council's overall resources. The difference between gross funding and gross expenditure is the net budgetary variance. The amounts are by directorate and relate to the January month end position. Net CIE includes Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.

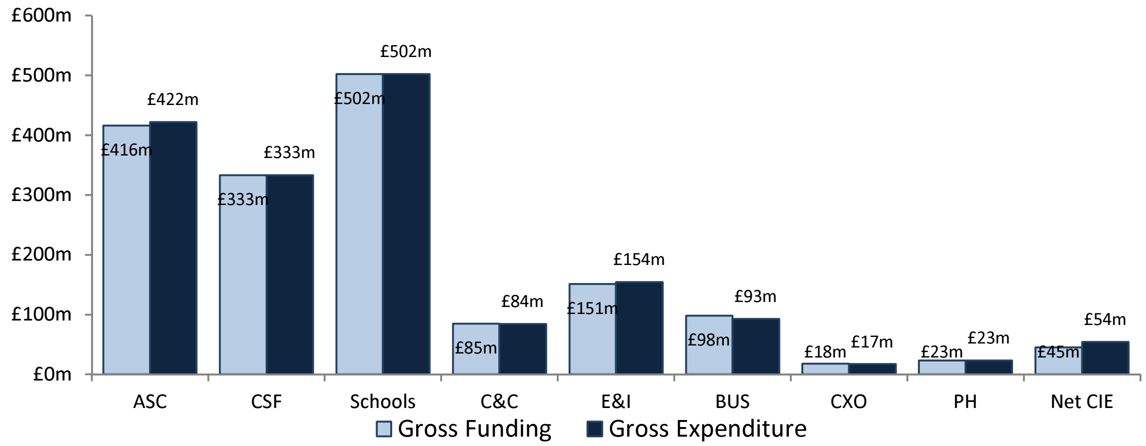
App. 2. The corporate performance scorecard also includes the year end forecast revenue position shown above in Figure 1.

Figure 3: Year to date revenue position



App. 3. Figure 4 shows services forecast an underspend year end position of -£2.1m (-£0.9m at the end of December). This excludes -£0.7m net income on the Revolving Infrastructure & Investment Fund.

Figure 4: Year end forecast revenue position

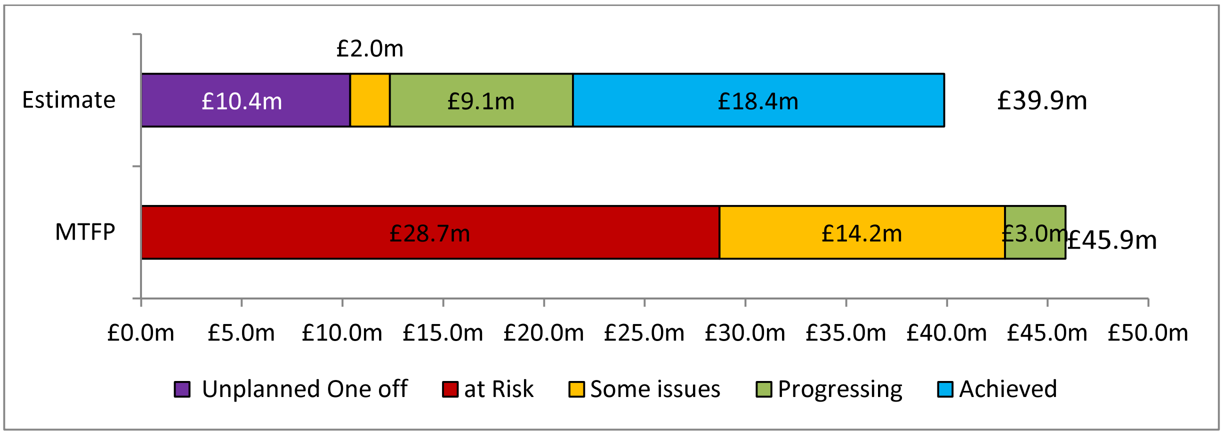


Efficiencies & service reductions

App. 4. The graphs below track progress against directorates' MTFP 2013-18 ragged expenditure efficiencies & service reductions.

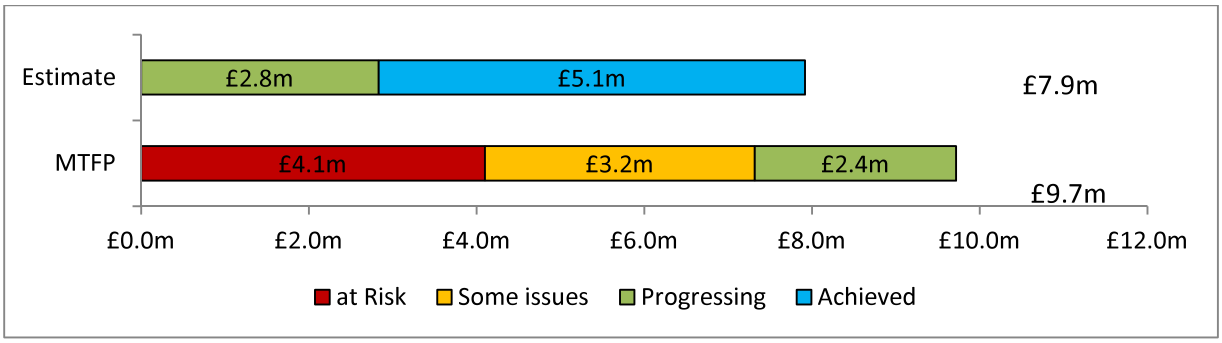
App. 5. All the graphs use the same legend:
Red – At risk, Amber – Some issues, Green – Progressing and Blue – Achieved. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



App. 6. The Directorate has already achieved savings of £18.4m this year, including £5.6m of savings to constrain inflation for individually commissioned care services, and a further £11.1m is on target to be achieved by year end of which £7m has already been realised as part of a wider saving action. The most significant element of ASC's savings plans in 2013/14 is the Family, Friends & Community (FFC) support strategy, which originally had a £15.5m savings target. Given the scale of the challenge and that this is the first year of these ambitious plans, it was flagged as a significant risk during the budget planning process and although considerable work is ongoing to fully embed this new approach, this will mainly impact on next year's budget and therefore no savings are forecast for 2013/14. The projected FFC slippage combined with minor slippage against other savings plans is being partially offset by £10.4m of unplanned one-off savings, which will need to be replaced by new savings plans in 2014/15. The main one-off savings measures are draw downs of £7.5m of unused Whole Systems 2011/12 funds and £1.7m of previous years' Winter Pressures Funding. The Whole Systems funding was set aside by the Directorate as a contingency for this year's budget and the draw down has now been actioned following approval by Cabinet. The Winter Pressures money was carried forward to offset anticipated increased demand over the winter period.

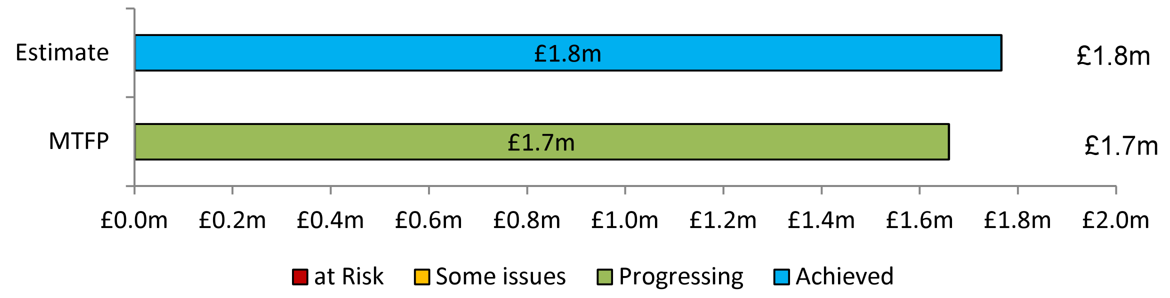
App. 7. Children, Schools & Families



App. 8. The forecast budget position for CSF means it is unlikely to achieve two of the planned efficiencies. Delays in achieving the efficiencies planned in services for

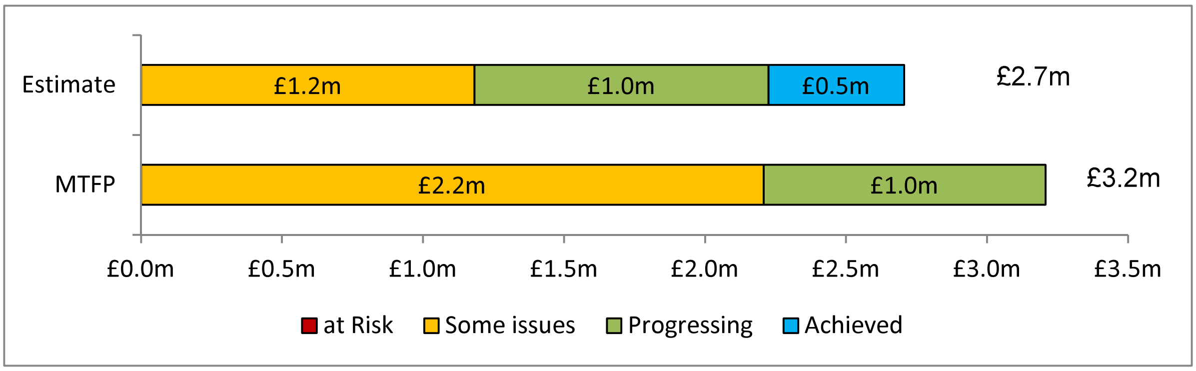
children with disabilities together with increasing demand for care packages, as described above, mean that the planned saving of £1.5m is unlikely to be fully achieved in 2013/14. Also, given the pressure on the transport budget the planned efficiency of £0.3m will not be achieved. The £1.8m unachieved savings in 2013/14 have been reallocated in 2014/15 and are expected to be achieved along with the 2014/15 efficiency savings.

Customer & Communities



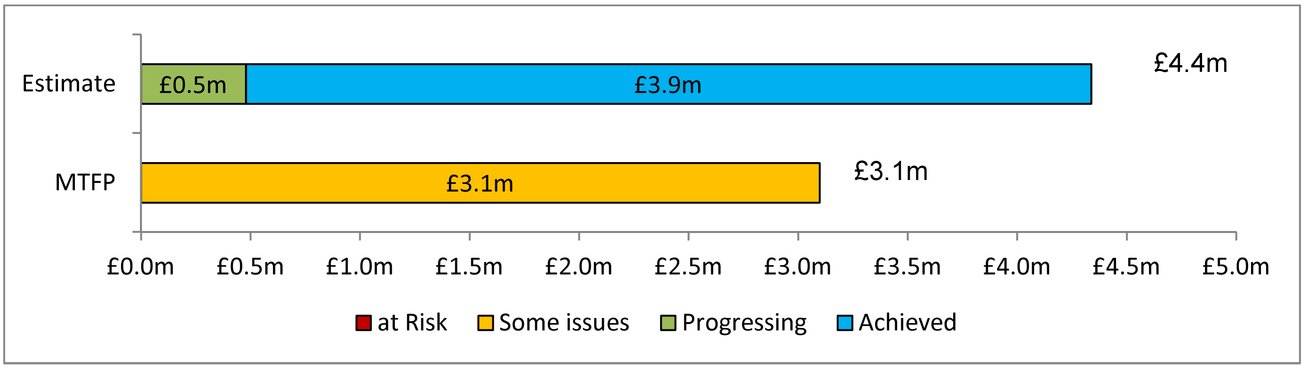
App. 9. The efficiencies summary shows an over-achievement of +£0.1m against the 2013/14 target of £1.7m. This is due to the early achievement of the 2014/15 Directorate Support staff saving. The majority of the 2013/14 efficiencies have already been achieved, with the exception of the Cultural Services income increase. This is expected to be achieved as Registration are currently over-achieving their target however there are some risks associated with Libraries and Heritage income that may have an impact on this.

App. 10. Environment & Infrastructure



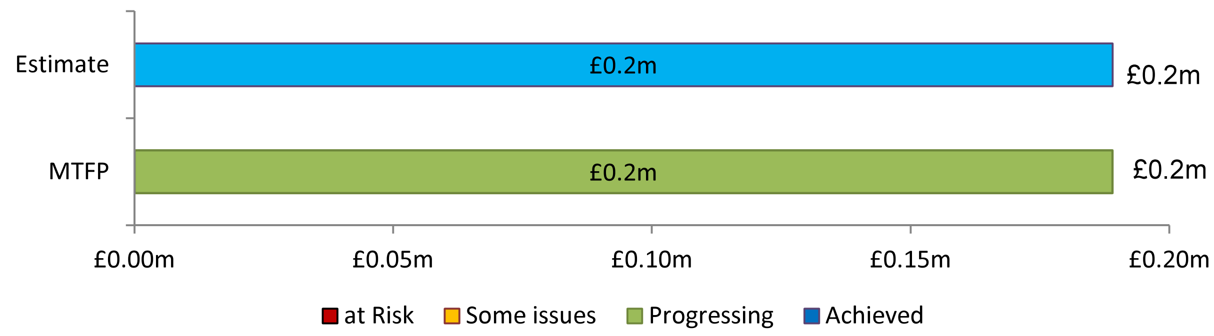
App. 11. The directorate currently anticipates a shortfall of £0.5m against planned savings and efficiencies, primarily bus services contract savings (£0.4m) which have been superseded by the wider Transport Review.

Business Services



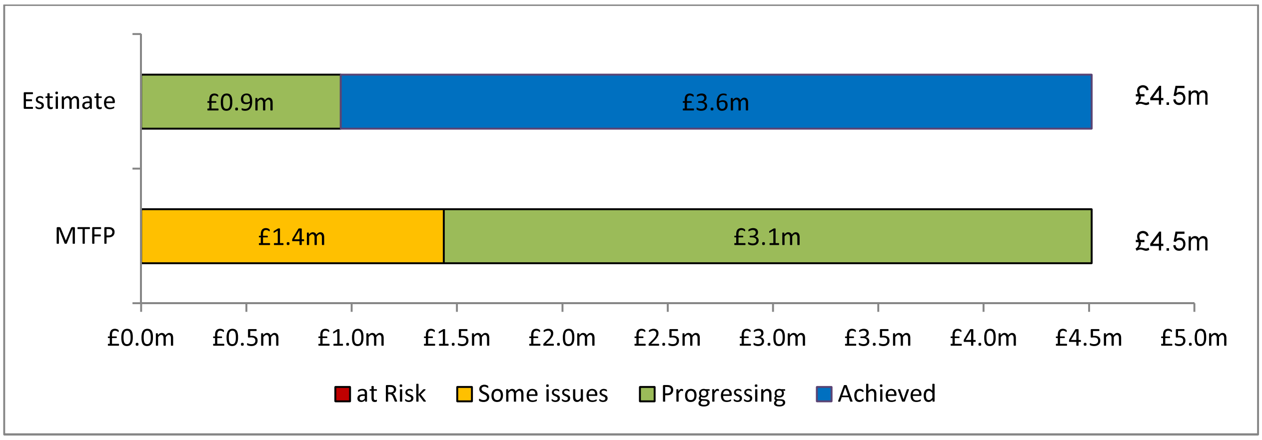
App. 12. The budget for the directorate includes efficiency savings and increased income targets of £3.1m. The majority of these have been delivered and all are expected to be delivered. The directorate is also delivering £1.3m of 2014/15 efficiencies early.

Chief Executive's Office



App. 13. The planned 2013/14 efficiencies have been achieved. The Directorate is currently holding vacancies within Policy & Performance in preparation for achieving efficiency savings for 2014/15 and will review these during the year to establish the on-going effect.

Central Income & Expenditure



App. 14. The efficiencies identified in MTFP 2013-18 from changes to the council's treasury management strategy have been achieved. Those in relation to redundancy are on track to be realised.

Updated budget - revenue

App. 15. The council's 2013/14 revenue expenditure budget was initially approved at £1,685.3m. Subsequently Cabinet approved the use of reserves built up in 2012/13 to augment this. Adding virement changes in May to December increased the expenditure budget at the end of December to £1,689.8m. In January, there was a transfer back to the Department for Education for academy status conversions (£0.8m), an adjustment in education to reflect catering contracts lost during the year (£0.9m) and a number of virements reprofiled the income & expenditure budgets, decreasing the overall expenditure budget by £2.4m. Table App 1 summarises these changes.

Table App 1: Movement of 2013/14 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves	General balances £m	Total £m	Number of Virements
Original MTFP	-1,662.3	1,685.2	-11.0	-11.9	**0.0**	
Q1 changes	-2.3	11.1	-8.8		**0.0**	72
Q2 changes	7.7	-2.7	-5		**0.0**	114
Q3 changes	-3.6	-3.8	7.4			90
Previous changes	**-1,660.5**	**1,689.8**	**-17.4**	**-11.9**	**0.0**	**276**
January changes						
School budget adj. Jan 14 - budget and grant reduction	0.8	-0.8			**0.0**	1
Education catering contract reduction	0.9	-0.9			**0.0**	1
Quadrant court rent budget	0.3	-0.3			**0.0**	1
Babcock 4S contract variation	-0.3	0.3			**0.0**	1
Transfer of income and expenditure	0.6	-0.6			**0.0**	20
January changes	**2.3**	**-2.3**	**0.0**	**0.0**	**0.0**	**25**
Updated budget - Jan 2014	**-1,658.2**	**1,687.5**	**-17.4**	**-11.9**	**0.0**	**301**

App. 16. When council agreed the MTFP in February 2013, some government departments had not determined the final amount for some grants. Services therefore estimated their likely grant. The general principle agreed by Cabinet was that any changes in the final amounts, whether higher or lower, would be represented in the service's income and expenditure budget. For example, there were a number of changes in September for the notification of schools transferring to Academy status.

App. 17. In controlling the budget during the year, budget managers occasionally need to transfer, or vire, budgets from one area to another. In most cases these are administrative or technical in nature, or of a value that is approved by the Chief Finance Officer.

App. 18. Virements above £250,000 require the approval of the relevant Cabinet Member. There was four virements above £250,000 in January:

a) transfer of £842,709 back to the Department for Education for academy status conversions for January;

b) an education catering virement of £900,774 to reflect catering contracts lost during the year;

c) a virement of £331,492 to remove the budget for Quadrant Court rent which is no longer payable following the purchase; and

d) a virement of £280,271 for a variation to the Babcock 4S contract for the School Direct Training programme.

App. 19. Table App 2 shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year.

Table App 2: 2013/14 updated revenue budget – January 2014

	Income £m	**Expenditure £m**	**Net budget £m**
Adult Social Care	-69.1	405.5	336.4
Children, Schools & Families	-149.1	330.2	181.1
Schools	-502.3	502.4	0.1
Customers and Communities	-24.2	84.1	60.0
Environment & Infrastructure	-18.6	150.2	131.6
Business Services	-14.9	97.8	82.9
Chief Executive's Office	-27.8	44.2	16.4
Central Income & Expenditure	-852.2	42.7	-809.5
Service total	**-1,658.2**	**1,657.0**	**-1.1**
Risk Contingency		13.0	13.0
Total	**-1,658.2**	**1,670.1**	**11.9**

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

App. 20. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2013/14 Revenue budget forecast position as at end of January 2014

	YTD Budget £m	Year to date Actual £m	**YTD Variance £m**	Full Year Budget £m	Remaining Forecast Spend £m	Outturn Forecast £m	**Forecast Variance £m**
Income:							
Local taxation	-488.2	-489.5	**-1.3**	-599.3	-111.1	-600.6	**-1.3**
Government grants	-808.4	-784.3	**24.1**	-908.6	-124.4	-908.7	**-0.1**
Other income	-121.2	-161.5	**-40.3**	-150.3	-2.8	-164.3	**-14.0**
Income	-1,417.8	-1,435.3	**-17.5**	-1,658.2	-238.3	-1,673.6	**-15.4**
Expenditure:							
Staffing	259.1	255.0	**-4.1**	312.2	51.5	306.5	**-5.7**
Service provision	688.6	688.8	**0.2**	855.5	185.7	874.5	**19.0**
Non schools sub-total	947.7	943.8	**-3.9**	1,167.7	237.2	1,181.0	**13.3**
Schools expenditure	441.7	441.3	**-0.4**	502.4	61.1	502.4	**0.0**
Total expenditure	1389.4	1385.1	**-4.3**	1,670.1	298.3	1683.4	**13.3**
Movement in balances	**-28.4**	**-50.2**	**-21.8**	**11.9**	**59.9**	**9.7**	**-2.1**

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

Updated budget - capital

App. 21. The council initially approved the 2013/14 capital expenditure budget at £187.3m. Subsequently, Cabinet amended the budget by approving reprofiling and carry forwards (-£32.6m in total, -£2.5m for 2013/14) from 2012/13. This decreased 2013/14's capital budget to £184.8m.

App. 22. New virements and reprofiling in May to December added £40.5m to the capital budget. There are changes to the capital budget totalling £0.1m, increasing the capital budget to £224.7m. There were no changes over £0.25m.

App. 23. Table App 4 summarises these changes.

Table App 4: Movement of 2013/14 capital expenditure budget

2013/14 Monitoring	MTFP Budget £m	C/fwd and reprofiled budget £m	Budget virement £m	Revised full year budget £m
Adult Social Care	1.3	0.4	0.3	2.0
Children, Schools & Families	2.8	1.6	3.6	8.0
Customer & Communities	2.0	3.1	-0.3	4.8
Environment & Infrastructure	50.1	4.3	14.9	69.3
Business Services	50.4	0.6	23.8	74.8
Schools Basic Need	69.2	-14.9	0.0	54.3
Chief Executive's Office	11.5	0.0	0.0	11.5
Total overall	**187.3**	**-4.9**	**42.3**	**224.7**

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