

Notice of Meeting

Council Overview & Scrutiny Committee



Date & time
Wednesday, 5
March 2014
at 10.30 am

Place
Ashcombe Suite,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact
Bryan Searle, Jisa Prasannan
or Andrew Spragg
Room 122, County Hall
Tel 020 8541 9019 or 020
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Chief Executive
David McNulty

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Bryan Searle, Jisa Prasannan or Andrew Spragg on 020 8541 9019 or 020 8213 2673.

Members

Mr Nick Skellett CBE (Chairman), Mr Eber A Kington (Vice-Chairman), Mr Mark Brett-Warburton, Mr Bill Chapman, Mr Stephen Cooksey, Mr Bob Gardner, Dr Zully Grant-Duff, Mr David Harmer, Mr David Ivison, Mr Adrian Page, Mrs Denise Saliagopoulos, Mr Chris Townsend, Mrs Hazel Watson, Mr Keith Witham and Mrs Victoria Young

Ex Officio Members:

Mr David Munro (Chairman of the County Council) and Mrs Sally Ann B Marks (Vice Chairman of the County Council)

TERMS OF REFERENCE

The Committee is responsible for the following areas:

Performance, finance and risk monitoring for all Council services	HR and Organisational Development
Budget strategy/Financial Management	IMT
Improvement Programme, Productivity and Efficiency	Procurement
Equalities and Diversity	Other support functions
Corporate Performance Management	Risk Management
Corporate and Community Planning	Europe
Property	Communications
Contingency Planning	Public Value Review programme and process

PART 1 IN PUBLIC

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING: 30 JANUARY 2014

(Pages 1
- 10)

To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (27 January 2014).
2. The deadline for public questions is seven days before the meeting (26 January 2014).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE

(Pages
11 - 16)

Recommendations were made to Cabinet regarding the Council's Corporate Strategy and Budget Report 2014-2019, following a meeting of the Council Overview & Scrutiny Committee on 30 January 2014. A response was given at the Cabinet meeting on 4 February 2014.

A recommendation was also made to Cabinet following the interim report of the Welfare Reform Task Group, at the same meeting. A response is enclosed.

6 BUDGET MONITORING REPORT & QUARTERLY BUSINESS REPORT (Pages 17 - 54)

Purpose of the report:

This report presents the revenue and capital budget monitoring up-date for January 2014 with projected year-end outturn.

7 NEW MODELS OF DELIVERY PROGRAMME/ LOCAL AUTHORITY TRADING COMPANY UPDATE (Pages 55 - 60)

Purpose of the report: Policy Development and Review

To provide the Committee with an update on the New Models of Delivery Programme and the progress of the Adult Social Care Local Authority Trading Company.

8 RECOMMENDATION TRACKER AND FORWARD WORK PROGRAMME (Pages 61 - 72)

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings, and to review its Forward Work Programme.

9 DATE OF NEXT MEETING

The next meeting of the Committee will be held at 10.30am on 2 April 2014.

**David McNulty
Chief Executive**

Published: Tuesday, 25 February 2014

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MINUTES of the meeting of the **COUNCIL OVERVIEW & SCRUTINY COMMITTEE** held at 10.30 am on 30 January 2014 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on Wednesday, 5 March 2014.

Members:

- * Mr Nick Skellett CBE (Chairman)
- * Mr Eber A Kington (Vice-Chairman)
- * Mr Mark Brett-Warburton
- * Mr Bill Chapman
- * Mr Stephen Cooksey
- * Mr Bob Gardner
- * Dr Zully Grant-Duff
- * Mr David Harmer
- * Mr David Ivison
- * Mr Adrian Page
- * Mrs Denise Saliagopoulos
- A Mr Chris Townsend
- * Mrs Hazel Watson
- * Mr Keith Witham
- * Mrs Victoria Young

Ex-officio Members:

Mr David Munro, Chairman of the County Council
Mrs Sally Ann B Marks, Vice Chairman of the County Council

Substitute Members:

Mr Nick Harrison

Present:

Mr Mel Few, Cabinet Member for Adult Social Care
Ms Denise Le Gal, Cabinet Member for Business Services

* = present

1/14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Chris Townsend. Nick Harrison acted as his substitute.

2/14 MINUTES OF THE PREVIOUS MEETING: 4 DECEMBER 2013 [Item 2]

These were agreed as an accurate record of the meeting.

3/14 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interest.

4/14 QUESTIONS AND PETITIONS [Item 4]

There were no questions or petitions.

5/14 RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [Item 5]

The Committee did not refer any items to the Cabinet at its last meeting, so there were no responses to report.

6/14 WELFARE REFORM TASK GROUP - INTERIM REPORT [Item 6]

Declarations of interest: None.

Task Group members in attendance:

David Harmer (Chairman)

Stephen Cooksey

Bob Gardener

Fiona White

Key points raised during the discussion:

1. The Chairman of the Welfare Reform Task Group commented that the process had been instructive, and that both officer and external witnesses had made similar comments. It was outlined that the Task Group had identified a number of areas of concern, as detailed in the interim report.
2. The Committee discussed the Local Assistance Scheme (LAS) and its considerable current under-spend. The chairman of the task group stated there could be an under-spend of £900,000 on the LAS, which would be returned to general balances at the end of the financial year. The Chairman of the Welfare Reform Task Group highlighted the recommendation that this funding be ring-fenced and targeted to develop early-intervention support, particularly in relation to money management. He also noted that central government spending for the scheme would cease from April 2015. A member suggested that the County Council should be advertising the Local Assistance Scheme, in addition to the Districts and Boroughs, in order to increase awareness of this source of help.
3. The Committee commented that the Citizen's Advice Bureau (CAB) had an important role in providing support for those affected by welfare reforms. It was commented that the CAB offered holistic expertise and had already piloted a scheme advising on money management. The Committee noted that the report indicated a 17% rise in welfare related queries in the past year, half of which was due to the administration of LAS.
4. The Committee discussed the role of GetWiSE in relation to the provision of advice in regard to welfare reform. The Chairman of the Adult Social Care Select Committee highlighted that the Committee would be reviewing the performance data for GetWiSE at its meeting in May 2014.

5. The Task Group was asked by the Committee to consider how the early help and preventative agenda in Children's Services was linked to addressing the impacts of welfare reform. The Committee discussed the role of the Family Support Programme in addressing some of the issues related to welfare reform, and it was commented by one Member that they would like to see the eligibility criteria and duration of intervention extended.

Recommendations:

- That any Local Assistance Scheme funding left unallocated at the end of 2013/14 be rolled over into 2014/15 and be ring fenced and continue to be committed to supporting severely affected residents to manage the impact of welfare reform changes: subject to detailed proposals for allocation by the Task Group, a proportion of this funding to be targeted towards early intervention support, particularly aimed at improving money management skills and general financial awareness.

Actions/further information to be provided:

None.

Committee Next Steps:

The Welfare Reform Task Group will provide a final report at the meeting of the Council Overview and Scrutiny Committee on 2 April 2014.

7/14 CORPORATE STRATEGY AND BUDGET REPORT 2014-2019 [Item 7]

Declarations of interest: None.

Witnesses:

Liz Lawrence, Head of Policy and Performance
 Kevin Kilburn, Deputy Chief Finance Officer
 Julie Fisher, Strategic Director for Business Services
 Denise Le Gal, Cabinet Member for Business Services

Key points raised during the discussion:

1. The Committee was informed that there had not been significant changes to the Corporate Strategy, as there had been a substantial refresh the previous year to look over the life of the Council. The Committee's attention was drawn to the proposed priorities for 2014/15. Some had been carried forward from the previous year but there were also new priorities on the Family Support Programme, working with health partners on the Better Care Fund and the Council's response to flooding.
2. Officers commented that the Medium Term Financial Plan (MTFP) 2014-19 reflected the fact that there was a greater certainty about levels of local government funding for the next two financial years, after which the comprehensive spending review undertaken by the current central government would have reached its conclusion.

3. The Committee was informed that the announcement regarding the council tax referendum threshold was still pending. The Cabinet Member praised finance officers for the work they had undertaken with the Treasury around this matter. The Committee was informed that officers were exploring the possible options in the event of a funding shortfall, but that no proposals had been brought for the Cabinet's consideration at the present stage.
4. The Committee recognised the Council's achievements in making savings in recent years to deal with increased demands on services and was pleased to note that £25m of Better Care Funding was being negotiated from 2015/2016. However the Committee was concerned about several uncertainties in the Council's budgetary planning:
 - A significant amount of the available reserves amounting to £26m were being used to balance the 2014/2015 budget, leaving considerably reduced reserves for the following years.
 - There was a reduction in the contingency for 2014/2015 from £13m to £5m and then another reduction to a nil contingency in 2015/2016, despite many savings programmes being uncertain. Officers explained that the contingency had not been used in previous years and was now adding to the budget pressure of services. If the contingency continued then further equivalent savings would have to be made
 - Whilst noting that the Council will receive £18m of Whole Systems funding in 2014/2015, it was still being negotiated with CCGs on the level from 2015/2016.
5. The Committee held a discussion of recommendation 6 of the Budget Report, which proposed the establishment of a mechanism to track and monitor progress on the development and implementation of plans for achieving efficiencies. The Committee acknowledged that this was an enhancement to reflect the increasingly complex financial environment facing the Council, rather than a response to a failure of existing monitoring mechanisms, and noted that the detailed objectives and procedures were still being determined. The Committee stressed the importance of the role of Select Committees in reviewing and advising on areas of concern at an early stage, and wished to ensure that this was built into the process developed.

Recommendations:

- (a) That the Cabinet address the following questions in relation to the proposed budget:
 - (i) How will the Cabinet bridge the gap in 2014/2015 given that the 2014/2015 proposals rely on some savings which we have been informed will not be met and other savings which are difficult?

- (ii) How will the Cabinet deal with future budgets if the strategy of lobbying government and the NHS for better funding is not as successful as is hoped, given that there will be no contingency or reserves to cushion slippages?
- (b) That the Council Overview & Scrutiny Committee be consulted on the proposals for a mechanism to track and monitor progress on the development and implementation of robust plans for achieving efficiencies in the MTFP, and that the mechanism makes provision for the early involvement of Select Committees in addressing any concerns identified by the process.

Actions/further information to be provided:

It was requested by the Committee that responses to these recommendations, be received from the Cabinet, prior to the budget setting meeting of the County Council on 11 February 2014.

Committee Next Steps:

None.

8/14 BUDGET MONITORING - QUARTER 3 - 2013/14 [Item 8]

Declarations of interest: None.

Witnesses: Kevin Kilburn, Deputy Chief Finance Officer
Julie Fisher, Strategic Director for Business Services
Mel Few, Cabinet Member for Adult Social Care

Key points raised during the discussion:

1. A report of the Performance and Finance Sub Group on the Corporate Strategy and Budget Report 2014-19 was tabled at the meeting and is attached to these minutes.
2. The Committee was informed that it was forecast that the Council would make £60.3 million of its planned savings and reductions of £68.3 million. The Committee held a discussion around the Family, Friends & Community Support agenda in Adult Social Care, which was a key area where savings had not been achieved. The Cabinet Member for Adult Social Care praised the Directorate for achieving a difficult series of savings for 2013/14, and highlighted that the Family, Friends & Community Support agenda was a long-term initiative that required developing and embedding in assessment processes. The Cabinet Member commented that any reduction in non-statutory services would be most likely a short-term saving, as many of these responsibilities would become necessary under the proposed changes brought in by the Care Bill.
3. The Committee queried the amount of the savings for Adult Social Care identified in the Medium Term Financial Plan (MTFP) in 2014/15 attributable to Family, Friends & Community Support. The Cabinet

Member commented that a £24 million saving for Family, Friends & Community Support had been identified, and that he did not believe that £19 million of these would be achievable within the financial year. The Committee expressed a number of concerns regarding the lack of a contingency in the budget proposal for 2014/15 to address this anticipated shortfall. Officers commented that there were a number of robust measures in place, and highlighted the recommendation contained within the 2014/15 Budget Report to Cabinet that proposed an additional mechanism for the Chief Executive and Chief Finance Officer to track progress and implement robust plans throughout the MTFP.

4. The Committee queried whether there had been consideration as to further sharing of senior level responsibilities. Officers commented that the Council would continue to investigate where services could be shared and centralised in order to reduce costs. The Committee held a discussion as to how the Council worked to increase funding or generate income. It was highlighted that current Council policy was to investigate opportunities to make long-term investments and income sources, rather than short-term gains through asset disposal.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

9/14 REVIEW OF THE INVESTMENT PANEL [Item 9]

Declarations of interest: None.

Witnesses:

Nick Carroll, Finance Manager – Funding & Planning
 Julie Fisher, Strategic Director for Business Services
 Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. The Committee was informed that the Investment Panel had been set up with the intention of ensuring that business cases were robustly scrutinised before going to Cabinet for decision. It was highlighted that this practice reflected that of the private sector. It was commented that the report did not make any mention of risk in relation to investments. Officers gave assurance that there was a focus on risk, and that this was included as a component within each business case. It was confirmed that officers were working to capture how the Investment Panel worked in conjunction with IT change projects.

2. The Committee asked whether independent and external oversight had been used by the Investment Panel. It was clarified that external opinion would be sought when the Investment Panel was requested to review a significant project requiring specific expertise, but that it was not done as a matter of routine.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

**10/14 RECOMMENDATION TRACKER AND FORWARD WORK PROGRAMME
[Item 10]**

Declarations of interest: None.

Witnesses: None.

Key points raised during the discussion:

1. The Committee noted its Forward Work Programme and Recommendations Tracker. The Chairman advised that an item on trading and investment would be brought to the next Committee meeting. There were no further comments.

Recommendations:

None.

Actions/further information to be provided:

None.

Committee Next Steps:

None.

11/14 DATE OF NEXT MEETING [Item 11]

It was noted that the date of the next meeting was 5 March 2014.

Meeting ended at: 1.02 pm

Chairman

Council Overview & Scrutiny Committee
10.30am on Thursday 30 January 2014

ITEM 7: CORPORATE STRATEGY AND BUDGET REPORT 2014-2019

At its meeting on Monday 27 January 2014, the Performance & Finance Sub-Group considered the Revenue and Capital Budget for 2014/15 to 2018/19, which forms part of item 7 of the Council Overview & Scrutiny Committee agenda for 30 January 2014.

The Sub Group noted that the budget shortfall in 2014/2015 was proposed to be met by a contribution of £26M from reserves. As this was a one-off solution for the forthcoming financial year the question on what happens in 2015/2016 was discussed and the Sub Group were pleased to note that £25m had been negotiated from Better Care Funding for 2015/16. However the Sub-Group was concerned about the uncertainty in relation to the availability of Whole Systems Funding in 2015/2016, and whether it would match or exceed the £18m for 2014/15. So it was agreed that a briefing note on this issue would be provided by the Deputy Chief Finance Officer. The Sub-Group therefore recommends that the Cabinet be asked the following question:

- Given that the shortfall in the 2014/15 budget will be met by a contribution from Reserves (and a reduction in contingency) which cannot be repeated in 2015/16, is the Council confident that it will receive sufficient funding through the Better Care Fund (and Whole Systems Funding or its equivalent) to balance the budget in 2015/16?

Subject to further information about the availability of Whole Systems Funding in 2015/16, the Sub-Group also recommended that this should be identified as a risk in paragraph 92 of the report.

The Sub-Group also requested that the following additional information be provided for the Committee:

- Details of the risk levels for the achievement of the identified budget savings in the 2013/14 budget, particularly the extent of the savings currently identified as red risks.
- Details of the RAG status for the £69m savings allocated in 2014/15 plus the £17m savings needed to be found in 2014/15 from one off savings in 2013/14 and the savings not achieved in 2013/14.
- Further information on procedures and detailed objectives of the new mechanism to track and monitor progress on the development and implementation of plans for achieving efficiencies, as described in recommendation 6 on page 1 of the Cabinet report.

The budget for 2014/15 includes an assumption of a 1.99% increase in the Council Tax, below the expected threshold of 2%, above which a referendum on the increase would be triggered. However, the Sub-Group noted that as the Government has not

yet announced the level at which the threshold would be set there is a possibility that the announcement will be made after the 11th February. Due to the risk that the threshold could be set at a rate below 2%, the Sub-Group suggests that the Committee make the following recommendation to the Cabinet:

Recommendation: That if the threshold for triggering a referendum is not known when the Council meets to agree the budget on 11 February 2014, the Council adjourn its decision on the level of the Council Tax precept in Surrey until the Government has formally made its announcement.

Nick Skellett
Chairman of the Performance & Finance Sub-Group

COUNCIL OVERVIEW & SCRUTINY COMMITTEE

Item under consideration: CORPORATE STRATEGY AND BUDGET

5

Date Considered: 30 January 2014

- 1 At its meeting on 30 January 2014 the Council Overview & Scrutiny Committee reviewed the quarter 3 budget monitoring report for 2013/2014, the Corporate Strategy for 2014 to 2019, and the revenue and capital budget for 2014/2015 to 2018/2019.

- 2 The Committee recognised the Council's achievements in making savings in recent years to deal with increased demands on services and was pleased to note that £25m of Better Care Funding was being negotiated from 2015/2016. However the Committee was concerned about several uncertainties in the Council's budgetary planning:
 - A significant amount of the available reserves amounting to £26m are being used to balance the 2014/2015 budget, leaving considerably reduced reserves for the following years.
 - The budget is constructed on large savings being made by the new Family, Friends and Community Support initiative but present evidence suggests this is not attainable.
 - There is a reduction in the contingency for 2014/2015 from £13m to £5m and then another reduction to a nil contingency in 2015/2016, despite many savings programmes being uncertain.
 - Whilst noting that the Council will receive £18m of Whole Systems funding in 2014/2015, it is not clear how much of this funding or its equivalent will be available from 2015/2016.

- 3 The Committee recommended
 - (a) That the Cabinet address the following questions in relation to the proposed budget:
 - (i) How will the Cabinet bridge the gap in 2014/2015 given that the 2014/2015 proposals rely on some savings which we have been informed will not be met and other savings which are difficult?
 - (ii) How will the Cabinet deal with future budgets if the strategy of lobbying government and the NHS for better funding is not as successful as is hoped, given that there will be no contingency or reserves to cushion slippages?

- 4 Recommendation 6 of item 7 on the Cabinet agenda for 4 February 2014 proposes the establishment of a mechanism to track and monitor progress on the development and implementation of plans for achieving efficiencies. The Committee acknowledged that this was an enhancement to reflect the increasingly complex financial environment facing the Council rather than a response to a failure of existing monitoring mechanisms, and noted that the detailed objectives and procedures were still being determined. The Committee stressed the importance of the role of Select Committees in reviewing and advising on areas of concern at an early stage, and wished to

ensure that this was built into the process developed. The Committee therefore made the following **recommendation**:

(b) That the Council Overview & Scrutiny Committee be consulted on the proposals for a mechanism to track and monitor progress on the development and implementation of robust plans for achieving efficiencies in the MTFP, and that the mechanism makes provision for the early involvement of Select Committees in addressing any concerns identified by the process.

5 As part of its consideration of an interim report from its Welfare Reform Task Group, the Committee heard that many of the witnesses had expressed concern about the significant under spend of the Local Assistance Scheme (LAS) fund, which had been established by the County Council to provide emergency support to people in crises, particularly as a result of benefit changes. The underspend was due to a lack of publicity and difficulties faced by residents in some areas of Surrey in accessing support, given the limited geographical spread of CAB offices that process the scheme. The Task Group intends to meet with Shared Services, who are administering the scheme, to discuss these issues. In the light of the importance of this fund in providing emergency support, the Committee made the following **recommendation**:

(c) That any Local Assistance Scheme funding left unallocated at the end of 2013/14 be rolled over into 2014/15 and be ring fenced and continues to be committed to supporting severely affected residents to manage the impact of welfare reform changes: subject to detailed proposals for allocation by the Task Group, a proportion of this funding to be targeted towards early intervention support, particularly aimed at improving money management skills and general financial awareness.

NICK SKELLETT
Chairman of the Council Overview & Scrutiny Committee

Response to Recommendations (a) & (b):

I welcome the Council Overview and Scrutiny Committee's comments recognising the challenges in our MTFP as well as the enormous achievements of the council to date in terms of its budget.

I can confirm that the MTFP does depend upon us achieving the savings that have already been identified and agreed. It is crucial to note that at this stage services are not being asked to find additional savings.

I will now refer to some of the specific points raised by the Committee in the background to their report:

- Of the £26m reserves cited, £20m came from the Budget Equalisation Reserve. This is a reserve which has been specifically built up over previous years in order to smooth the council's spend across the medium term. Accordingly, only £6million is being applied this year from other reserves.
- The Committee is right in recognising that the savings anticipated from Family, Friends and Communities are significant. That is why there is already considerable work underway to confirm both the scale and timing of how these will be delivered. It is crucial to recognise that there is no question amongst my Cabinet that this is the right strategy; therefore the discussion is entirely about the execution of the approach. I am aware that both the Council Overview and Scrutiny and Adult Social Care Select Committees have already been involved in scrutinising this initiative and I would welcome their continued scrutiny as this project progresses.
- It is clear that the future of Adult Social Care services is fundamentally entwined with how we integrate health and social care. Detailed conversations are taking place with our CCG colleagues to confirm both how whole systems funding will work in 2014 – 15 and how we will work together with Better Care Funding proposals from 2015 onwards.

In reference to the Committee's recommendations, it is going to be a difficult year. My Cabinet has made no secret of this and it is why we have been adamant about the need for a sensible council tax strategy for Surrey.

It is wrong to say that there is no contingency or reserves to cushion slippages. The reserves are in a healthier position that they were in 2008 and I believe that we have reasonable levels. We also need to be mindful of not building up unnecessarily large reserves in a period when households are facing financial challenges.

I am happy that the Council Overview and Scrutiny Committee be consulted on the proposals for a mechanism to track and monitor progress of robust plans for achieving efficiencies in the MTFP.

Response to Recommendations (c):

Any decisions regarding the rolling over of unallocated funds will be made at the end of the financial year. However, I can assure the Committee that I am fully supportive of the Local Assistance Scheme. In fact, I have recently written to Brandon Lewis to ask him to rethink the proposal to withdraw funding for this scheme from 2015. I will ensure that the Welfare Reform Task Group is kept informed of the response.

DAVID HODGE
Leader of Surrey County Council

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Council Overview and Scrutiny Committee
5 March 2014

BUDGET MONITORING REPORT & QUARTERLY BUSINESS REPORT

Purpose of the report: This report presents the revenue and capital budget monitoring up-date for January 2014 with projected year-end outturn.

Introduction:

1. The January 2014 month end budget report was presented to the cabinet meeting on Tuesday 25 February 2014.
2. Annex 1 to this report sets out the council's revenue and capital forecast of the year-end outturn at the end of January 2014.
3. The forecast is based upon current year to date income and expenditure and projections using information available at the end of the month. The report provides explanations for significant variations from the budget.
4. Also included in these papers is the Quarter 3 Business Report for 2013/14.

Report contact: Kevin Kilburn, Deputy Chief Finance Officer
Tim Yarnell, Performance Manager

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SURREY COUNTY COUNCIL

CABINET

DATE: 25 FEBRUARY 2014

REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR BUSINESS SERVICES

SUBJECT: BUDGET MONITORING REPORT FOR JANUARY 2014



SUMMARY OF ISSUE:

This report presents the council's financial position at the end of period 10 – January of the 2013/14 financial year, with particular focus on the year end revenue and capital budgets forecasts and the achievement of efficiency targets.

Please note that Annex 1 to this report will be circulated separately prior to the Cabinet meeting.

RECOMMENDATIONS:

Cabinet is asked to note the following.

1. Forecast revenue budget for 2013/14 is to underspend by -£2.1m on services. (Annex - paragraph **Error! Reference source not found.**1).
2. Forecast ongoing efficiencies and service reductions achieved by year end is £61.3m (Annex - paragraph **Error! Reference source not found.**79).
3. Forecast capital expenditure and investment of £232.6m against a budget of £224.7m (Annex - 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. (Annex - paragraph 62 & 67).

REASON FOR RECOMMENDATIONS:

To comply with the agreed strategy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

DETAILS:

1. The Council's 2013/14 financial year commenced on 1 April 2013. This is the eighth budget monitoring report of 2013/14. The budget monitoring reports for this financial year have a greater focus on material and significant issues, especially the tracking of the efficiency and reduction targets within the Medium Term Financial Plan. The reports also have a greater emphasis on proposed actions to be taken to resolve any issues.

2. The Council has implemented a risk based approach to budget monitoring across all directorates and services. The risk based approach is to ensure we focus resources on monitoring those higher risk budgets due to their value, volatility or reputational impact.
3. There is a set of criteria to evaluate all budgets into high, medium and low risk. The criteria cover:
 - the size of a particular budget within the overall Council's budget hierarchy (the range is under £2m to over £10m);
 - budget complexity relates to the type of activities and data being monitored (the criterion is about the percentage of the budget spent on staffing or fixed contracts - the greater the percentage the lower the complexity);
 - volatility is the relative rate at which either actual spend or projected spend move up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during this year)
 - political sensitivity is about understanding how politically important the budget is and whether it has an impact on the Council's reputation locally or nationally (the greater the sensitivity the higher the risk).
4. High risk areas report monthly, whereas low risk services areas report on an exception basis. This will be if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower.
5. Annex 1 to this report sets out the Council's revenue budget forecast year end outturn as at the end of January 2014. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.
6. The report provides explanations for significant variations from the budget, with a focus on staffing and efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so any variance over 2.5% may also be material.
7. Also, Annex 1 to this report updates Cabinet on the Council's capital budget.
8. Appendix 1 provides details of the directorate efficiencies and revenue and capital budget movements.

Consultation:

9. All Cabinet Members will have consulted their relevant Strategic Director on the financial positions of their portfolios.

Risk management and implications:

- 10. Risk implications are stated throughout the report and each Strategic Director has updated their strategic and or service Risk Registers accordingly. In addition, the Leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the Council.

Financial and value for money implications

- 11. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The Council continues to have a strong focus on its key objective of providing excellent value for money.

Section 151 Officer commentary

- 12. The Section 151 Officer confirms that 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

- 13. There are no legal issues and risks.

Equalities and Diversity

- 14. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

Climate change/carbon emissions implications

- 15. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.
- 16. Any impacts on climate change and carbon emissions to achieve the Council’s aim will be considered by the relevant service affected as they implement any actions agreed.

WHAT HAPPENS NEXT:

The relevant adjustments from the recommendations will be made to the Council’s accounts.

Contact Officer:

Sheila Little, Chief Finance Officer and Deputy Director for Business Services
020 8541 7012

Consulted:

Cabinet / Corporate Leadership Team

Annexes:

Annex 1 – Revenue budget, staffing costs, efficiencies and capital programme summary.

Appendix 1 – Directorate financial information (revenue and efficiencies) and revenue and capital budget movements.

Sources/background papers:

None

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.

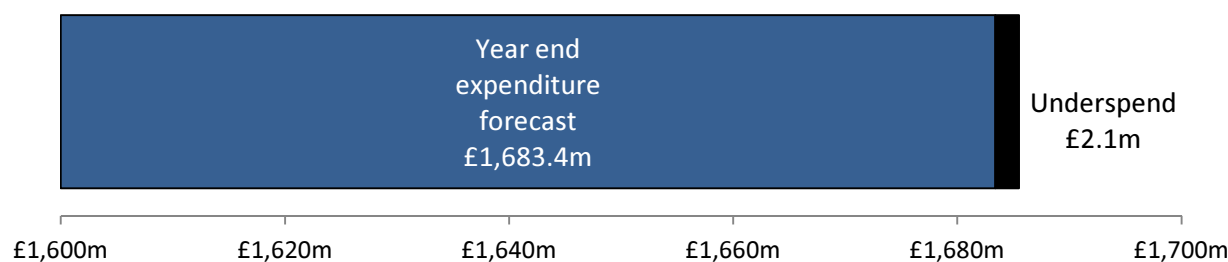
- Keep any additional call on the council taxpayer to a minimum consistent with the delivery of key services through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the council's reliance on council tax and government grant income. The council is heavily dependent on 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	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 (gross exp £502.3m)	0.1	-0.3	-0.4	0.1	0.4	0.1	0.0
-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.

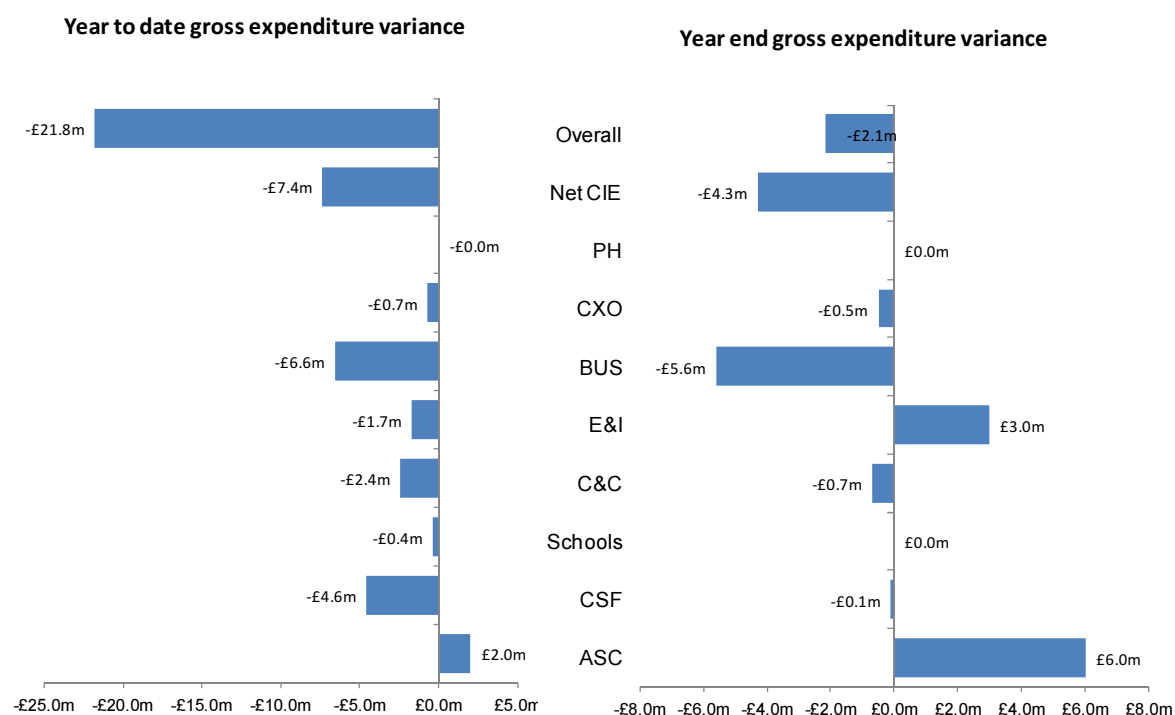
Table 2: 2013/14 Revenue budget year end variance monthly movement by directorate

	Dec YE Variance	Movement £m	Jan YE Variance
Directorate	£m		£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
		Movement	
Summarised movements:		£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		<u>(2.1)</u>
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	<u>(0.9)</u>	
Total savings forecast in remainder of the year		<u>(0.9)</u>
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		<u>(1.7)</u>
Total forecast savings		<u>(42.0)</u>
Under / (over) performance against MTFP target		<u>6.0</u>

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 underspends 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 £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Full Year Variance £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 resolve 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 £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Feb - Mar Forecast £m	Full Year Projection £m	Full Year Variance £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

- 6
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		Staffing spend by category				Jan 2014 occupied	
	£m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	Budget FTE	contracted 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)

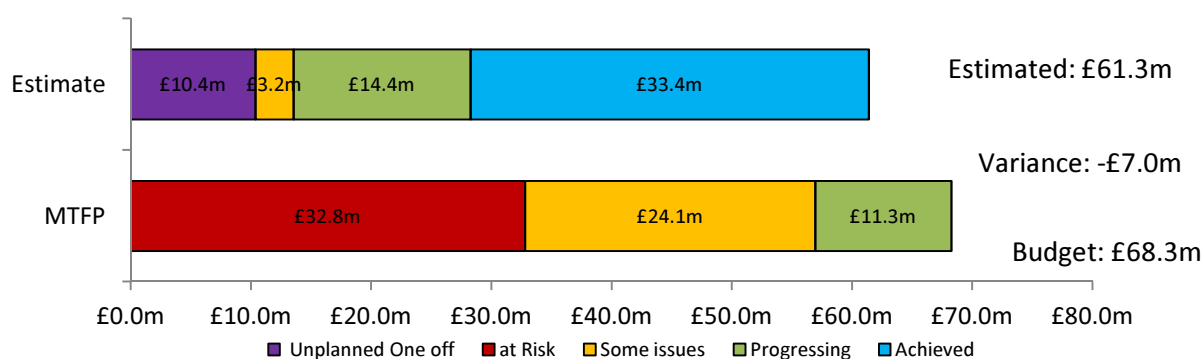
Table 14: full time equivalents in post and vacancies

	<u>Jan FTE</u>
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 to Annex

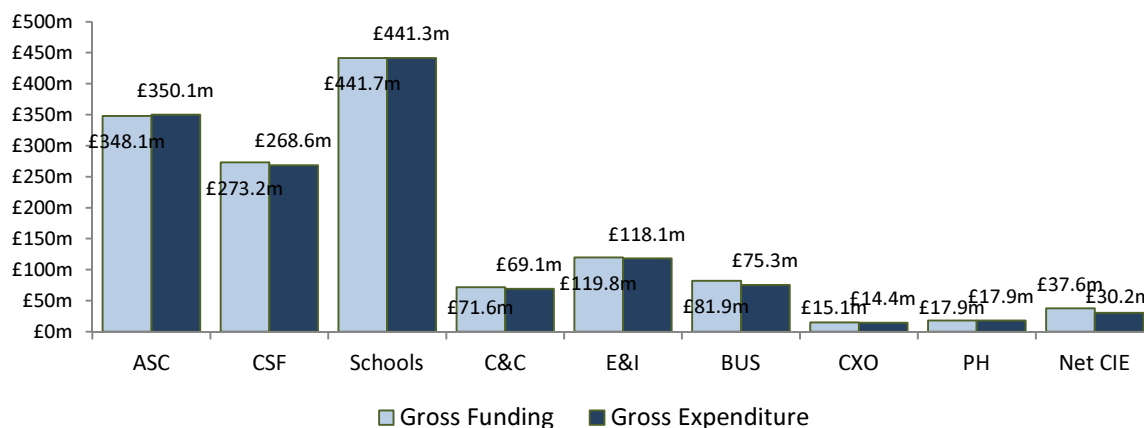
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Corporate performance scorecard – finance

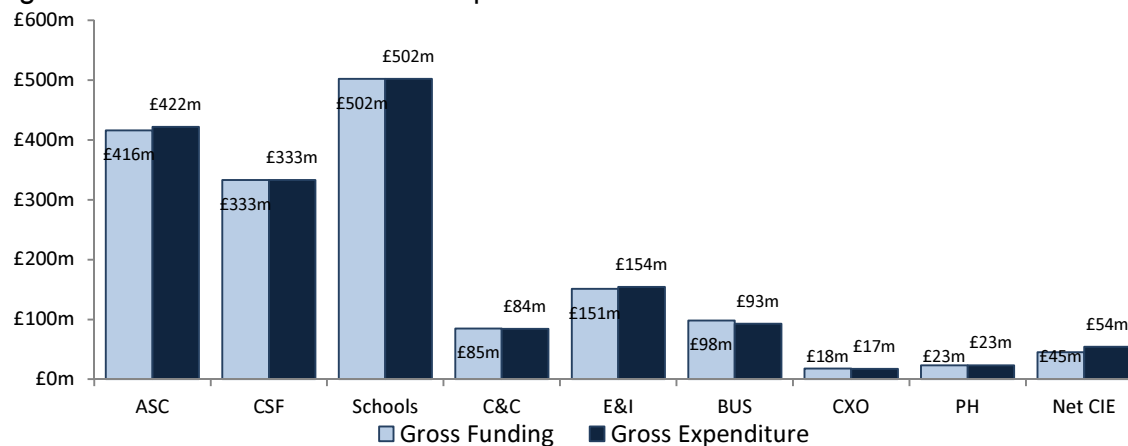
- App. 1. Figure 3 shows the gross funding and expenditure for the council for the year to date (as included in the quarterly corporate performance scorecard). Gross funding for a service is its receivable income plus its budgeted share of funding from the council's overall resources. The difference 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



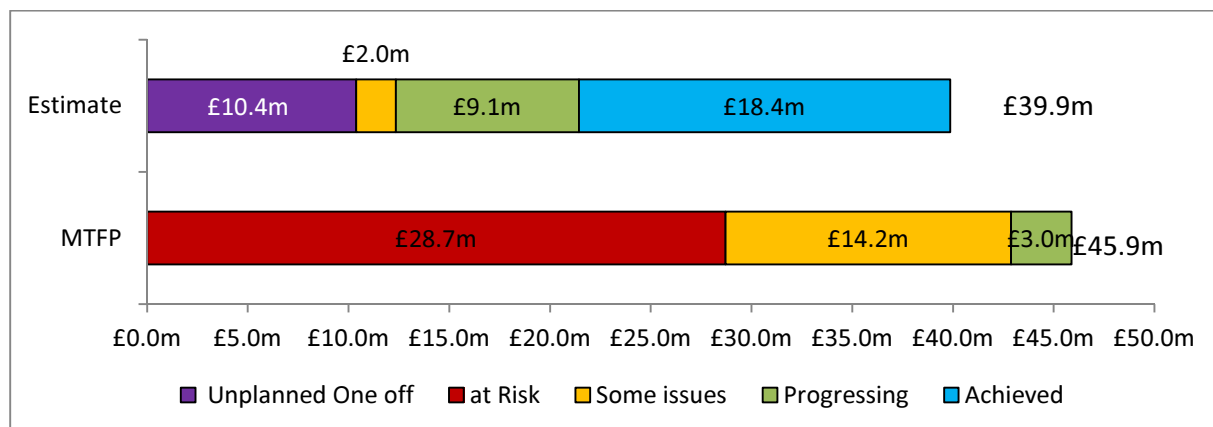
Efficiencies & service reductions

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.

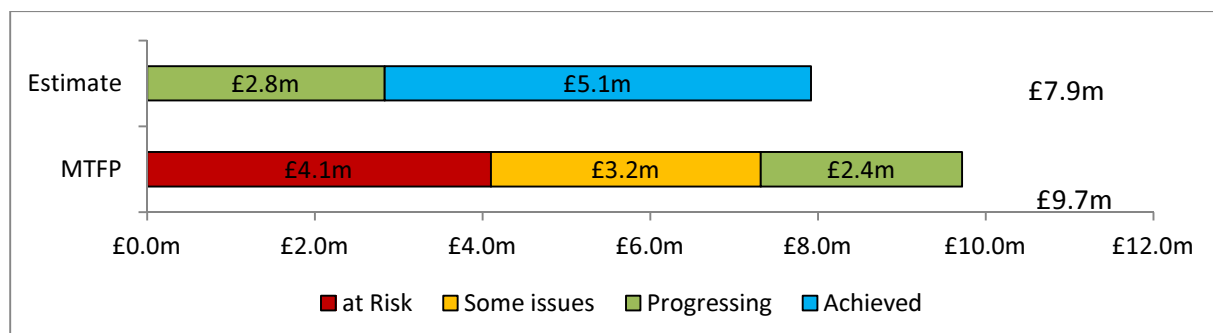
6

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

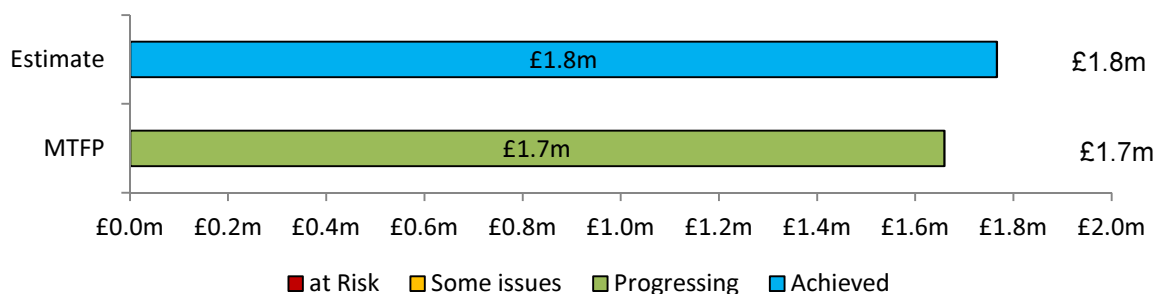


App. 8. The forecast budget position for CSF means it is unlikely to achieve two of the planned efficiencies. Delays in achieving the efficiencies planned in services for

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.

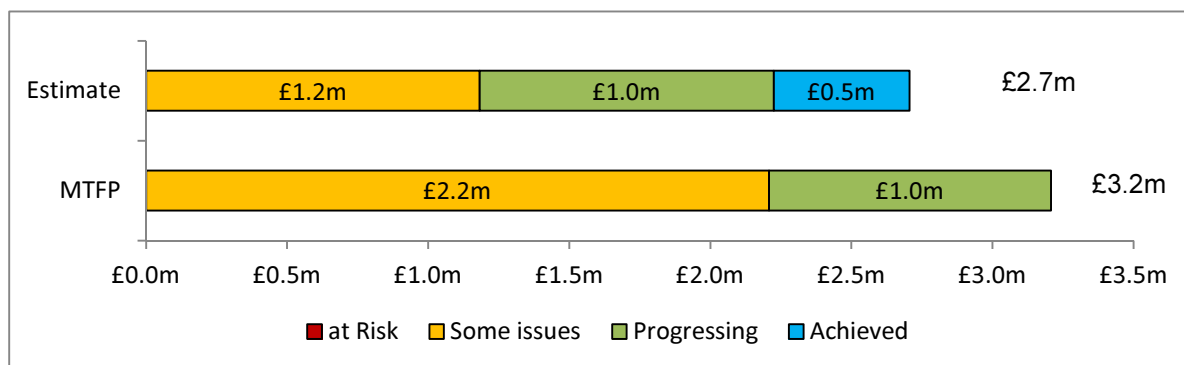
Customer & Communities

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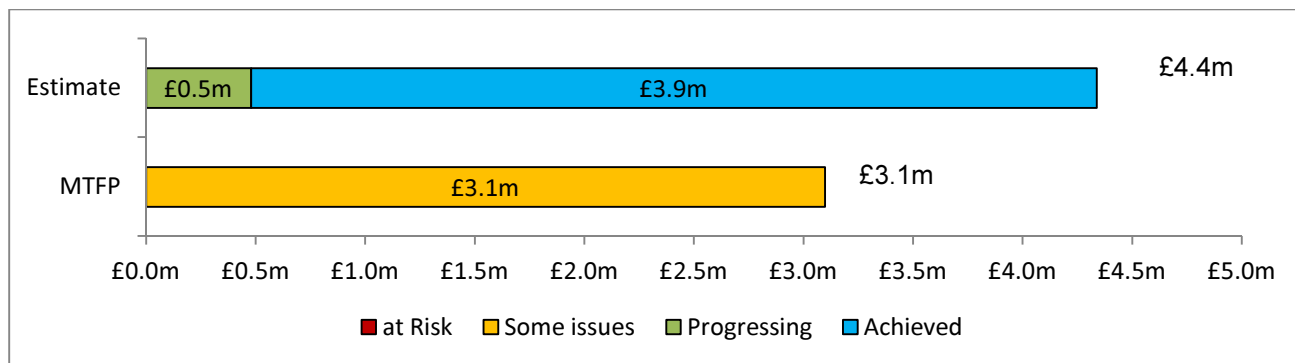
App. 9. The efficiencies summary shows an over-achievement of +£0.1m against the 2013/14 target of £1.7m. This is due to the early achievement of the 2014/15 Directorate Support staff saving. The majority of the 2013/14 efficiencies have already been achieved, with the exception of the Cultural Services 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



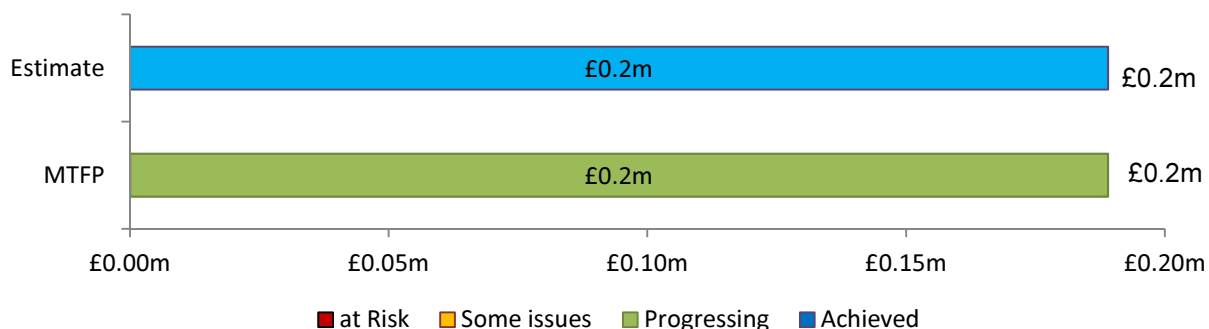
App. 11. The directorate currently anticipates a shortfall of £0.5m against planned savings and efficiencies, primarily bus services contract savings (£0.4m) which have been superseded by the wider Transport Review.

Business Services



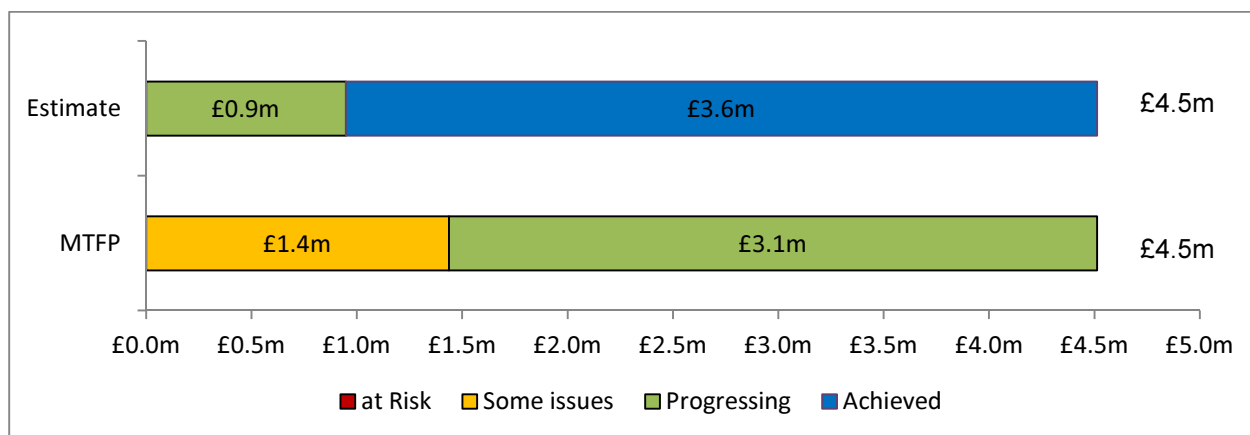
App. 12. The budget for the directorate includes efficiency savings and increased income targets of £3.1m. The majority of these have been delivered and all are expected to be delivered. The directorate is also delivering £1.3m of 2014/15 efficiencies early.

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
<u>January changes</u>						
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

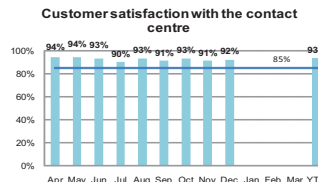
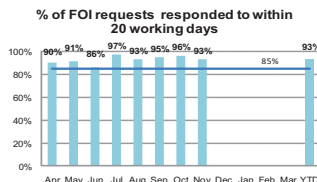
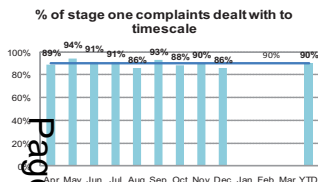
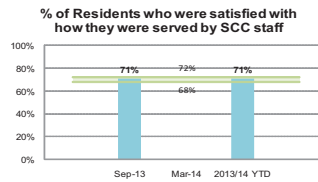
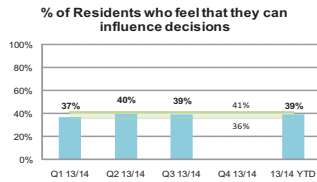
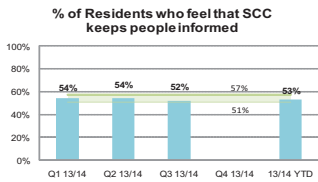
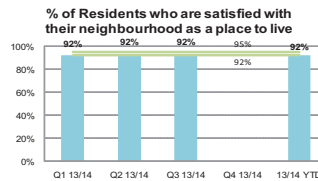
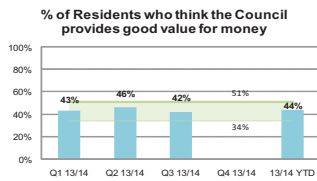
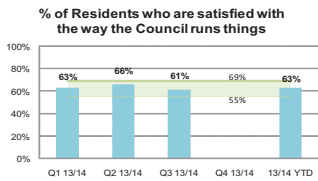
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ONE COUNTY, ONE TEAM - QUARTER THREE BUSINESS REPORT 2013/14

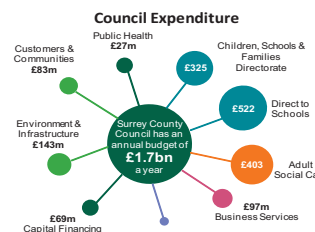
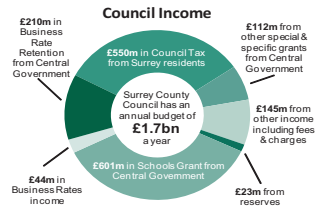
■ = Results range of previous Council Administration (2009-13) ■ = Target

RESIDENTS / VALUE

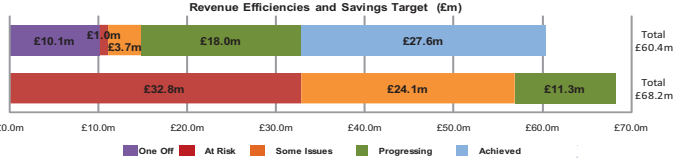
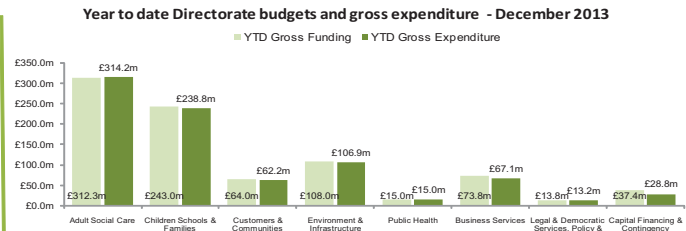


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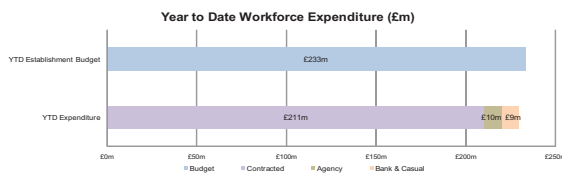
FINANCIAL STEWARDSHIP



£68.2m
Savings Target for 2013/14



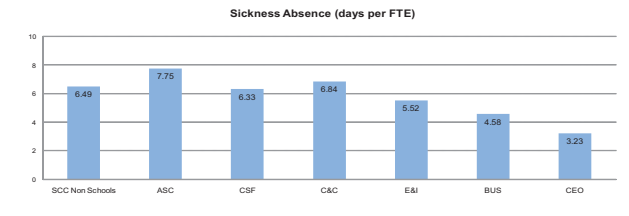
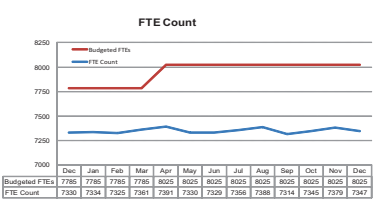
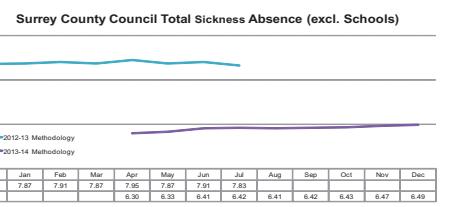
PEOPLE



Surrey County Council YTD	Budget £m	Actual £m	Variance £m
Contracted Staff	210.7	92	
Agency	10.0	4	
Bank & Casual	8.6	4	
Total Staffing Cost	233.2	229.3	-3.9

Surrey County Council	Budget £m	Forecast £m	Variance £m
Total Staffing Cost	312.5	306.8	-5.7

People Strategy	
Themes (Reported Quarterly)	
Living Our Values	✓
Wellbeing and Inclusion	✓
Nurturing Talent	✓
Reward and Recognition	✓
Aims (Reported Annually)	
Passion for Public Services	-
Great Leadership	-
One Team	-



QUALITY / PARTNERSHIPS

Adult Social Care	
Grow preventative services in partnership with boroughs and districts	⊕
Help people regain skills at home, whilst recovering from a setback	⊕
Invest in joined up health and social care services which are local, universal and preventative	⊕
Maximise social capital in localities with effective care packages	⊕
Help people who fund their own care	⊕
Empower people and their carers to live independently	⊕
Manage the SCC in-house residential homes efficiently	⊕
Co-ordinate the Surrey care market to deliver value for money	⊕
Deliver the Services for People with Learning Disabilities PVR	⊕
Develop a competent and courageous workforce	⊕
Operate efficient and effective partnership arrangements	⊕
Maximise productivity through simplified processes	⊕

Children Schools and Families	
Every child to reach their full potential	⊕
Prevention - including Family Support Programme	⊕
Participation in education, training or employment	⊕
Protecting vulnerable children	⊕

Customers and Communities	
Develop a Cultural Services Strategy	⊕
Keep libraries at the heart of the community	⊕
Channel Shift and Customer Service Excellence	⊕
Community Partnership - Local Engagement and Member support	⊕
Protect people and communities by ensuring timely Fire attendance at incidents	⊕
Community Safety - Domestic Abuse and Anti-Social Behaviour	⊕
Enhance the health and well being of residents and communities through the work of trading standards	⊕

Chief Executive's	
Member development programme delivered	⊕
Providing professional expertise for Services and partners	⊕
Legal support for child protection cases	⊕
Assurance provided via Internal Audit and Emergency Management	⊕
Realising benefits of strategic communications for residents	⊕
Improve residents' health and wellbeing	⊕
Maximising benefits of 2012 Games legacy	⊕
Delivery of VCFS outcomes-based commissioning framework	⊕
Deploy fibre-based broadband	⊕

Environment and Infrastructure	
Repair road defects, deliver maintenance schemes and renew roads	⊕
Deliver the Highways Improvement Plan	⊕
Support economic growth by working proactively with Surrey Partners	⊕
Secure external investment through Surey Future	⊕
Reduce road congestion by delivery of new schemes and initiatives	⊕
Reduce energy costs and carbon impact	⊕
Have more Surrey residents cycling more safely	⊕
Improve recycling and landfill diversion	⊕
Construct the eco-park by 2015	⊕
Conserve and enhance Surrey's countryside together	⊕

Business Services	
Strengthen the organisation through investment in our staff	⊕
Support economic growth	⊕
Driving efficiencies and process improvement	⊕
Putting the customer at the heart of what we do	⊕
Generate new sources of income through investment and trading	⊕

Detailed results and commentary for all Directorate priorities are reported in Annex 2

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Council Overview & Scrutiny Committee
5 March 2014

New Models of Delivery Programme / Local Authority Trading Company Update

Purpose of the report: Policy Development and Review

To provide the Committee with an update on the New Models of Delivery Programme and the progress of the Adult Social Care Local Authority Trading Company.

- 1 The attached documents provide details of the New Models of Delivery Programme, and an update on the progress of the formation of the Adult Social Care Local Authority Trading Company (LATC).
- 2 The LATC is an output of the New Models of Delivery Programme and gives an indication of a possible future approach to other services the Council delivers. The LATC will be formed in April 2014, following approval from the Cabinet on 17 December 2013. The [reports and minutes](#) of that meeting are available for review on the Surrey County Council website.¹
- 3 The New Models of Delivery Programme uses the Shift “5D” approach to identify opportunities to develop in service areas. Details of this approach were presented in the report to COSC on [12 September 2013](#)².
- 4 23 Services have held initial “Discovery” workshops. Follow-up meetings with services are prioritising emerging ideas by impact, scale and achievability, with focus on income generation potential but also innovation to drive efficiency and productivity.
- 5 Future updates to COSC will include details on the products and/or models which services decide to develop.

Recommendations:

- 6 The Committee is asked to review the attached information and consider whether it wishes to make any recommendations at this stage. It is also asked to consider possible areas of future scrutiny it would wish to

¹ <http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&MId=3243&Ver=4>

² <http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=214&MId=3203&Ver=4>

conduct in relation to either the New Models of Delivery Programme or the LATC.

Report contact:

Julie Fisher, Strategic Director, Business Services, 0208 541 7216

Sources/background papers:

'Options Appraisal: In-House Support Services for Working Age Adults and Older People with Disabilities', [Cabinet, 22 October 2013](#)³

'Adult Social Care Local Authority Trading Company Business Case', [Cabinet, 17 December 2013](#)⁴

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³ <http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&MId=3241&Ver=4>

⁴ <http://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&MId=3243&Ver=4>

New Models of Delivery Programme



Status

Date

Goals:

1. to ensure the Council maintains financial resilience and protects its long term financial position
2. to explore and develop models of delivery that reduce reliance on grants and Council tax
3. to meet the costs of initiatives to deliver savings and enhance income in the longer term

Overall programme:



5 March 2014

Progress since last COSC update (12/09/2013)

SHIFT approach to identifying opportunities:

- 23 services across the Council have held "Discover" workshops to identify potential new models of delivery
- Follow-up meetings with services prioritise emerging ideas by impact, scale and achievability, with focus on income generation potential but also innovation to drive efficiency and productivity

Commercial evaluation, new models, and trading:

- Environment and Infrastructure Directorate is progressing to Options Appraisal stage for cycle training.
- Specific services preparing Options Appraisals include Surrey Outdoor Learning & Development.
- Business Services undertaking programme of redesign to support new models of delivery, in particular trading companies, focusing on the business support offers of HR, property, shared services, finance and IMT

Effective governance arrangements for trading:

- The Council's Shareholder Board is in place and overseeing trading activities of the Council as a whole, including the creation of Adults LATC and ongoing performance of South East Business Services
- A high level Programme Board, including the Strategic Director for Business Services, Section 151 Officer and Monitoring Officer, is in place to oversee each service progressing through this process, focusing in particular on facilitating corporate support to undertake Options Appraisal stage. This Board will report quarterly to Corporate Leadership Team.

Skills and competencies among staff:

- The virtual team continues to evolve and brings together a range of staff from across Directorates with the knowledge and skills to support the strategy, workshops and outputs. The virtual team approach has started well but will need regular review to ensure there is sufficient input to progress services through each stage of the process.

A portfolio of trading activity by 2017:

- SE Business Services successfully won tender to provide IT to Central Surrey Health; £2.4m four-year contract, 750 users, fully operational from Dec ember 2013. Further opportunities are being explored with other health providers.
- Adult Social Care concluded the Options Appraisal stage on 22/10/13 and Cabinet signed-off a subsequent business case to create a local authority trading company on 17/12/2013. This separate legal entity will provide day services and community support services to working age adults and older people, going live in a phased transition from April 2014.

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Workstream	Objectives for next quarter	Risks & Issues
SHIFT approach to identifying opportunities	Forthcoming workshops include Cultural Services, Commercial Services, review of further potential across Adult Social Care in-house services. A joint workshop with Hampshire will be facilitated re future potential of the Basingstoke Canal.	Not always about the commercial potential: must retain momentum where that is not possible/likely to focus on other support to deliver efficiency and/or service redesign
Commercial evaluation, new models, and trading	Follow ups with Mole Valley and Customers and Communities Management Team, Performance and Knowledge Management Team, Travel Smart and Legal Services	Numerous small scale ideas consume limited capacity to maximise income potential: need to understand market, costs and potentially consolidate ideas to develop a product portfolio and wider value management opportunities
Effective governance arrangements for trading		
Skills and competencies among staff	Review and potential creation of more dedicated capacity to accelerate commercial opportunities and further support services	Lack of commercial awareness and capacity impacts overall programme
A portfolio of trading activity by 2017	Shareholder Board sign off of articles to create Adults LATC, forthcoming investment opportunities to be evaluated	Investment opportunities need to be reviewed on a case-by-case basis Ongoing need to balance values of the Council with potential returns

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Adult Social Care Local Authority Trading Company	Status	Date
Objectives: 1. to establish a Local Authority Trading Company for day services and community support 2. to transfer all staff, liabilities and assets in scope to the business safely and effectively so as to preserve service continuity 3. to deliver the business plan objectives and targets as agreed by the Council Shareholder Board	Overall programme: 	5 March 2014

Progress update to COSC (Page 1)

Background:
 Feedback from 2009 consultation and 2012 Learning Disabilities PVR told us what services people want in future and the importance of service continuity throughout any transition
 This supports and compliments the personalisation agenda – people will have more choice about what they buy, from whom, and how they buy it – the Council needs to find ways to meet the needs of a wider group of purchasers
 Significant financial pressures – savings needed across the Council and Adult Social Care: the Council is looking at different models of delivery to respond to financial challenges
 Options Appraisal to Cabinet on 22 October 2013 – recommended a Local Authority Trading Company be explored further LATC as the preferred option for the future delivery of day and community support services

17th December 2013 Cabinet:
 Part 1 report published on the Council website – context and evaluation
 Part 2 financial projections and cost evaluation
 Together Parts 1 & 2 formed the business case to create a local authority trading company (LATC)

Recommendations agreed by Cabinet:
 The creation of an LATC for the services in scope
 Delegated authority to the Council Shareholder Board to form the LATC from April 2014
 The award of a 3-year contract from the Council to the LATC to deliver services on its behalf (with an option to extend for a further 2 years)
 Approval of a loan facility from the Council to the LATC to fund its start-up and running costs
 The proposed consultation and engagement process, to commence with staff and stakeholders in January 2014

Services in scope
Day Services, which provide approximately 790 people with learning and physical disabilities with a range of opportunities for leisure, activities, training, volunteering and work in a variety of locations
 The **AboutUs Team**, who support people using day services with accessible learning programmes and communications projects
EmployAbility, which supports approximately 650 adults and young people with disabilities who are seeking or engaged in work, volunteering or training
Shared Lives Service, which matches Shared Lives carers with people with disabilities and older people, offering short or long term care in a family home environment
 The **Personalisation Team**, which works with adults with learning disabilities to facilitate Supported Self Assessments, uptake of personal budgets and support planning using community support networks

Principles underpinning the business case:
 Minimal impact on staff: from day one ‘as is’ with no significant changes at the point of transfer to the LATC
 Service continuity: minimal change or disruption to services throughout transition to LATC
 Conservative growth and co-design approach to future service development as part of scaling the business and identifying new opportunities
 Enabling approach to the wider Council trading agenda – recognise this is the first LATC of scale and the first of its kind to use Council support services so realistic in terms of timescale and deliverables

Business principles:
 Business case takes a conservative, low risk approach to its commercial projections: the business will be expected to generate £369,000 income and a further £1m efficiencies over the first five year business plan
 Vast majority of LATC business will be via the Council contract for services at first instance
 Income projected from new customers or new services is modest: lesson learnt from other LATC’s
 The projections for expenditure are based current costs, potentially with room for further savings

Progress update to COSC (Page 2)

The Council-commissioned contract:

The Council will award an initial 3-year contract to the LATC to deliver current services:

- Day Services
- AboutUs
- EmployAbility
- Shared Lives Service
- Personalisation Team

The contract value in year one will be £13.7m

Performance will be reviewed throughout the contract against quality and financial KPI's, with an option to extend for a further 2 years

The LATC will be commissioned as per any other supplier, with no favourable terms or exceptions

Governance:

The LATC will adopt a simple corporate governance arrangement with a Board of Executive and non-Executive Directors, supported by an Involvement Board of key stakeholders and people using services, which will report to the Council Shareholder Board annually on performance against its business plan.

The Shareholder Board exercises the Council's shareholding powers over LATC trading activities. The Board acts with the delegated authority of Cabinet to ensure the performance of the LATC is satisfactory.

Select Committees will retain their scrutiny function in relation to the Shareholder Board. The Council's Overview and Scrutiny Committee will be able to call the Board to account for progress in relation to the LATC.

Council support services to be purchased back by the LATC:

The Council assumes the LATC will consider Council support services as the first option for its business and back office requirements, where they are fit for purpose and commercially viable

The Council cannot offer the LATC any unfair advantage when it is set up (or anything that could be seen as 'state aid') so must charge the LATC for any support services it offers e.g. the LATC will pay a market level of rent for the properties it uses etc

SCC will offer the LATC a loan to pay for set-up costs, including purchasing any equipment from SCC, to be repaid including interest

Properties:

There will be no changes on day one to the properties occupied by the LATC for delivering services

Office space will be reviewed in light of ongoing business needs and costs

Licences (to become leases) will permit the LATC to occupy buildings owned by the Council for which it will pay a market rent from day one

The LATC will have service level agreements with the Council for any aspects of facilities management

The LATC is likely to review its use of service-related buildings to develop more local community bases and specialist support

Staff:

All current staff (300) at Senior Manager level and below are proposed to transfer across under TUPE with no changes to terms and conditions

It is proposed that Local Government pension schemes and Teacher Pension Schemes remain open to current employees, with options for new employees under review

Union representatives form part of the Consultation and Engagement project group

Next steps:

Jan – Mar 2014 Work is underway to co-design the final business plan with staff, people who use services, carers, families and other stakeholders

TBC (pending pensions permissions) Formal consultation with staff regarding TUPE transfer

Creating the LATC:

Feb 2014 create the business as a legal entity, once Shareholder Board has agreed articles and Director appointments

April – Jun 2014 establish financial management arrangements, including LATC accounts mechanism

Mar – May 2014 contract with Adult Social Care to deliver services, including KPI's and service specification

Jun 2014 managed services agreement for buying back support services from the Council

Apr – Aug 2014 Transfer of staff, assets and liabilities to LATC as part of phased transition and 'go live'



Council Overview & Scrutiny Committee
5 March 2014

FORWARD WORK PROGRAMME & RECOMMENDATIONS TRACKER

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1. The Committee is asked to review its Forward Work Programme and Recommendations Tracker which are attached.

Recommendations:

That the Committee reviews its work programme and recommendations tracker makes suggestions for additions or amendments as appropriate

Next Steps:

The Committee will review its work programme and recommendations tracker at each of its meetings.

Report contact: Bryan Searle, Senior Manager, Scrutiny and Appeals.

Contact details: 020 8541 9019, bryans@surreycc.gov.uk

Sources/background papers: None.

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**COUNCIL OVERVIEW & SELECT COMMITTEE
ACTIONS AND RECOMMENDATIONS TRACKER – UPDATED March 2014**

The recommendations tracker allows Committee Members to monitor responses, actions and outcomes against their recommendations or requests for further actions. The tracker is updated following each Select Committee. Once an action has been completed, it will be shaded out to indicate that it will be removed from the tracker at the next meeting. The next progress check will highlight to members where actions have not been dealt with.

Recommendations made to Cabinet

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
3 October 2013 COSC 003	DIGITAL BY DEFAULT [Item 6]	That the Cabinet considers developing a high-level strategy document to help guide its approach to the digital delivery of both back-office and front-line services.	Cabinet	This was considered at the Cabinet meeting on 22 October 2013. A response was included in the Committee papers on 7 November 2013. It was agreed on 4 December 2013 that this matter would be reviewed 6 months after the appointment of a Chief Digital Design Officer.	June 2014

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
3 October 2013 COSC 004	DIGITAL BY DEFAULT [Item 6]	That consideration be given to identifying a Cabinet Member to take lead responsibility for the Council's overall approach to the digital delivery of services.	Cabinet	This was considered at the Cabinet meeting on 22 October 2013. A response was included in the Committee papers on 7 November 2013. It was agreed on 4 December 2013 that this matter would be reviewed 6 months after the appointment of a Chief Digital Design Officer.	June 2014
7 November 2013 COSC 008	RESPONSES FROM THE CABINET TO ISSUES REFERRED BY THE SELECT COMMITTEE [ITEM 5]	The Cabinet Member for Business Services is requested to consider the Committee's recommendation, from its October meeting, regarding the development of a high-level strategy document to help guide its approach to the digital delivery of both back-office and front-line services.	Cabinet Member for Business Services	A Digital Update report was prepared for the Committee. It was agreed on 4 December 2013 that this matter would be reviewed 6 months after the appointment of a	June 2014

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
				Chief Digital Design Officer.	
30 January 2014 COSC 019	WELFARE REFORM TASK GROUP - INTERIM REPORT [ITEM 6]	That any Local Assistance Scheme funding left unallocated at the end of 2013/14 be rolled over into 2014/15 and ring fenced and continues to be committed to supporting severely affected residents to manage the impact of welfare reform changes: subject to detailed proposals for allocation by the Task Group, a proportion of this funding to be targeted towards early intervention support, particularly aimed at improving money management skills and general financial awareness.	Cabinet	These recommendations were referred to Cabinet on 4 February 2014. A response is included in today's agenda papers.	Complete
30 January 2014 COSC 020	CORPORATE STRATEGY AND BUDGET REPORT 2014-2019 [ITEM 7]	(a) That the Cabinet address the following questions in relation to the proposed budget: (i) How will the Cabinet bridge the gap in 2014/2015 given that the 2014/2015 proposals rely on some savings which we have been informed will not be met and other savings which are difficult? (ii) How will the Cabinet deal	Cabinet	These recommendations were referred to Cabinet on 4 February 2014. A response is included in today's agenda papers.	Complete

Date of meeting and reference	Item	Recommendations	To	Response	Progress Check On
		with future budgets if the strategy of lobbying government and the NHS for better funding is not as successful as is hoped, given that there will be no contingency or reserves to cushion slippages?			
30 January 2014 COSC 021	CORPORATE STRATEGY AND BUDGET REPORT 2014-2019 [ITEM 7]	That the Council Overview & Scrutiny Committee be consulted on the proposals for a mechanism to track and monitor progress on the development and implementation of robust plans for achieving efficiencies in the MTFP, and that the mechanism makes provision for the early involvement of Select Committees in addressing any concerns identified by the process.	Cabinet	These recommendations were referred to Cabinet on 4 February 2014. A response is included in today's agenda papers.	<i>Complete</i>

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Select Committee and Officer Actions

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
12 September 2013 COSC 002	PERFORMANCE MONITORING 2013-14 - QUARTER 1 [Item 9]	Future reports to include comparisons with other councils.	Senior Performance and Research Manager/ Cabinet Member for Business Services	This will be implemented for the publication of the next Performance Monitoring quarterly	March 2014

Date of meeting and reference	Item	Recommendations/ Actions	To	Response	Progress Check On
				report.	
7 November 2013 COSC 012	IMPROVING STAFF MORALE AND WELLBEING [Item 8]	The Committee receives a report on Surrey's People Strategy at a future meeting.	Head of Human Resources and Organisational Development	The Committee considered the next steps as part of its scrutiny of this topic on 4 December 2013. It was agreed that further scrutiny options would be explored (See COSC 017).	July 2014
4 December 2013 COSC 014	FAMILY, FRIENDS & COMMUNITY SUPPORT - SOCIAL CAPITAL IN SURREY [Item 7]	That the Committee receives an update report regarding the implementation of Family, Friends & Community Support.	Strategic Director for Adult Social Care	The Committee will receive this report in July 2014.	July 2014
4 December 2013 COSC 017	IMPROVING STAFF MORALE & WELLBEING [Item 9]	The Chairman, Vice-Chairman and Democratic Services to explore future opportunities to run similar informal group discussions with staff.	Chairman/Democratic Services	The Committee will conduct a group discussion with staff in County Hall following today's meeting. A further session is planned in June 2014.	Complete

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Council Overview & Scrutiny Committee – Forward Work Programme 2013/14

5 March 2014

- New Models of Delivery Programme
- Budget Monitoring
- Staff Morale and Wellbeing – informal workshop discussions with staff

2 April 2014

- Welfare Reform Task Group - Final Report
- Communications
- Budget Monitoring

4 June 2014

- Digital Strategy Update
- Budget Out-turn/Monitoring
- Staff Morale and Wellbeing – informal workshop discussions with staff

2 July 2014

- Family, Friends & Community Support
- Budget Monitoring

Scrutiny Topics

8

Work commenced September 2013: Welfare Reform: Welfare reform will result in pressure on many Council services as the government changes take effect. What will be the impact on Surrey residents? What could the Council be doing now to minimise the impact?

To be linked to consideration of Surrey's present Medium Term Financial Plan (MTFP)

This work is being undertaken by a Member Task Group throughout autumn 2013. There was an interim report back to Committee in January 2014, with a final report coming in April 2014.

The Committee is due to receive a further update, following appointment of the Chief Digital Design Officer, in June 2014.

Work commenced October 2013: Digital by Default: Like many Councils, Surrey is exploring the benefits and limitations of bringing or delivering services online. How do Surrey residents want to engage with the Council? To what extent should this be reflected in the Council's Digital Strategy? What can we learn from other organisations approach to digital by default?

The Committee used their November meeting to discuss how the Council supports its staff with respect to wellbeing and morale. There is a further informal workshop following today's public meeting.

Work Commenced November 2013 - Staff: Given ongoing austerity, what do employees really feel about working for Surrey? Do employees have the appropriate tools and resources to do their job? What is the impact of employee satisfaction and morale on service delivery? How can Surrey best support and value their employees?

Work commencing December 2013: Budget Savings: Surrey is having to think differently about how it delivers services in light of public sector spending cuts. What is the impact of these cuts and changes on the everyday life of people in Surrey?

The Committee reviewed the changes proposed to the Medium Term Financial Plan 2014-19, prior to agreement by Cabinet. Matters arising from recent select committee budget workshops have been collated and reviewed by the Performance and Finance Sub Group, and the details will be shared at today's meeting.

Adult Social Care Committee looked at this topic in autumn 2013. Following this, Council Overview & Scrutiny Committee considered the topic in December 2013 and agreed to review progress in July 2014.

Work Commenced December 2013: Social Capital: When resources are scarce, will residents acting collectively to tackle issues within the community plug the gap?

Communication (Internal & External): As a Council, are we communicating the right things, in the right way, to the right people?

The Cabinet agreed a Communications and Engagement Strategy at its meeting on 25 June 2013. The Committee will review its progress in 2014.

Trading & Investment: What trading and investment models is Surrey currently utilising and what are the future options for the Council (looking at experiences outside of the County)? What will the governance arrangements be?

The Committee had an update regarding Trading and Investment at its meeting on 12 September 2013. An update on the New Models of Delivery Programme and Local Authority Trading Company will be given at today's meeting. A future item concerning the Council's approach to investment is being explored.

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