

Budget monitoring period 8 2015/16 (November 2015)

Summary recommendations

Cabinet is asked to:

1. note the council forecasts a -£2.8m overall revenue budget underspend at year end, which includes use of -£6.9m central government grant plus -£0.8m unplanned underspend to offset pressures in Adult Social Care (paragraph 1);
2. note services forecast to achieve £63.1m efficiencies and service reductions by year end (paragraph 36);
3. note total forecast capital expenditure for 2015/16, including long term investments, is £231.2m (paragraph 47);
4. services' management actions to mitigate overspends (throughout this report).

Revenue summary

Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4m.

Cabinet meets earlier than usual this month. The figures in the report reflect the best estimates available within the shortened reporting period.

As at 30 November 2015, the council forecasts to underspend by -£2.8m (down from -£3.0m as at October 2015) and achieve £63.1m efficiencies by year end (no change from October 2015). The underspend is due to several offsetting variances among services and local taxation, the most significant of which are:

- -£7.7m use of 2015/16 central government grant and unplanned underspend in Adult Social Care services to offset +£5.4m additional demand, +£2.9m forecast unachieved savings and -£0.6m additional fees and charges;
- +£1.7m children's services' costs due to higher volumes of children in need; and
- -£3.1m more income from business rates collection than expected.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The financial strategy has a number of long term drivers to ensure sound governance, management of the council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum, consistent with 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.

- Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £696m capital programme in MTFP (2015-20). As at 30 November 2015, services forecast £165.8m capital spending against the current 2015/16 budget of £175.8m and total forecast capital expenditure including long term investments is £231.2m (£196.8m as at October 2015) (paragraphs 45 to 46).

As part of increasing the council's overall financial resilience, it plans to invest £65.5m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015 (paragraphs 25 to 27).

Revenue budget

1. As at 30 November 2015, the council's overall forecast is -£2.8m underspend at year end including using -£6.9m support from central government new burdens Care Act funding plus -£0.8m temporary use of an unplanned underspend against Deprivation of Liberty Safeguards to offset pressures in Adult Social Care.
2. In March 2015, Cabinet approved the council's 2015/16 gross expenditure budget at £1,671.3m, financed by -£1,667.6m gross income and -£3.7m from reserves. Changes in 2015/16 reflecting agreed carry forwards and small budgetary adjustments to 30 November 2015, increased the gross expenditure budget to £1,679.2m and gross income to -£1,675.5m. The council's plan to use reserves to balance 2015/16 remains at -£3.7m.

Revenue budget monitoring position

3. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £3.7m. The year to date net expenditure of -£3.9m is derived from the actual net expenditure of -£28.4m and the budget profile of -£24.5m (shown in Table App3). The impact of the -£2.8m overall forecast budget variance is the council would need to draw £0.9m, rather than £3.7m from reserves at year end.

Table 1: 2015/16 revenue budget subjective summary as at 30 November 2015

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,675.5	-1,161.3	-1,689.6	-14.1
Gross expenditure	1,679.2	1,133.0	1,690.5	11.3
Total net expenditure	3.7	*-3.9	0.9	-2.8

Note: * Profiled year to date budget is -£24.5m compared to actual net expenditure of -£28.4m
All numbers have been rounded - which might cause a casting error

4. In the appendix: Table App1 outlines the updated revenue budget by service; Table App2 summarises movements in the budget; and Table App 3 gives details of the overall income and expenditure for the year to date and year end forecast position.
5. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, Table 2 shows the net expenditure position, which comprises gross expenditure less income from specific grants and fees, charges and reimbursements. The council's general funding sources include: general government grants, local taxation (council tax and business rates) and planned use of reserves.
6. Table 2 shows the majority of services' budgets are on track to achieve a balanced outturn or underspend in 2015/16. General funding sources show favourable forecast variances for business rates income and for government grants to compensate the council for business rates reliefs.

Table 2: Services' net expenditure and general funding as at 30 November 2015

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.9	1.7	0.0
Strategic Leadership	0.4	0.3	0.4	0.0
Adult Social Care	372.2	248.7	372.2	0.0
Children's Services	91.4	61.1	93.1	1.7
Services for Young People	15.4	9.7	15.3	-0.1
Schools & Learning	74.2	48.5	74.2	0.0
Delegated Schools Budget	0.0	0.0	0.0	0.0
Strategic Services (CSF)	2.2	1.6	2.3	0.1
Community Partnership & Safety	3.5	1.8	2.9	-0.6
Coroner	1.3	0.8	1.6	0.3
Cultural Services	9.8	6.3	9.5	-0.3
Customer Services	3.4	2.2	3.3	-0.1
C&C Directorate Support	1.0	0.6	1.0	0.0
Emergency Management	0.6	0.3	0.5	-0.1
Magna Carta	0.8	0.6	0.7	-0.1
Surrey Fire & Rescue Service	34.6	23.3	34.6	0.0
Trading Standards	2.0	1.2	2.0	0.0
Environment & Planning	80.4	54.7	80.8	0.4
Highways & Transport	45.3	27.9	45.8	0.5
Public Health	0.3	2.1	0.3	0.0
Central Income & Expenditure	50.5	21.9	52.4	1.9
Communications	2.0	1.2	2.0	0.0
Finance	8.3	5.0	7.8	-0.5
Human Resources & Organisational Development	8.5	5.0	8.1	-0.4
Information Management & Technology	25.5	16.4	25.5	0.0
Legal & Democratic Services	8.6	5.6	8.5	-0.1
Policy & Performance	2.5	1.8	2.3	-0.2
Procurement	3.3	2.0	3.3	0.0
Property	28.8	18.0	28.6	-0.2
Shared Service Centre	4.3	2.4	4.2	-0.1
Total services' net revenue expenditure	883.0	571.7	884.9	1.9
General funding sources				
General Government grants	-237.2	-150.5	-238.8	-1.6
Local taxation (council tax and business rates)	-642.1	-449.6	-645.2	-3.1
Total general funding	-879.3	-600.1	-884.0	-4.7
Total movement in reserves	3.7	N/A	0.9	-2.8

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

Services' significant budget variances

7. The following section sets out for services with significant budget variances:

- changes since 31 October 2015,
- the variances' impact on the council's overall financial position and
- services' management actions to mitigate adverse variances.

Adult Social Care - balanced (no change since October 2015)

8. As at 30 November 2015 Adult Social Care (ASC) services project an overall balanced budget (no change from October 2015). However, this continues to rely on -£6.9m use of central government Care Act implementation funding plus -£0.8m use of ASC's existing Deprivation of Liberty Safeguards (DoLS) budget to balance an underlying +£7.7m forecast overspend.
9. ASC's 2015/16 central government grant funding, includes £7.2m for service reform new burdens. Following postponement of the reforms, the Government announced it will not claw back the funding this year and ASC is using the funds to offset increased demand pressures in 2015/16. This is likely to be a one-off measure as future years' funding allocations are unclear, but likely to be adjusted downwards.
10. ASC's 2015/16 DoLS budget increased by £1m in response to a considerable growth in demand for assessments following a landmark Supreme Court ruling in 2014. Meeting the assessment demand will need additional resources on an ongoing basis. However, difficulties recruiting specialist Best Interest Assessors mean ASC will not fully spend the additional funding by year end. In light of its underlying budget pressures, ASC has used £0.8m of the additional DoLS budget to help balance its overall 2015/16 budget. Work continues to provide sufficient capacity to conduct all DoLS assessments, which this budget will be required for in the next financial year. So, as with the use of central government Care Act implementation funding, this use of some of the DoLS budget is a temporary one-off measure.
11. The main reasons for the underlying forecast overspend of +£7.7m are as follows.
 - +£5.4m additional pressures from increased demand for care services (no change from October 2015). A key priority for ASC is to manage demand effectively through: prevention, information and advice, plus greater collaboration and integration with the NHS. These strategies help limit demand increases, but are not yet successful in reducing the rate of demand to budgeted levels. If the current trend of the growth in service user numbers seen so far in 2015/16 continues, then the volume of care services would increase by more than 8%, which is significantly more than the 5% budgeted for 2015/16. Furthermore the costs for individuals already receiving care at the start of year seem to be rising faster than in previous years due to increasing levels of need and complexity.
 - Ongoing pressures in local health systems also place significant pressure on social care. Local clinical commissioning groups' demand for hospital admissions is not falling as planned. Metrics for the first quarter of 2015/16 show unplanned admissions are up 4.1% on last year's baseline (5.1% higher than the planned 1% reduction). This highlights why work to develop a whole systems approach to health and social care across Surrey is crucial to increasing health and wellbeing and reducing demand pressures on the care system.
 - +£2.9m underachievement of ASC's savings targets (no change from October 2015). This is mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £3.5m. Current performance suggests 15% is achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People.
 - -£0.6m surplus on fees & charges and other income streams not directly related to individual packages of care or block contracts (no change from October 2015).

Children's Services +£1.7m (+£0.2m change since October 2015)

12. As at 30 November, Children's Services anticipates +£1.7m overspend (up from +£1.5m as at October 2015). Most of the +£0.2m increase in forecast overspend is due to increases in fostering and agency placement costs. The expenditure overspend has two main drivers, partially offset by a range of smaller variances.
- Increasing numbers of looked after children. This mainly affects the budget for external placements that anticipates an overspend of +£1.9m (+£1.8m as at October 2015) plus a +£0.8m overspend for Asylum (+£0.8m as at October 2015). As at October 2015 there were 853 looked after children, an increase of 69 since March 2015. This includes 38 more unaccompanied asylum seekers where numbers have increased by 45% since August 2014.
 - Increasing numbers of children in need are intensifying pressures on staffing. The referral, assessment and care management teams anticipate +£1.0m overspend (no change from +£1.0m as at October 2015), largely due to an increased reliance on locum social workers. This pressure is offset by vacancies in other areas of the service and work continues to improve the recruitment and retention of social workers.
 - Offsetting the expenditure overspend are a range of smaller variances including additional income of -£0.8m largely due to additional inter agency adoption fees.

Schools & Learning -balanced (-£0.1m change since October 2015)

13. As at 30 November 2015, Schools & Learning (S&L) forecasts balanced position against county council funded budgets (down from -£0.1m as at October 2015).
14. S&L has achieved a significant improvement in its forecast financial position since September 2015 from a review of transport forecasts in light of travel patterns from the start of the new academic year. In addition managers have reduced forecast spending across many budgets as they prepare for 2016/17.
15. Of the remaining pressures, +£1.0m is in early years services due to delays in achieving efficiencies planned for 2015/16 and +£1.0m is in SEN transport, although this is offset by -£1.0m underspends on mainstream transport.

Central Income & Expenditure +£1.9m (no change since October 2015)

16. As at 30 November 2015, Central Income & Expenditure forecasts +£1.9m overspend (no change from October 2015). This is mainly due to increased capital financing costs due to the council's strategy of retaining capital receipts for investment and a small pressure due to borrowing early to fund the capital programme at lower interest rates.

General Government Grants and Local Taxation -£4.7m (no change since October 2015)

17. As at 30 November 2015, General Government Grants and Local Taxation, forecasts -£4.7m underspend (no change from October 2015). As reported previously: -£1.6m is for additional forecast business rates income due to the district and borough councils' final schedules being higher than the earlier estimates used to produce the budget; -£1.6m is due to further government grant compensating councils for the loss of business rate relief scheme being higher than expected; and -£1.5m is from business rates pooling arrangements with four Surrey district and borough councils. This arrangement increases business rates retained by each authority in the pool by reducing the levy paid centrally.

Community Partnership & Safety -£0.6m (no change since October 2015)

18. As at 30 November 2015, Members' Allocations and Community Improvement Fund show a forecast underspend of -£0.6m (no change from October 2015). As this expenditure is committed spend for next year, the service will request a carry forward at year end.

Highways & Transport +£0.5m (no change since October 2015)

19. As at 30 November 2015, Highways & Transport anticipates +£0.5m overspend (no change from -£0.5m as at October 2015). This comprises a number of offsetting variances, most significantly the impact of staffing vacancies, e.g. where those vacancies are covered by temporary staff at a higher cost, or where vacancies result in reduced income or recharges. A strategic recruitment campaign is under way.

Areas to be aware - Waste Management

20. The Waste Management service is experiencing cost pressures for a number of reasons.
- As reported to Cabinet in July 2015, the service faces cost pressures due to an increase in waste volumes linked to population growth and increased economic activity, stalled recycling rates, and increases in contract prices.
 - In addition, the council's MTFP includes the requirement to make savings and efficiencies. In some cases implementation of these savings has been delayed, for example by the requirement for consultation. The service is working to recover the position, although a shortfall of £2.1m is currently expected this year.
21. As a result of these factors, expenditure is expected to be +£3.9m higher than budget this year, and it is planned to meet this additional cost from the Waste Sinking Fund.

Areas to be aware - Public Health

22. In June 2015 the Chancellor announced a £200m in year cut to the Public Health ring-fenced grant. The Department of Health confirmed it has reduced Surrey's 2015/16 grant allocation by £2.2m. To meet this cut, Public Health (PH) identified: £0.75m efficiency or one off reductions, £1.0m of in year front line service reductions and £0.45m transfer from the Public Health Reserve (created from delayed funding to PH's 2014/15 ring fenced grant in anticipation of supporting activities in later years).
23. To meet its MTFP savings target, PH will reduce spend through a mixture of process or contract efficiencies and service reductions. Efficiencies are on track in 2015/16 to meet the £0.75m target and lower priority areas where expenditure can be reduced in year have already or are currently being cancelled. Assuming the grant cut continues, future years will involve further front line service reductions as the service uses up the Public Health Reserve.

Areas to be aware - Coroner

24. Changes around Deprivation of Liberty legislation may significantly increase the number of coroner inquests. The Chief Coroner has appointed a retired High Court judge for the inquest into the death of Private Cheryl James. In 2014/15 a shortage of mortuary provision meant the Coroner purchased temporary mortuary facilities, creating a cost pressure that is likely to continue. Taking these three pressures together, the Coroner Service projects a pressure of +£0.3m.

Revolving Infrastructure & Investment Fund

Table 3: Summary revenue and capital position as at 30 November 2015

Summary	YTD actual	Full year forecast
Revenue expenditure	£m	£m
Income	-2.3	-3.8
Expenditure	0.3	0.6
Net income before funding	-2.0	-3.2
Funding costs	1.7	2.8
Net income after funding	-0.3	-0.4
Capital expenditure	19.0	65.5

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

25. Net income of -£0.4m is being generated this financial year by the Joint Venture project to deliver regeneration in Woking town centre and from various property acquisitions that have been made for future service delivery or regeneration. It is anticipated that the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year end.
26. Capital expenditure this year includes development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company, equity investment and loan to Halsey Garton Property Ltd and the regeneration scheme approved by Cabinet in July.
27. Additionally, £36.5m expenditure is forecast for later this financial year on an investment acquisition as approved by Cabinet in November. Further details will be shared after the completion of contracts.

Staffing costs

28. The council employs three categories of staff.
 - Contracted staff 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 employed through an agency with which the council has a contract.
29. Bank and agency staff enable managers to manage short term variations in service demand, or contracted staff vacancies. This is particularly the case in social care. Some flexibility in the staffing budget is sensible, as it allows the council to vary a portion of staffing costs.
30. The council sets its staffing budget on the estimated labour it needs to deliver its services. It expresses this estimated labour as budgeted full time equivalent (FTEs) staff required on average over the full year and converts it to a budget cost. The budget comprises spending on all three categories of staff and is the key control in managing staffing costs.
31. In practice, throughout the year, the composition of occupied posts and FTEs will vary. However managers are still able to control total cost within budget. For example, there are several reasons a service might recruit new staff at lower cost

than the current budget and use of fixed term contracts may temporarily result in higher than budgeted FTEs, but remain within the overall budget.

32. The council's total full year staffing budget for 2015/16 is £279.2m based on 7,935 budgeted FTEs. Table 4 shows the composition of the council's workforce as at 30 November 2015. Of the 556 live vacancies, where the council is actively recruiting, 426 are in social care.

Table 4: Full time equivalents in post and vacancies as at 30 November 2015

	FTE
Budget	7,935
Occupied contracted FTE	7,323
"Live" vacancies (i.e. actively recruiting)	556
Vacancies currently with no active recruitment	56

33. Table 5 shows staffing costs as at 30 November 2015 against service budgets and analysed among the categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs and occupied contracted FTEs. Reasons for variances between these figures can include: the budget for some FTEs is held in a different service from where the postholder works (for example HR&OD's FTE budget covers apprentices, but the occupied FTEs appear in the service they work in); secondees' budgeted posts are in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all for external secondments). The income from recharges for secondments is within services' other income.
34. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into FTEs as these may be for a few hours only, part time etc. As at 30 November 2015, the council employed 7,323 FTE contracted staff, against 7,935 budgeted FTEs (about 92% of total staffing costs).
35. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix. Table 5 shows the year to date staffing budget as at 30 November 2015 is £203.0m and actual expenditure is £199.6m. Table App 3 reiterates the -£3.4m year to date underspend on employment costs and shows services forecast -£4.5m underspend by year end.

Table 5: Staffing costs and FTEs to 30 November 2015

Service	YTD	<----- Staffing spend by category ----->					Budgeted FTE	Occupied contracted FTEs
	staffing budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Economic Growth							1	0
Strategic Leadership	0.3	0.3	0.0	0.0	0.3	0.0	2	1
Adult Social Care	39.4	34.8	2.0	1.5	38.3	-1.1	1,925	1,637
Children's Services	31.0	26.0	4.1	1.8	31.9	0.9	1,108	1,013
Services for Young People	9.4	8.9	0.0	0.4	9.3	-0.1	395	361
Strategic Services	1.8	1.9	0.0	0.0	1.9	0.1	52	65
Schools & Learning	31.0	29.5	0.2	0.6	30.3	-0.7	1,332	1,264
Delegated Schools							0	0
Community Partnership & Safety	0.8	0.9	0.0	0.0	0.9	0.1	24	28
Coroner	0.3	0.2	0.1	0.0	0.3	0.0	1	2
Cultural Services	12.4	11.0	0.0	1.0	12.0	-0.4	520	527
Customer Services	2.3	2.1	0.1	0.0	2.2	-0.1	112	97
C&C Directorate Support	0.7	0.7	0.0	0.0	0.7	0.0		
Emergency Management	0.3	0.3	0.0	0.0	0.3	0.0	12	16
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0
Surrey Fire & Rescue Service	18.5	17.2	0.1	1.2	18.5	0.0	675	634
Trading Standards	2.1	2.1	0.0	0.0	2.1	0.0	100	92
Environment & Planning	6.9	6.5	0.2	0.2	6.9	0.0	215	203
Highways & Transport	9.0	7.6	0.2	0.1	7.9	-1.1	313	280
Public Health	1.9	1.7	0.0	0.1	1.8	-0.1	51	46
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0
Communications	0.7	0.7	0.0	0.0	0.7	0.0	23	25
Finance	3.8	3.6	0.0	0.0	3.6	-0.2	101	103
Human Resources & Organisational Development	3.6	3.2	0.1	0.1	3.4	-0.2	104	99
Information Management & Technology	8.1	6.8	1.3	0.0	8.1	0.0	221	198
Legal & Democratic Services	3.7	3.1	0.3	0.0	3.4	-0.3	130	112
Policy & Performance	1.7	1.6	0.1	0.0	1.7	0.0	42	40
Procurement	2.0	1.9	0.1	0.0	2.0	0.0	57	55
Property	5.7	5.4	0.4	0.0	5.8	0.1	177	183
Shared Service Centre	5.4	5.1	0.0	0.0	5.1	-0.3	242	238
Total	203.0	183.3	9.3	7.0	199.6	-3.4	7,935	7,319

Note: All numbers have been rounded - which might cause a casting error.
Trading Standards' FTEs include C&C Directorate support

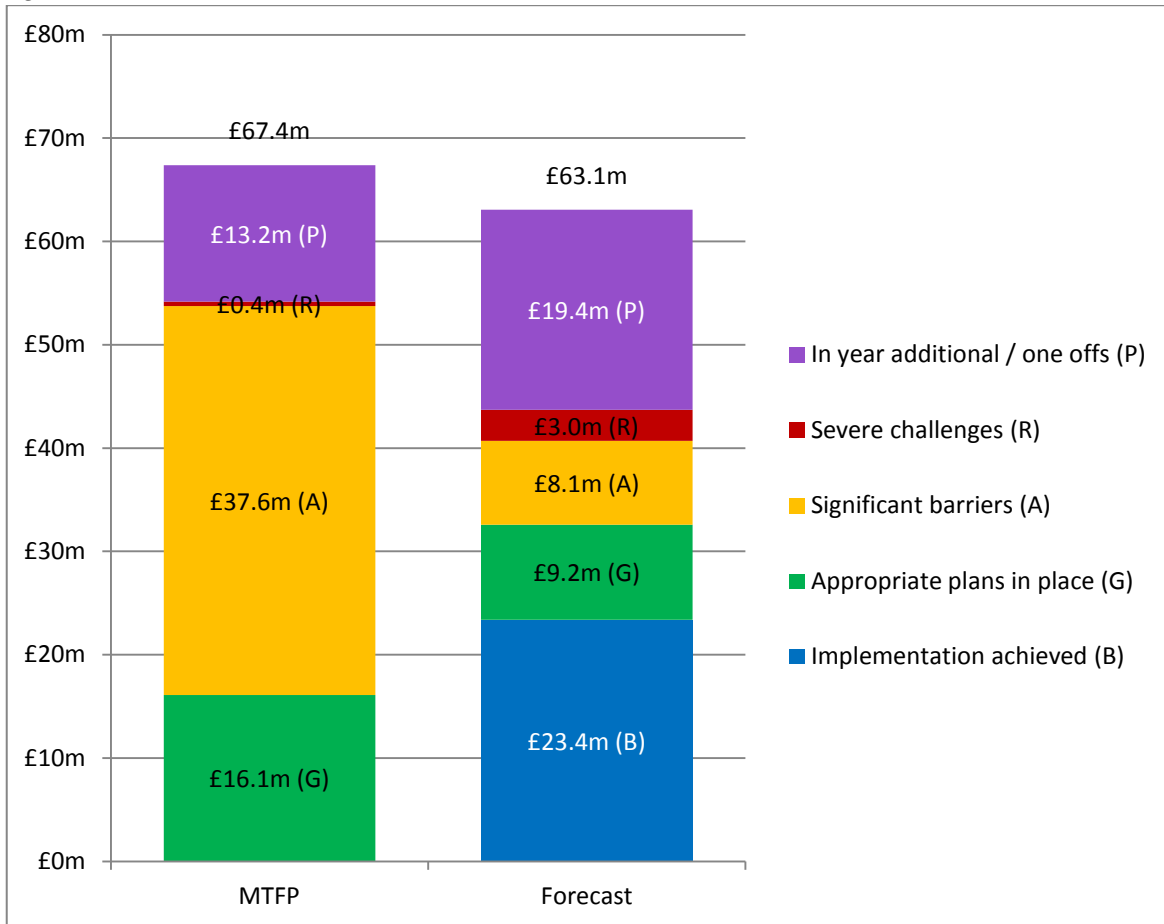
Efficiencies

36. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £63.1m by year end (down from £63.1m as at October 2015), an underachievement of £4.3m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

37. Each service's assessment of its progress on achieving efficiencies uses 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;
- PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.

Figure 1: 2015/16 overall risk rated efficiencies as at 30 November 2015



38. Table 6 summarises forecast progress on efficiencies by service. It shows most services are on track to achieve their planned efficiencies. Adult Social Care, Environment & Planning, Property and Surrey Fire & Rescue services are supporting their programmes with additional in year and one off efficiencies.

Table 6: 2015/16 Efficiency programme as at 30 November 2015

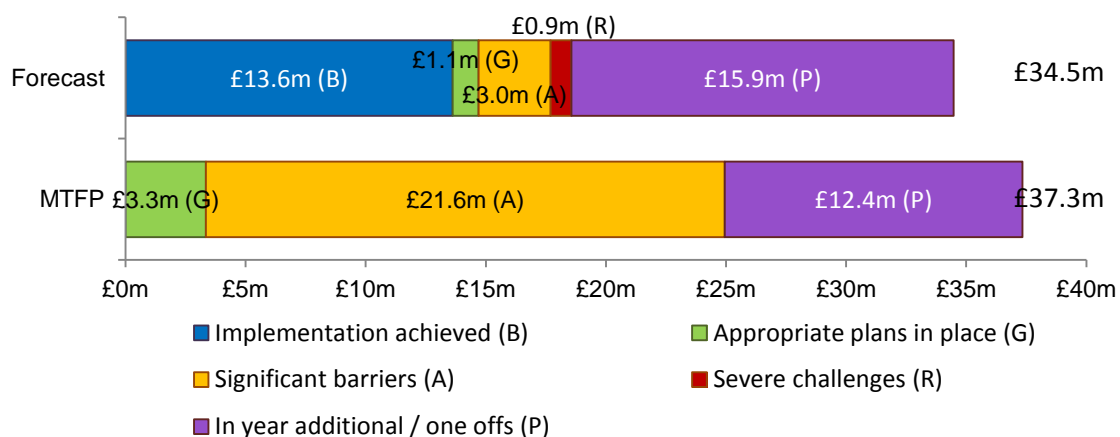
Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	18.6	15.9	-2.9
Children's Services	0.3	0.3	0.0	0.0
Services for Young People	1.9	1.9	0.0	0.0
Schools & Learning	9.8	8.8	0.0	-1.0
Cultural Services	0.6	0.6	0.0	0.0
Customer Services & Directorate Support	0.2	0.2	0.0	0.0
Surrey Fire & Rescue Service	1.6	1.4	0.2	0.0
Environment & Planning	6.4	3.3	2.6	-0.4
Highways & Transport	1.7	1.7	0.0	0.0
Central Income & Expenditure	0.9	0.8	0.0	-0.1
Communications	0.1	0.1	0.0	0.0
Finance	0.7	0.8	0.0	0.1
Human Resources & Organisational Development	0.8	0.8	0.0	0.0
Information Management & Technology	0.6	0.6	0.0	0.0
Legal & Democratic Services	0.5	0.5	0.0	0.0
Policy & Performance	0.1	0.1	0.0	0.0
Procurement	0.1	0.1	0.0	0.0
Property	3.4	2.8	0.6	0.0
Shared Service Centre	0.1	0.1	0.0	0.0
Total	67.4	43.7	19.4	-4.3

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

Significant variances in services' efficiencies & service reductions

39. This section sets out significant variances in efficiencies forecasts, their impact on the council's overall position and services' actions to mitigate adverse variances.

Adult Social Care



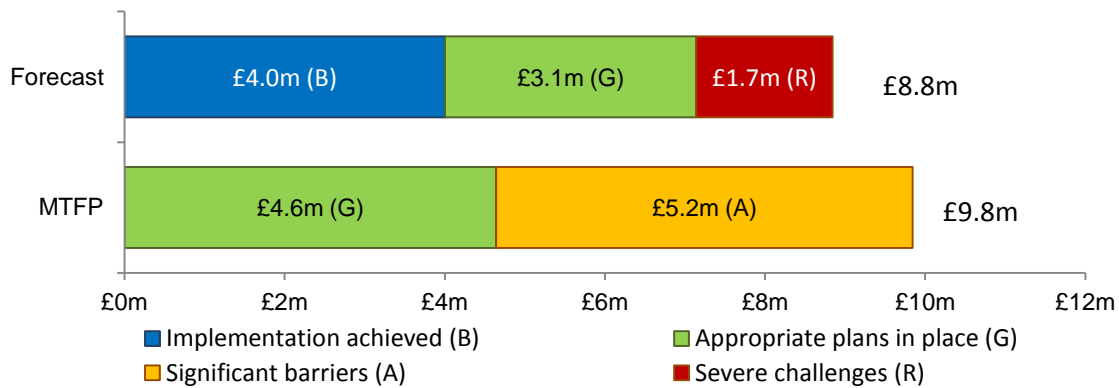
40. As at 30 November 2015, ASC forecasts a £2.9m shortfall against its efficiencies target (no change from October 2015). There is a high degree of risk associated with £0.9m of savings related to two efficiencies:

- £0.6m FFC stretch target of 20% savings for FFC re-assessments and new packages, ASC is making progress on these savings, but costs are not yet reducing by the full 20% so it remains challenging to achieve; and

- £0.3m optimisation of block contracts, which is still subject to negotiations with ASC's biggest block contract provider.

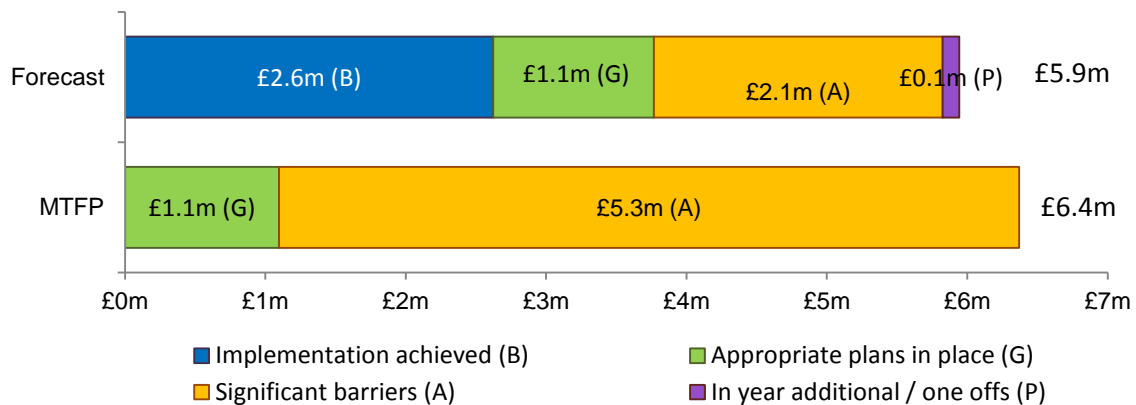
41. The £3.5m forecast increase in additional in year savings compared to the MTFP partially offsets the underachievements on continuing savings. The one-off savings are mainly due to a forecast surplus of reclaims received from individuals who have not needed to use the full amount of their Direct Payments and further staff vacancies above budgeted levels. The additional vacancies are not planned, but where they occur they are being used to help manage ASC's overall budget position.

Schools & Learning



42. As at 30 November 2015, S&L forecasts a £1.0m shortfall against its efficiencies target (no change from October 2015). Consultation delays on some early years projects means S&L is unlikely to achieve £1.0m efficiencies in 2015/16.

Environment



43. As at 30 November 2015, Environment forecasts a £0.4m shortfall against its savings target. The shortfall primarily relates to staffing costs and grant funding across the Environment & Infrastructure directorate. The directorate's Savings & Efficiency Panel is working to identify compensating savings.

Capital budget

44. The council demonstrated its firm long term commitment to supporting Surrey's economy through its £696m 2015-20 MTFP capital programme, including £176m capital expenditure budget for 2015/16.
45. As at 30 November 2015, the revised full year capital budget is £175.8m. Early in 2015, Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling from 2015/16 into future years. Table App 3 summarises movements in the capital budget to 30 November 2015.
46. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £231.2m to the revised full year budget of £175.8m.

Table 7: Forecast capital expenditure 2015/16 as at 30 November 2015

	Current full year budget £m	YTD actual £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	52.4	57.8	0.0
Highways recurring programme	33.5	38.4	33.5	0.0
Property & IT recurring programme	25.6	15.5	21.4	-4.2
Other capital projects	58.9	27.4	53.1	-5.8
Service capital programme	175.8	133.7	165.8	-10.0
Long term investments	0.0	5.9	65.5	65.5
Overall capital programme	175.8	139.6	231.2	55.5

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

47. The cost of completing Project Horizon road maintenance schemes this year is expected to be higher than budgeted. This is due to a number of factors including higher than estimated costs, and the complexity of the roads being treated which require more costly treatments. The programme is under review, and at this time it is expected that costs can be accommodated within the wider Highways & Transport capital budget.
48. Surrey Fire and Rescue's (SFRS) Joint Transport project is a grant funded project in collaboration with other blue light organisations. Due to initial delays and the scale of the project, it will underspend by £4m this year and will be reprofiled into future years. The grant provider has acknowledged the expenditure will be over a longer period, reducing the risk of any grant being withdrawn. SFRS is also undertaking a significant programme of vehicle replacements. Due to timing, the programme projects a £1m underspend. The service is actively reviewing requirements and vehicle lives with a view to reducing future costs against the vehicle replacement reserve.
49. Approved Investment Strategy spending is expected to be £65.5m in 2015/16 (£31.5m as at October 2015) and total capital expenditure £231.2m (£196.8m as at October 2015). Table 8 shows there were no significant adjustments to the service capital programme during November 2015.

Table 8: Significant adjustments to the service capital programme

	to 31 October £m	to 30 November £m
Schools capital maintenance, including children's centres	-3.7	-3.7
Merstham Library & Youth	-1.3	-1.3
Fire reconfiguration and training investment	-1.2	-1.2
School projects	-1.4	-1.4
SEN Strategy	-0.7	-0.7
Corporate capital projects	-0.4	-0.4
Land acquisition for waste	-0.5	-0.5
Closed landfill sites	-0.4	-0.4
IT Investment	-0.2	-0.2
Other variances	-0.2	-0.2
Capital variance	-10.0	-10.0

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

Appendix to Annex

Updated budget - revenue

App 1. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes since April increased the budget as at 30 November 2015 to £1,679.2m. Table App1 shows the original and updated income and expenditure budget, including the overall net expenditure the council plans to meet from reserves of £3.7m.

Table App1: 2015/16 updated revenue budget as at 30 November 2015

Service	MTFP Income £m	Carry fws & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fws & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.2	0.2	0.9	0.6	1.5	1.7
Strategic Leadership	0.0	0.0	0.0	0.4	0.0	0.4	0.4
Adult Social Care	-56.8	0.0	-56.7	428.6	0.4	428.9	372.2
Children's Services	-7.0	0.0	-7.0	96.0	2.4	98.5	91.4
Services for Young People	-10.6	0.0	-10.6	25.9	0.1	26.1	15.4
Schools & Learning	-145.3	0.0	-145.4	217.3	2.2	219.6	74.2
Strategic Services (CSF)	-1.5	-0.9	-2.4	3.6	1.1	4.6	2.2
Delegated Schools	-469.0	-7.2	-476.3	469.0	7.2	476.3	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	3.0	0.7	3.7	3.5
Coroner	0.0	0.0	0.0	1.3	0.0	1.3	1.3
Cultural Services	-12.9	-0.1	-13.0	22.9	-0.1	22.8	9.8
Customer Services	-0.3	0.0	-0.3	4.6	0.1	4.7	4.5
Directorate Support							
Emergency Management	0.0	0.0	0.0	0.6	0.0	0.6	0.6
Magna Carta	0.0	0.0	0.0	0.0	0.8	0.8	0.8
Surrey Fire & Rescue Service	-13.1	0.0	-13.1	47.9	-0.3	47.7	34.6
Trading Standards	-1.6	0.0	-1.6	3.7	0.0	3.6	2.0
Environment & Planning	-8.5	-0.5	-9.0	88.2	1.1	89.4	80.4
Highways & Transport	-7.5	-0.6	-8.1	51.8	1.5	53.4	45.3
Public Health	-35.5	2.2	-33.3	35.8	-2.2	33.6	0.3
Central Income & Expenditure	-0.5	-0.3	-0.7	61.0	-9.8	51.2	50.5
Communications	0.0	0.0	0.0	2.0	0.1	2.1	2.1
Finance	-1.8	-0.1	-1.9	10.2	0.1	10.2	8.3
Human Resources & Organisational Development	-0.2	0.1	-0.1	9.3	-0.7	8.6	8.5
Information Management & Technology	-0.7	0.0	-0.7	25.2	1.0	26.2	25.5
Legal & Democratic Services	-0.5	0.0	-0.5	8.9	0.2	9.1	8.6
Policy & Performance	-1.1	0.0	-1.1	3.7	-0.2	3.6	2.5
Procurement	-0.2	0.2	0.0	3.4	-0.2	3.3	3.3
Property	-8.9	-0.7	-9.7	37.2	1.3	38.5	28.8
Shared Service Centre	-4.6	-0.3	-4.9	8.8	0.4	9.2	4.3
Services total	-788.3	-7.9	-796.2	1,671.3	7.9	1,679.2	883.0
General funding sources							
General Government grants	-237.2		-237.2			0.0	-237.2
Local taxation (council tax and business rates)	-642.1	0.0	-642.1			0.0	-642.1
Total	-1,667.6	-7.9	-1,677.5	1,671.3	7.9	1,679.2	3.7

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

App 2. When Council agreed the MTFP in February 2015, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, 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 the Director of Finance can approve. Virements above £500,000 require the approval of the relevant Cabinet Member. There were no virements above £500,000 in November 2015.

App 4. Table App 2 summarises the movements to the revenue expenditure budget.

Table App 2: Movements in 2015/16 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement count
MTFP	-1,667.6	1,671.3		3.7	
Carry forwards	0.2	7.8	-8.0	0.0	1
	-1,667.4	1,679.1	-8.0	3.7	1
Quarter 1 movements	-2.4	2.7	-0.3	0.0	99
Quarter 2 movements	-1.1	2.1	-1.0	0.0	64
October movements	-6.8	6.8	0.0	0.0	19
November movements					
Internal service movements	-0.1	0.1		0.0	18
Council and Cabinet approvals	2.2	-2.2		0.0	1
Total November movements	2.1	-2.1		0.0	19
November approved budget	-1,675.6	1,688.6	-9.3	3.7	202

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

App 5. Table App 3 shows the year to date and year end gross revenue position supported by general balances forecast as at 30 November 2015.

Table App 3: 2015/16 Revenue budget year to date and full year forecast positions

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-447.9	-449.6	-1.7	-642.1	-195.6	-645.2	-3.1
Government grants	-604.2	-592.4	11.8	-891.0	-283.7	-876.1	14.9
Other income	-94.2	-119.3	-25.1	-142.4	-48.9	-168.2	-25.8
Total income	-1,146.3	-1,161.3	-15.0	-1,675.5	-528.2	-1,689.6	-14.1
Expenditure:							
Staffing	203.0	199.6	-3.4	312.7	108.6	308.2	-4.5
Service provision	589.8	604.2	14.5	890.2	301.6	906.1	15.8
Non schools sub-total	792.8	803.8	11.1	1,202.9	410.3	1,214.3	11.3
Schools expenditure	329.1	329.1	0.0	476.2	147.1	476.2	0.0
Total expenditure	1,121.9	1,133.0	11.1	1,679.2	557.2	1,690.5	11.3
Movement in balances	-24.5	-28.4	-3.9	3.7	29.0	0.9	-2.8

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

Updated budget – capital

App 6. Cabinet approved £17.4m carry forward of scheme budgets requested in 2014/15's Outturn report and £22.3m reprofiling of 2015/16 capital spending by Property and Information Management & Technology into future years in May 2015's budget monitoring report. Table App 4 summarises the capital budget movements for the year. There were no significant virements in November:

Table App 4: 2015/16 Capital budget movements as at 30 November 2015

	to 30 June £m	to 31 October £m	to 30 November £m
MTEP (2015-20) (opening position)	176.2	176.2	176.2
Approved budget movements:			
Carry forwards from 2014/15	17.4	17.4	17.4
Business Services - reprofile to future years	-22.5	-22.5	-22.5
Weybridge Library - reprofile to future years	-0.1	-0.1	-0.1
Schools projects	0.3	0.6	0.6
Lindon Farm, Alford, Cranleigh		1.5	1.5
Developer funded project		0.1	0.1
Third party delegated school contributions		1.9	2.3
Highways	0.1	0.1	0.1
Newlands Corner		0.1	0.1
In year budget changes	-4.7	-0.9	-0.5
2015/16 updated capital budget	171.5	175.4	175.8
In year budget changes funded by:			
Third party contributions		2.0	1.2
Borrowing and reprofiling to future years	-4.7	-3.0	-3.0