

Budget Monitoring – October 2012

Summary

The Council initially set a budget that incorporated a number of risks that were anticipated that the Council would face, as a part of its sound and robust budget planning process. This recognised that the 2012/13 budget had been a very tough budget, but had some contingencies built into it for a number of eventualities. There were a number of risks involving the participation of the Olympics earlier this year and a contingency was provided of £1m as this was the first event the county had hosted. The event was extremely successful and it has not utilised the contingency.

Also, the Council made a budget provision of £9.0m as a risk contingency against new pressures and not achieving savings. It has allocated £4.4m of this contingency against the costs of increased demand for services. Predominately, Adults Social Care and Children's Services are incurring volume increases greater than predicted for 2012/13. These services continue to make every effort to deliver balanced budgets. However, there is a clear risk they will not achieve this. As a part of the Council's multi-year approach to financial management, we anticipate the remaining risk contingency of £4.6m will support the 2013/14 budget.

Despite emerging activity and volume pressures, all other directorates except Environment & Infrastructure are meeting the challenging constraints and forecasting to underspend. In total the forecast underspending for the current financial year is -£1.1m, or less than 0.1%. This supports the Council meeting its financial plan and demonstrates services continuing to apply stringent management action plans to meet their budget targets.

After applying the contingency, the net forecast underspending is -£5.5m, or 0.4% of the total budget.

The council's MTFP set a target of £71.1m of savings and efficiencies for the 2012/13 financial year. At the end of quarter 2 a review of all efficiencies, for consistency, achievability and to determine whether the programmed savings are recurrent, was conducted. This review identified a recurrent shortfall of £5.0m. The recurrent outcome of the shortfall will be reflected in the Medium Term Financial Plan 2013/18.

The Council set a capital programme for the next five years of £683m in the MTFP. The updated capital budget for 2012/13 is £146m. Capital schemes include uncertainties on timing and cost. The overall capital forecast is balanced.

Recommendations:

That Cabinet:

1. notes the projected revenue budget underspend; (Annex 1 – Section A) and the Capital programme direction; (Section B)
2. confirms that government grant changes are reflected in directorate budgets; (Section C)
3. approves the one-off corporate contribution to the funding of personalisation in Adult Social Care as highlighted by the leader in June 2012. (Para 11 and 68 - Section A)

Revenue Budget - Month End Financial Position – October 2012

1. Table A1 shows the current full year funding and net expenditure budgets for council services, and schools, along with the forecast outturn.

Table A1 – Updated income and expenditure budget and year-end forecast

	Year to Date Budget	Year to Date Actual	Full Year Budget	Remaining Forecast Income and Spend	Outturn Forecast	Forecast Variance
	£m	£m	£m	£m	£m	£m
Funding:						
Council Tax (ten instalments)	-348.0	-348.0	-580.0	-232.0	-580.0	0.0
Government Grants (incl Formula Grant)	-467.8	-499.3	-934.6	-435.3	-934.6	0.0
Total Income	-815.8	-847.3	-1,514.6	-667.3	-1,514.6	0.0
Net Revenue Expenditure:						
Service Income	-74.9	-79.1	-128.5	-53.5	-132.6	-4.1
Service staffing costs	177.9	171.5	304.8	128.2	299.7	-5.1
Service non-staffing costs	486.1	484.0	839.1	358.8	842.8	3.7
Schools - net expenditure	309.0	299.2	529.6	230.4	529.6	0.0
Total Net Revenue Expenditure	898.1	875.6	1,545.0	663.9	1,539.5	-5.5
Increase(-)/ decrease in reserves & balances	82.3	28.3	30.4	-3.4	24.9	-5.5

2. In setting the MTFP and also in managing the council's finances on a multi-year basis, the council planned to use reserves of £31.4m to fund the 2012/13 financial year.
3. The updated revenue budget for the 2012/13 financial year is £1,545.0 million. Annex 1 Section C provides more details on this along with changes to government grants and inter-directorate virements. Table A2 shows the updated net revenue budget for each directorate and also schools. The net budget includes both the service income and expenditure identified in table A1.

Table A2 – Directorate net revenue budgets, expenditure and forecasts

	Year to Date Budget	Year to Date Actual	Full Year Budget	Remaining Forecast Spend	Outturn Forecast	Forecast Variance
	£m	£m	£m	£m	£m	£m
Adult Social Care	195.9	197.1	335.8	142.6	339.7	3.9
Children, Schools & Families	170.8	164.4	295.4	129.8	294.2	-1.2
Schools	309.0	299.2	529.6	230.4	529.6	0.0
Customers & Communities	43.6	42.4	74.2	30.5	72.9	-1.3
Environment & Infrastructure	73.3	73.3	130.7	58.4	131.7	1.0
Change & Efficiency	50.3	47.5	87.7	38.6	86.1	-1.6
Chief Executive's Office	8.1	7.9	14.0	6.1	14.0	0.0
Central Income & Expenditure	47.1	43.8	68.6	22.9	66.7	-1.9
Net Service Expenditure	898.1	875.6	1,536.0	659.3	1,534.9	-1.1
Risk contingency	0.0	0.0	9.0	4.6	4.6	-4.4
Net Revenue Expenditure	898.1	875.6	1,545.0	663.9	1,539.5	-5.5

4. The council set aside a Risk Contingency of £9.0m and this will be earmarked to offset additional pressures. There is +£4.4m of earmarked additional pressures. Predominately,

the demand and volume pressures within the Adult Social Care and Children's Services and the forecast overspend on £0.3m on road maintenance. Any remaining contingency would be used to support the 2013/14 budget, which based upon the current forecast would be £4.6m.

5. In addition to the above earmarked pressures Environment & Infrastructure are predicting further overspends (+£0.7m). Offsetting this overspend are Children, Schools and Families (-£1.2m), Customers & Communities (-£1.3m), Change & Efficiency (-£1.6m) and Central Income & Expenditure (-£1.9m). This leads to a -£5.3m directorate underspend.

Adults Social Care: (Current Forecast: is an overspend of +£3.9m or +1.2%, an increase in overspend of £0.7m)

6. The directorate is predicting to be overspent by +£3.9m at year end. This represents an increase of £0.7m from the September position. The Older People Services forecast is +£3.4m overspend, People with Physical & Sensory Disabilities (PSD) predicts +£1.5m overspend, +£7.1m for People with Learning Disabilities (PLD) ; Mental Health +£0.1m overspend, offset by -£4.0m other expenditure and -£4.1m overachievement in income.
7. The Adults Social Care (ASC) budget is coming under considerable pressure, leading to the forecast that an overspend of around £3.9m (1.2% of the budget) is likely at year end. These pressures can be summarised as follows:
 - all of the £3.8m underspend carried forward from 2011/12 has now been used to fund new pressures,
 - there are growing demand pressures within the main client groups, including transition from children's services, and
 - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings.
8. As part of the 2011/12 year end process £3.8m of unspent funds were carried forward into 2012/13 to help offset pressures forecast to occur in the current and future financial years. It is assumed these funds will be fully spent by year end.
9. The Whole Systems funding programme is continuing with an additional £10.2m allocation received in 2012/13. Joint plans have been agreed with NHS Surrey to spend this money on new projects which should help to reduce pressures on care budgets through preventative mechanisms such as telecare and telehealth. The funding will be retained on the balance sheet and drawn down to match expenditure as it is incurred. Due to growing demand pressures it is now proposed that £0.8m of Whole Systems funds will be drawn down as a contribution to help offset these pressures. This would represent a reallocation of funding previously set aside for internal ASC projects and as such would not directly affect plans agreed with health and other partners.
10. In addition to the Whole Systems funding, £2.4m of Dept of Health funding allocated to the County Council via the PCT was received late in 2011/12 and so remained unspent at year-end. As a result of the reduction in this year's forecast savings it is proposed that £2m of this funding is drawn down as a contribution towards ASC's wider budget pressures. Every effort will be made to maximise savings in the remainder of the year, which may reduce the amount of Department of Health funding needed for this purpose.
11. It is noted that this position does not include the following:

- £1m contribution from the corporate centre to support the work with District and Boroughs as announced by the Leader of the County Council. The timing of the contribution is due to be considered at Cabinet on 27th November, and is to be matched by a £1m contribution from ASC which is included in the above ASC position.
- A £1m one-off contribution from the corporate centre to fund additional temporary staff to support more rapid progress with personalisation. This was announced by the Leader in June 2012. This is to be matched by a £1m contribution from ASC. The corporate contribution will be funded from the underspending on the interest payable budget as described below in paragraph 68.

Summary of Management Actions (£7.4m) included in the October projections

12. Forecast Efficiency Savings in the remainder of 2012-13:

- - £1.7m Maximising Income through partnership arrangements. Continued Health Care (CHC) savings of £1.3m have been validated as at the end of October 2012. Based on 2011/12 performance and the backlog of cases still awaiting assessment additional savings are expected, but full year savings have been reduced to £3m because of risks brought about by changes in the health economy and growing numbers of individuals losing CHC with associated backdated payments to health that reduce the net CHC savings the department secures.
- - £0.8m of Whole Systems funding previously set aside for internal ASC projects is now planned to be drawn down as a contribution to the wider ASC budget pressures.
- - £0.7m Consistent application of the Resource Allocation System (RAS). It is anticipated that, as in past years, a proportion of service users, currently receiving a direct payment, will be identified as needing lower cost packages which will lead to reclaims of surplus balances.
- - £0.7m Delays in recruitment of the specialist People with Learning Disabilities (PLD) review team mean that achievement of some Learning Disabilities (LD) Public Value Review (PVR) savings will be delayed. Total savings in 2012/13 are now forecast to be £1m, of which £0.2m of savings had been achieved by the end of October 2012.
- - £0.6m An adjustment has been applied to Older People Home Care projections to account for breaks in service and cessations of support not yet actioned in the computerised Adult Information System. This is in line with prior years' trends.
- - £0.5m Further reductions in staffing costs. The current projections include ambitious recruitment plans. An adjustment has been made to account for some potential slippage of those plans.
- - £0.3m The year to date position for Fees and Charges suggests that a surplus may be achieved by year end. £0.3m has been included as a management action this month to allow time for further analysis to confirm this position.
- - £0.2m S256 Attrition. £1.8m of savings were achieved in full as the end of October. A further £0.2m of savings are projected for the remainder of the financial year.

- - £0.1m Home Based Care Tender. A retender exercise has been completed by Procurement for 2012-13. This is anticipated to deliver savings as existing packages cease and are replaced by lower cost new services.

13. Total Management Actions (£7.4m), an increase of £0.4m from the Management Action plans included in the September projections.

Older People: + £3.4m overspend an increase of +£0.4m from September

14. The key variances within Older People services are: Nursing and Residential placements (+£2.8m), Spot home based care (+£1.1m), Other Community Services (+£1.0m), In house residential home including day care (+£0.5m) offset by Direct Payments (-£0.8m), Reablement service (-£1.2m).
15. Nursing and Residential placements are predicting an overspend of +£2.8m, primarily due to increased demand pressures that it has not been possible to absorb within the budget and underachievement against preventative, CHC and RAS savings against these policy lines.
16. Spot home based care pressures (+£1.1m) primarily because MTFP efficiencies in relation to preventative savings are not expected to be fully achieved within the current financial year.
17. Other Community Services (+£1.0m), including respite, day care and transport due to strategic shift as part of the personalisation agenda.
18. In-House residential homes including Day Care (+£0.5m) due to MTFP efficiencies which are being achieved within other areas in Service Delivery.
19. Direct Payments (-£0.8m) primarily due to a reduction in the actual start position of -£0.6m and an overachievement against the demography and inflation efficiencies.
20. Reablement service (-£1.2m) due to a high level of vacancies and delays in the appointment processes.

Physical Disabilities: +£1.5m overspend, an increase of +£0.3m from September

21. The key variances within Physical Disabilities are: Direct Payments (+£1.3m), Supported Living (+£0.4m), Nursing spot care (+£0.3m) offset by Nursing and Residential (-£0.5m).
22. Direct Payments (+£1.3m) due to the start position in spot care being higher than budgeted for and a net increase of 79 DP services so far during 2012/13.
23. Supported Living (+£0.4m) due to the start position in spot care being higher than budgeted, together with the under-achievement against preventative and strategic shift efficiencies.
24. Nursing and Residential placements (-£0.5m) primarily due to lower than anticipated volumes of PSD transition clients.

Learning Disabilities: +£7.1m overspend, an increase of +£0.9m from September

25. The key variances within Learning Disabilities services are: PLD transition clients (+£2.9m), Residential spot care (+£2.0m), Supported living spot care (+£1.9m), and former s256 clients (+£1.1m), offset by an underspend across other community services (-£0.8m).
26. The overspend of £2.9m for PLD transition clients is due to growing demographic pressures, with increased volumes above those previously anticipated, forecast non-

achievement of the £1m Optimisation of Transition Pathways efficiency and a number of new high cost packages that the department has had to pick up this year.

27. Residential spot care (+£2.0m) mainly due to forecast under-achievement against strategic supplier review, preventative, LD PVR and strategic shift efficiencies.
28. Supported Living spot care (+£1.9m) excluding S256 and Transition clients primarily because the start position was £1m higher than budgeted due to increased volumes in late 2011/12 (in line with the focus on community based provisions as part of personalisation), a net increase of 40 Supported Living services during 2012/13 and under-achievement against preventative savings.
29. Former S256 PLD clients (+£1.1m) largely due to anticipated under-achievement against MTFP efficiencies.
30. Other Community Services (-£0.8m), particularly on day services and respite care, due to a lower start of year position than originally forecast and a higher proportion of savings expected to be achieved against these service areas than was budgeted.

Mental Health: -£0.1m underspend, no change since September

31. The £0.1m underspend on Mental Health is due to an underspend on Substance Misuse within Residential Care offset by an overspend within Supported Living/Home Based care services. The decrease is due to a budget virement resulting in a reduction of -£0.2m in Mental Health Commissioning offset by a contra entry in Other Income.

Other expenditure: -£4.1m underspend, an increased underspend of -£0.1m from September

32. The key reasons for the underspends are:
 - underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment (-£2.1m),
 - funds brought forward from 2011/12 being used to offset pressures within the main client group budgets (-£1.6m), and
 - underspend on supporting people due to achievement of the Supporting People efficiency through the renegotiation of contracts in respect of volume and unit costs ahead of the four year plan (-£0.5m).

Income: -£4.1m surplus, an increased surplus of +£0.6m from September

33. The key variances within Income are: Other income (-£5.4m) and a potential surplus on general fees & charges (-£0.3m), offset by S256 fees and charges (+£0.4m) and joint funded care packages (+£1.2m).
34. Other Income (-£5.4m), partly due to (£3.5m) of Additional Dept of Health funding and other historic balance sheet funding to help offset wider pressures and unbudgeted refunds for clients who are determined as CHC with a backdated effective date.
35. Section 256 fees & charges (+£0.4m) caused by reductions in S256 user numbers and offset by reductions in expenditure as a result. Joint funded care package income (+£1.2m), mainly caused by a reduction in the number of joint funded clients due to ongoing reviews of historical joint funding arrangements which usually result in clients being determined as either 100% CHC or 100% social care.

Children, Schools & Families: (Current Forecast: Underspent by -£1.2m or -0.4%, -£0.8m increase in underspend since the end of September).

36. The projected year end revenue position for Children Schools and Families is for an underspend of -£2.5m of which -£1.3m relates to Dedicated Schools Grant (DSG) funded expenditure, - £0.5m relates to a delayed schools funded project and the remaining -£0.7m to council funded services.
37. The main reason for this improved position is the identification of an underspend on DSG SEN budgets following analysis of September 2012 pupil data. The budget position in Children's services has deteriorated with the anticipated overspend increasing by £0.5m.
38. The revised budget for the directorate has increased by £0.3m since September and now stands at £295.4m. This increase represents additional funding for the youth service in relation to apprenticeships under the Surrey Growth Strategy.

Children's Services

39. The projected overspend has increased since last month by £0.5m to £2.2m. Of the overspend £0.3m relates to the DSG funded education element of agency placements. As previously reported the main reason for the overspend is an increase in the number of children receiving services despite the service largely meeting its efficiency targets. The main variations giving rise to the overspend and changes from last month are:
- Looked After Children and Children in Need, both staffing and care costs - these budgets remain under pressure due to the impact of increased referral rates (+£0.9m) and the need to cover statutory work with agency staff in vacant positions (+£0.6m). In particular staffing projections have increased again this month (+£0.2m), and there continues to be a significant pressure in this area.
 - Agency Placements - the projected overspend for both children with disabilities and care increased this month by +£0.3m to +£1.4m as a result of 2 additional placements and revisions to existing care packages. This budget remains volatile despite management action to avoid high cost placements.
 - Fostering and Adoption Allowances - There is a small increase in the projected overspend this month following a review of the number of placements expected for the remainder of the year. The overall pressure on this budget remains at +£0.7m due to increased fostering allowances.
 - Safeguarding Services - the overspend remains broadly unchanged at +£0.4m representing an efficiency saving that is unlikely to be realised in full due to the increased number of children the service is seeing.
40. Overall service pressures are being offset by underspent staffing budgets across the service (-£0.5m) and by the unallocated contingency within central budgets (-£1.4m).

Schools & Learning

41. The anticipated underspend for schools and learning has increased this month by -£1.6m to -£3.7m. The majority of this underspend, -£1.6m relates to DSG funded areas. A further -£0.5m relates to broadband provision in schools and funded by them from delegated budgets. The project is delayed and the budget will underspend although it and the matching schools funding will be carried forward. The remaining - £1.6m underspend relates to county funded services.

42. The main reason for the increased underspend is the confirmation of a reduction in the anticipated cost of providing SEN support to children in Surrey schools of -£0.8m. This largely accounts for the increase in the DSG underspend from -£0.8m to -£1.6m.
43. The SCC funded underspend has increased largely due to the confirmation of vacancy savings arising from the restructure in Schools and Learning.
44. The other major variances remain as reported last month. Early years is expected to underspend by -£1.4m due to a combination of factors: an underspend against two year old funding of (-£0.6m), building a world class workforce bursaries underutilised (-£0.2m), application of grant from previous years (-£0.2m) and staffing vacancies (-£0.4m).
45. In addition, as outlined last month, a number of challenging savings targets in 2012/13 are no longer possible. Savings through restructuring of Schools & Learning of £0.5m have not proved possible due to the need to create a structure to meet increasing demand from demographic growth. The £0.8m saving by outsourcing some preventative services is not being pursued as planned in 2012/13. Savings by managing transport contracts of £0.4m will not be achieved. Schools and Learning had set aside a contingency of £2m in order to meet any demographic growth pressures in year, £1.5m of which is effectively being used to meet these costs of managing demand. Cabinet member approval is being sought to realign budgets to reflect anticipated activity and costs.

Services for Young People

46. Overall the position has moved from a small over to a small underspend. Within Commissioning and Development there are staffing savings as youth centres have not been fully staffed, these are offset by area staffing pressures within Youth Support Services.

Strategic Director and Central Resources

47. The main budget item under the Strategic Director's control is the residual balance of carried forward underspend from 2011/12 not yet allocated. The total carry forward was £8.4m of which £3.6m was transferred to the Child Protection Reserve, £1m was allocated for corporate purposes in support of the 2012 Olympics, £1m for ongoing funding of the CSF Change Programme and £0.4m for schools' broadband. Other items are expected to make further in-roads into the balance but the current estimate is that £0.7m will remain unspent to set off against the directorate's overspend.

Customer & Communities (Current Forecast: -£1.3m underspend or -1.8%, an increase in underspend of £1.1m)

48. The directorate is currently projecting an underspend of -£1.3m against a budget of £74.2m. This is predominantly due to confirmation that there are no commitments against the Olympics contingency (£1.0m), increased income in Registration (£0.3m) and miscellaneous savings across the remaining services.
49. The increased underspend from last month is mainly due to the £1.0m Olympics contingency budget remaining within the Directorate when there are now no calls on this.
50. The Directorate budget has increased by £0.2m since the last month end to reflect the anticipated grant requirement in relation to the Fire Service and the Olympics Look and Feel budgets.

Environment & Infrastructure (Current forecast: +£1.0m overspend or +0.8%, an increase in overspend of £0.1m)

51. The directorate is forecasting a +£1.0m overspend: Highways are predicting an +£0.7m overspend and Economy, Planning and Transport are predicting an +£0.4m overspend. Offsetting these overspends is an -£0.1m underspend in other Directorate costs.
52. Highways capital recharges + £0.5m (overspend): A shortfall in the recharge of staff costs to capital schemes (e.g. for design).
53. Staffing - £0.5m (underspend): An underspend is expected following vacancies in the earlier part of the financial year. This allows for additional temporary staff employed to deliver projects across the Directorate.
54. Local bus services & concessionary fares + £0.5m (overspend): Local bus services are expected to overspend by +£0.3m, primarily due to the need to replace services previously operated by Countryliner. The Concessionary Fares scheme for reimbursement of travel costs for elderly and disabled passengers is currently expected to overspend by +£0.2m. The actual cost this year will depend on patronage which could be influenced by a number of factors, and this pressure will be recalculated as more data becomes available through the year.
55. Highways maintenance +£0.3m (overspend): An overspend is expected primarily due to additional road maintenance and street furniture repairs. These additional costs are offset by an anticipated underspend on drainage works due to delays following poor weather
56. Other variations – smaller variations across the Directorate (a net +£0.2m) include overspends in respect of waste disposal due to specialist advisors working on the contract variation, and a shortfall in highways streetworks income, which are offset by lower than expected costs associated with the Olympic torch relay (for which a carry forward from 2011/12 was approved).

Change & Efficiency (Current forecast: -£1.6m underspend or -1.8%, an increase in underspend of -£0.3m from the previous month)

57. Overall, the Change and Efficiency revenue budget is projected to underspend by -£1.6m for the year consisting of underspends in Property (-£0.7m), Human Resources and Occupation development (HR and OD) (-£0.5m), Finance (-£0.2m) and other minor variations (-£0.3m).
58. The budget for the directorate includes efficiency savings of £7.9m, of which £7.8m will be delivered. The shortfall is in relation to partner contributions to the Data Centre. Partners are expected to begin to take space in the new financial year, following the implementation of the shared network (Unicorn), which will significantly reduce the implementation cost for participation.
59. Significant savings of £1.1m are expected on the Carbon Reduction Commitment budget. Data has now been submitted to the CRC commission and following a review of the quality of the data, the likelihood of fines has been significantly reduced. In addition, in view of the number of licences purchased last year together with reductions in energy consumption achieved, it is unlikely that the cost of allowances will reach the levels expected during budget setting
60. There is expected to be a saving on the utilities budget of £0.6m. This is based on the estimated energy prices (from October) through the Laser contract. This saving is due to two key factors - procurement activity to deliver a reduction in electricity prices and a lower increase in gas prices than originally expected. It is also due to the capital investment made, including new boilers and smart metering which facilitate greater control over energy usage. The forecast is subject to weather conditions over the winter months, and further savings will be made if temperatures are fairly mild over the peak consumption period.
61. These savings within property are offset by an increase in responsive repairs and maintenance (+£0.4m) as a result of the heavy rainfall earlier in the year. Income from rents are expected to be below budget as a result of Countryliner going into administration (+£0.1m), and incorrect budget assumptions in respect of rents Mayford Business Centre and Gypsy sites (+£0.2m).
62. An underspend of £0.6m is expected within Human Resources and Finance on staffing costs as a result of the prudent holding of vacancies prior to restructure implementation in order to reduce redundancy costs. In both cases, recruitment to posts is underway however the majority of new starters are unlikely to be in place until the new (calendar) year. A further underspend of £0.1m is expected within Procurement as result of vacancies and the sharing of resources with East Sussex.
63. There will be an underspend in the Smarter Working team of £0.2m, which will be requested as a carry-forward in order to fund staff on secondment who are working with services to help maximise the benefits of the recent investment in mobile technology.

Chief Executives Office (Current Forecast: balanced budget, an increase of +£0.1m from last month.)

64. The overall projection for the directorate is a balanced budget against a total revenue budget of £14.0m. The directorate is managing a large pressure within Legal through the careful management of staff vacancies and early achievement of efficiencies within Policy and Performance.
65. Legal and Democratic Services are forecasting an overspend of £0.2m due to the expected continuation of high levels of complex Child Protection cases in 2012/13. Management action is being taken to minimise the impact. Underspends in other departments, in particular within Policy, Performance & Audit due to current staff vacancies partially offset this pressure to result in the net predicted budget position.

Central Income & Expenditure (Current Forecast: -£1.9m underspend or -2.4%, an increase in underspend of £0.6m)

66. The full year forecast for the Central Income and Expenditure budget is an under spend of -£1.9m. The most significant reason is a lower than estimated provision of the repayment of debt (-£1.2m). This is because of the 2011/12 capital programme underspent and resulted in less capital expenditure being funded from borrowing than anticipated.
67. The budget for interest on short term investments is based on assumptions around available cash balances and interest rates. Although interest rates have not risen, cash balances are higher than forecast and it is expected that the council will receive interest income of £0.5m in excess of the budget. In addition, a provision is made in the budget for interest to be paid to schools on their balances. With continuing low interest rates this is unlikely to occur leading to an underspending of -£0.2m.
68. The interest payable budget included a provision for an increase in interest rates. This increase is now unlikely to occur, and even if it were to, would have a minimal impact on this year's budget. This saving will fund the commitment to contribute to the additional temporary staff to support more rapid progress with personalisation within Adult Social Care.
69. Expenditure on Redundancy and Compensation is currently in line with the budget, and there have been 71 new cases approved this year against 138 assumed in the budget - an increase of 2 from September. Expenditure on this budget going forward depends on the decisions and outcomes of service re-structures and also the possibility of some people being re-deployed. Therefore the number of cases may increase in future months so this budget will continue to be closely monitored.

Staffing Costs

70. Table A1 above shows the council's total full year budget for staffing is £300.9m, with expenditure to the end of October 2012 of £171.5m.
71. The council employ three categories of paid staff. Contracted staff are employed on a permanent or fixed term basis and are 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. The use of bank and agency staff enables managers to manage short term variations in demand for services or vacancies for contracted staff.
72. A degree of flexibility in the staffing budget is good, as is some staff turnover, which allows new ideas and thinking into the workforce from other organisations. The council aims to incur between 88% and 95% of its staffing costs from contracted staff, depending on the particular Directorate service needs. The current level of 92% has been stable for most of the current year.
73. Table A3 shows the staffing expenditure for the first seven months of the year against budget. This is then analysed between the categories of staff.

Table A3 – Staffing costs to end of October 2012.

	Budget £m	Actual £m	Variance %	Variance £m
Contracted		157.6	92%	
Agency		8.3	5%	
Bank		5.5	3%	
Total Staffing Cost	177.9	171.5		-6.4

74. The favourable current variance of £6.4m is due to a combination of vacancies in the process of being filled, vacancies being held unfilled prior to restructures and a more economical mix of staffing grades being employed than budgeted.
75. In setting the budget, the council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A4 shows that there are 7,266 contracted FTEs in post at the end of October.

Table A4: Full Time Equivalent by directorate

Directorate	Oct FTE	Sept FTE
Adult Social Care	1,866	1,834
Children Schools & Families	2,491	2,464
Customer and Communities	1,474	1,476
Environment & Infrastructure	485	467
Change & Efficiency	774	782
Chief Executive Office	176	178
Total	7,266	7,201

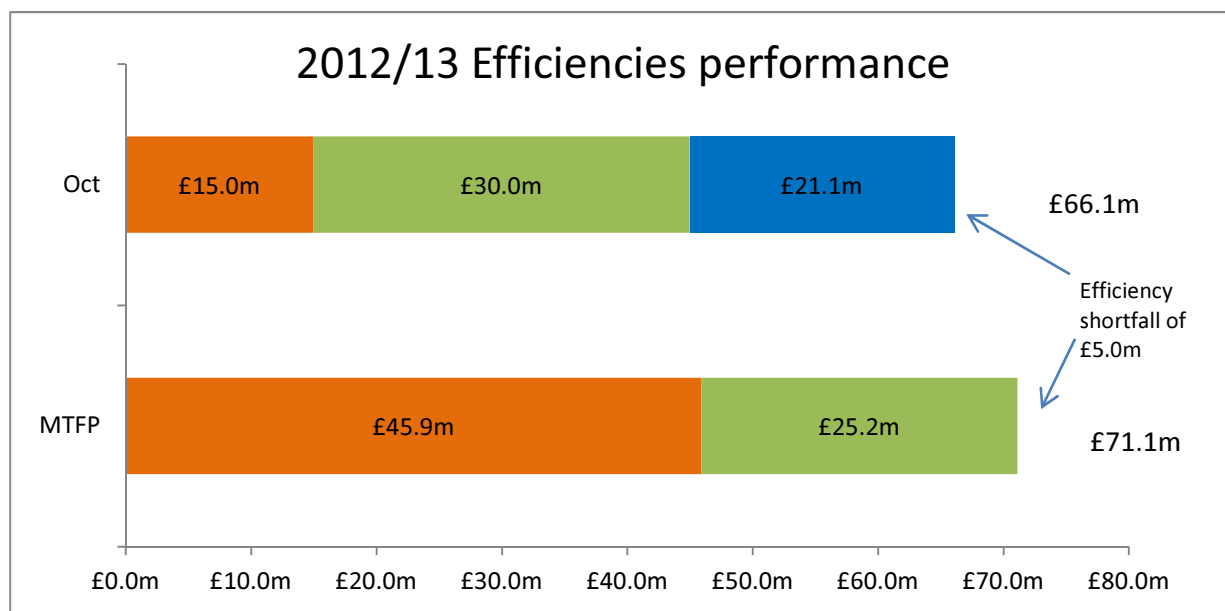
76. There are 225 "live" vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A5- full time equivalents in post and vacancies

	Oct FTE	Sept FTE
Budget	7,700	7,700
Occupied contracted FTE	7,266	7,201
"Live" vacancies (ie: actively recruited)	225	278
Vacancies not occupied by contracted FTEs	209	221

Efficiencies

77. For the current year the council has a savings target of £71.1m, which was set out in the MTFP. The current forecast is for £66.1m of these to be achieved.



78. Although there is a shortfall in achieving the efficiencies in the Medium Term Financial Plan, Strategic Directors are looking to deliver all of their £15.0m amber savings to add to the £30.0m green savings and £21.1m already delivered. The MTFP 2012/17 savings are long term savings but directorates are supporting long term saving shortfalls with one-off savings or expenditure under spends.

Adult Social Care

79. A comprehensive review of savings plans conducted in September led to the removal of some high risk savings from the previous month's projections and their replacement largely with temporary one-off measures (£8.4m) which will help to contain this year's overspend, but will leave a sustainable challenge in the following years. The need to replace these one-off measures is being flagged as part of the forward budget setting process.

Children Schools & Families

80. A number of challenging savings targets in 2012/13 are no longer possible. Savings through restructuring of Schools & Learning of £0.5m have not proved possible due to the need to create a structure to meet increasing demand from demographic growth. The £0.8m saving by outsourcing some preventative services is not being pursued as planned in 2012/13. Savings by managing transport contracts of £0.4m will not be achieved. Schools and Learning had set aside a contingency of £2m in order to meet any demographic growth pressures in year £1.5m of which is effectively being used to meet these costs of managing demand. Cabinet Member approval is being sought to realign the budgets to reflect anticipated activity and costs.

Environment & Infrastructure

81. A comprehensive review of performance against efficiency targets is under way. At this stage a number of shortfalls are expected, primarily in respect of contract cost savings, recharge of staff costs to the Local Sustainable Transport Fund grant, and the cost of concessionary fares where increased patronage has impacted on costs. In future years planned savings from parking income are not now expected to be made.

Central Income & Expenditure

82. The budget included a savings target of £0.2m on the Minimum Revenue Provision for the current year. However, following the final audit of the 2011/12 accounts, capital expenditure and borrowing was lower than forecast and this has led to an ongoing saving of £1.2m more than anticipated.

Capital Budget - Month End Financial Position – October 2012

83. In agreeing significant capital investment as part of the MTFP for 2012-17 in February 2012, the Council demonstrated its firm long term commitment to stimulating economic recovery in Surrey. The total capital programme is £683m over the 5 year MTFP (2012/17) period, with £146m being planned in 2012/13. Whilst it is good to make long term plans, flexibility to changing circumstances is necessary to recognise that the current environment for all public services is complex and fast changing. This was recognised when the cabinet approved that £27.8m of the 2011/12 capital budget should be carried forward into the current capital programme (2012/17) to support this further capital investment.
84. On a scheme by scheme basis the budgets include the funding carried forward for projects continuing from 2011/12. With all large capital programmes there will inevitably be some in-year variation through changes to the timing of some spend and through successful delivery of efficiencies. Due to these risks, there is a corporate adjustment of £9.5m, leading to a forecast over-delivery this year on the capital budget.
85. Table B1 shows an overview of the current year's capital budget, spend and forecast by directorate.

Table B1- 2012/13 Capital budget

	Revised Full Year Budget	YTD Actual	Committed	Apr – Oct YTD & Committed	Nov - Mar Remaining Forecast	Full Year Forecast	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adult Social Care	1,687	187	804	992	695	1,687	0
Childrens Schools & Families	5,895	7,392	237	7,629	42	7,672	1,777
Schools Basic Need	31,992	14,787	3,533	18,320	12,932	31,252	-740
Customers & Communities	5,422	1,574	148	1,722	1,250	2,972	-2,450
Environment & Infrastructure	52,741	24,042	19,953	43,995	6,312	50,307	-2,434
Change & Efficiency	47,761	17,979	9,045	27,025	22,962	49,986	2,225
Chief Executive's Office	10,173	23	0	23	2,150	2,173	-8,000
c.fwd adjustment	-9,525			0	0	0	9,525
Total	146,146	65,985	33,721	99,706	46,343	146,049	-97

Childrens, Schools & Families

86. The in-year forecast overspending of £1.8m is principally caused by additional school funded projects. The council will not receive the income for these projects until 2013/14 in some cases.

School Basic Need

87. The Schools Basic Need programme is expected to be -£0.7m under budget; an improvement of £1.9m compared to last month's forecast. This is the result of bringing schemes forward and is net of procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

Customer & Communities

88. The Fire & Rescue Service vehicle and equipment replacement and mobilising control schemes are currently underspent by £2.5m. These schemes are multi-year and require to be rephased over the scheme life. The service will request a reprofiling of this underspend in due course.

Environment & Infrastructure

89. The Directorate is forecasting a £2.5m underspend:

- **Walton bridge - £1.1m (underspend)** Overall the scheme remains broadly on target in terms of timing and cost. The projected underspend this year results from the Department for Transport reprofiling grant payments, with additional grant now available this year. As a result, SCC's expected contribution will not now be needed this year and will instead be reprofiled into future years.
- **Developer funded schemes - £1.0m (underspend)** This includes schemes funded from S106 developer contributions which form part of the Local Sustainable Transport Fund project. Following the re-profiling of grant agreed with the Department for Transport this will be spent in future years.
- **Pay and display - £0.3m (underspend)** Fewer schemes are expected to be progressed this year. The programme is under review to determine whether this underspend is required in future years.

Change & Efficiency

90. Delivery against the remaining CAE capital programme is expected to be £2.2m over budget.

91. Schools projects are expected to be under-spent by £2.2m. The tender process for the replacement of aged demountables has delivered a saving of £0.4m however work will not now start until the new financial year, creating an in-year underspend.

92. Non-schools projects will underspend by £1.9m primarily as a result of planning issues particularly in relation to Gypsy sites and Cobham Library re-provision. The Fire Station reconfiguration project (of which £0.5m was expected to be incurred this year) has been delayed on request by the Fire Service.

93. There is a projected overspend on IT projects funded by the Equipment Renewal Reserve in the current year. This is due to the significantly increased number of laptops that were purchased as part of the desktop refresh in order to facilitate more mobile and remote working. Additional contributions to the reserve have been made this year from the revenue budget to cover the expenditure. The Adult Social Care Infrastructure Grant needs to be carried forward to fund systems improvements in the future

94. The award of a contract to replace the SWAN network with a Surrey wide Public Sector network is proceeding following approval from Cabinet. In order for the network to be

ready there will be a significant up-front investment of £3.8m. Options appraisal was completed which determined that the most cost effective methodology would be for the council to purchase equipment required rather than paying over the life of the contract. Savings will be achieved in revenue expenditure in future years.

Chief Executive Office

95. The Chief Executive Office has responsibility for delivering the superfast broadband initiative. The Cabinet has committed to ensuring that access to superfast broadband is available to all business and residential premises in Surrey. In addition to this the Surrey Public Sector Network project will focus on broadband access for Public Sector and third sector bodies.
96. Cabinet approved the preferred bidder in July and the contract was awarded in September. Detailed planning has commenced, but not completed, with the contractor clarifying the likely profile of expenditure from 2012 to 2014. Currently the estimate is that £2m of expenditure is anticipated in 2012/13, with the remaining £18m spent over 2013/14 & 2014/15. Cabinet have approved the establishment of a Joint Operation Centre (JOC), based at County Hall, to implement the contract. It is anticipated that the costs of the JOC (approx. £0.6m for 2 years) will be funded from the £1.3m provided by BDUK.

Government grants and budget revenue budget virements

Updated Budget

97. The Council's 2012/13 revenue expenditure budget was initially approved at £1,512.7 million. Subsequently the cabinet approved the use of reserves built up in 2011/12 to augment this. This approval increased the budget to £1,527.3m. In addition to grant changes in quarter 1, grant changes, DSG carry forwards and academy conversions and other minor movements in quarter 2, there have been a few minor movements in October. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax £m	Formula Grant £m	Government Grants £m	Reserves £m	Total £m
Original MTFP	580.0	148.6	767.3	16.8	1,512.7
<u>Previous changes</u>					
Q1 changes			0.9	14.6	15.5
July changes		1.0	1.8	-1.0	1.8
August changes			11.1		11.1
September changes			3.7		3.7
Previous changes		1.0	17.5	13.6	32.1
<u>October changes:</u>					
Minor changes			0.2		0.2
October changes:		0.0	0.2	0.0	0.2
Updated budget – Oct 2012	580.0	149.6	785.0	30.4	1,545.0

98. When the Council agreed the 2012-2017 MTFP in February 2012, government departments had not determined the final amount for a number of grants. Services therefore made an estimate of the likely level of 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 expenditure budget.

99. Government grant changes in October totalled £247,216.

- These were minor changes in Children, Schools & Families, Schools (£30,415), Customer & Communities, Fire service(£125,557), and Customer & Communities, Olympics (£91,244).

100. The Cabinet is asked to note these changes grant changes and approve that they are allocated to the relevant services.

101. In controlling the budget during the year, budget managers are occasionally required 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. Virements above £250,000 require the approval of the Cabinet Member. There was one virement over this value in October. It was for £300,000 and was to move the

**Annex 1 – Section C
Budget Changes**

budget for Surrey Growth Strategy Apprenticeships from Environment & Infrastructure to Children, Schools & Families following clarification of managerial responsibilities.

102. Table C2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year.

Table C2: 2012/13 updated revenue expenditure budget – October 2012

	Original MTFP Budget £m	2011/12 Carry Forwards £m	Gov't Grants £m	Virements £m	Full Year Updated Budget £m
Adult Social Care	331.5	3.8	0.0	0.5	335.8
Children, Schools and Families	289.3	3.9	3.5	-0.8	295.9
Schools	518.9	0.0	11.5	-0.7	529.7
Customers and Communities	70.6	1.8	0.9	1.0	74.3
Environment and Infrastructure	125.6	2.3	1.8	1.0	130.6
Change and Efficiency	84.7	2.3	0.0	0.7	87.7
Chief Executive's Office	13.7	0.0	0.0	0.3	14.0
Corporate Projects	1.5	0.0	0.0	-1.5	0.0
Central Income / Exp	68.1	0.4	0.0	-0.5	68.0
Service Revenue Expenditure	1,503.9	14.5	17.6	0.0	1,536.0
Risk Contingency	9.0	0.0	0.0	0.0	9.0
Total Revenue Expenditure	1,512.9	14.5	17.6	0.0	1,545.0

