

Budget Monitoring – November 2012

Summary - Revenue

As a part of its sound and robust financial planning process, the Council anticipated several risks and incorporated them and their treatment in its 2012/13 budget. This recognised that 2012/13 is a very tough budget and built in some contingencies to cover a number of eventualities. Some risks related to participation in the Olympics earlier this year and the budget included a £1.0m contingency as this was the first event on this scale the county had hosted. The event was extremely successful and we have not had to use the contingency.

Within its budget, the Council provided a £9.0m 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. Predominantly, Adults Social Care and Children's Services are incurring greater volume increases 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 facing growing demand and volume pressures, all other directorates (except Environment & Infrastructure) are meeting the challenging constraints and forecasting to underspend. The Council's total forecast under spending for 2012/13 is -£1.5m, or -0.1%. This is an increase in under spending of £0.4m from the position at the end of October and demonstrates services continue to apply stringent management actions to meet budget savings and efficiencies targets for 2012/13.

After applying the contingency, the net forecast under spending is -£5.9m, or -0.4% of the total budget.

The Council's Medium Term Financial Plan (MTFP) 2012-17 set a £71.1m target for savings and efficiencies for the 2012/13 financial year. At the end of quarter 2, we reviewed all efficiencies for: consistency, achievability and sustainability of the programmed savings. The Council forecasts it will achieve all of its savings in 2012/13. The review found about £5.0m of these savings are from one-off measures. This will be reflected in MTFP 2013-18.

Summary - Capital

MTFP 2012-17 set a £683m five year capital programme. The updated capital budget for 2012/13 is £146m. Capital programmes inherently include uncertainties on timing and cost and so are traditionally under spent. The current year's overall capital forecast outturn is a £4.6m under spend. This is due to receipt of £2.4m extra funding for schools' own capital schemes and the £2.1m Charlton Lane Waste site payment is now unlikely to proceed this year.

The small capital programme under spend is a significant achievement. The Council is substantially meeting the aspirations of the administration by delivering better infrastructure and boosting the Surrey economy.

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)

Revenue Budget - Month End Financial Position – October 2012

1. 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. 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.
2. Table A1 shows the updated net revenue budget for each directorate and also schools.

Table A1 – Directorate net revenue budgets, expenditure and forecasts

	Year to Date Budget £m	Year to Date Actual £m	Full Year Budget £m	Remaining Forecast Spend £m	Outturn Forecast £m	Forecast Variance £m
Adult Social Care	224.2	226.4	336.2	113.8	340.1	3.9
Children, Schools & Families	194.8	186.2	295.4	107.7	293.9	-1.5
Schools	353.2	338.9	529.7	190.8	529.7	
Customers & Communities	49.5	48.5	74.2	24.4	72.9	-1.3
Environment & Infrastructure	83.6	82.3	130.7	49.4	131.7	1.0
Change & Efficiency	57.5	55.7	87.7	30.4	86.1	-1.6
Chief Executive's Office	9.2	9.1	14.0	4.9	14.0	
Central Income & Expenditure	49.1	46.9	66.9	18.0	64.9	-2.0
Net Service Expenditure	1,021.0	993.9	1,543.9	539.5	1,540.1	-1.5
Risk contingency	0.0	0.0	9.0	4.6	4.6	-4.4
Net Revenue Expenditure	1,021.0	993.9	1,552.9	544.1	1,544.7	-5.9

3. 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. Based upon the current forecast, we would transfer £4.6m of the risk contingency to reserves at year end.
4. In addition to the above earmarked pressures, Environment & Infrastructure is predicting an overspend (+£1.0m). Offsetting this overspend are Children, Schools and Families (-£1.5m), Customers & Communities (-£1.3m), Change & Efficiency (-£1.6m) and Central Income & Expenditure (-£2.0m). This leads to a -£5.9m directorate underspend.

Adults Social Care: (Current Forecast: is an overspend of +£3.9m or +1.2%, no change from the previous month)

5. The directorate is predicting to be overspent by +£3.9m at year end. There remains some evidence that demand levels are still increasing. This and an update of progress with management actions will be taken fully into account in the December monitoring report.
6. 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 are summarised below.

- 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 £0.8m of Whole Systems funds has been drawn down as a contribution to help offset these pressures.
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 £2m of this funding has been drawn down as a contribution towards ASC's wider budget pressures.
11. The pressures found and management actions required remain broadly as reported last month.

Children, Schools & Families: (Current Forecast: Underspent by -£1.5m or -0.5%, -£0.3m increase in underspend since October).

12. The projected year end revenue position for Children Schools and Families is for an underspend of -£1.5m against the county's budget. Of this - £0.5m relates to a delayed schools funded project and the remaining -£1.0m to council funded services.
13. In addition Children Schools and Families projects a £2.2m underspend related to Dedicated Schools Grant funded services which is determined by the Schools Forum. This is made up of underspends in Schools and Learning of -£2.6m offset by overspends in Children's Services of £0.4m).

Children's Services

14. The projected overspend has increased since last month by £0.6m to £2.5m. 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 (+£0.9m). In particular staffing projections have increased again this month (+£0.3m), and there continues to be a significant pressure in this area although a focused recruitment and retention campaign is planned.

- Agency Placements - the projected overspend for both children with disabilities and care increased this month by +£0.5m to +£1.6m as a result of a small increase in the number of residential placements and following a thorough review of anticipated placement expenditure to year end.. This budget remains volatile despite management action to avoid high cost placements.
- Fostering and Adoption Allowances - There has been a small decrease in the anticipated overspend by -£0.1m to +£0.6m. The budget remains under pressure due to the increase in the number of children being placed.
- Safeguarding Services - the overspend remains broadly unchanged at +£0.4m representing an efficiency saving that will not be realised in full due to the increased number of children the service is seeing. Cabinet member approval is being sought to vire central budgets to put the budget for this service on a more realistic basis going forward.

15. Overall service pressures are being offset by deliberately underspending on some staffing budgets across the service (-£0.7m) and the central budget (-£1.1m).

Schools & Learning

16. The anticipated underspend for schools and learning has increased this month by -£0.6m to -£2.2m. The main reason being an underspend of -£0.4m on children's centres and further vacancies of £0.2m

Services for Young People

17. There has been no change in the projection this month which remains at a small underspend of -£0.1m.

Strategic and Central Resources

18. The main budget item under the Strategic Director's control is the residual balance of the carried forward underspend from 2011/12 not yet allocated. The total carry forward was £7.4m of which £3.6m was transferred to the Child Protection Reserve, £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. The current estimate is that £1m, an increase of +£0.3m, will remain unspent offsetting overspends elsewhere in the directorate.

Customer & Communities (Current Forecast: -£1.3m underspend or -1.8%, no change from last month)

19. 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.

Environment & Infrastructure (Current forecast: +£1.0m overspend, no change from last month)

20. 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.

21. Highways capital recharges + £0.5m (overspend): A shortfall in the recharge of staff costs to capital schemes (e.g. for design).

22. 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.
23. 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.
24. 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
25. 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%, no change from the previous month)

26. 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 (-£0.5m), Finance (-£0.2m) and other minor variations (-£0.3m).
27. 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.
28. 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.
29. 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.

30. 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).
31. 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.
32. 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 Executive's Office (Current Forecast: balanced budget, no change from last month.)

33. 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.
34. Legal and Democratic Services are forecasting an overspend of £0.3m 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: -£2.0m underspend or -2.4%, no change from last month)

35. The full year forecast for the Central Income and Expenditure budget is an underspend of -£2.0m. 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.
36. 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 £0.6m 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.
37. 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.

38. Expenditure on Redundancy and Compensation is currently in line with the budget, and there have been 104 new cases approved this year against 138 assumed in the budget. 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

39. The Council's total full year budget for staffing is £300.9m. Expenditure to the end of November 2012 is £196.6m.

40. The Council employs 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.

41. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.

42. 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.

43. Table A2 shows the staffing expenditure for the first eight months of the year against budget, analysed among the three staff categories.

Table A2 – Staffing costs to end of November 2012.

	Budget £m	Actual £m	Variance %	Variance £m
Contracted		180.3	92%	
Agency		9.7	5%	
Bank		6.7	3%	
Total Staffing Cost	203.5	196.6		-6.9

44. The favourable current variance of £6.9m 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.

45. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A3 shows that there are 7,330 contracted FTEs in post at the end of November.

Table A3: Full Time Equivalent by directorate

Directorate	Nov FTE	Oct FTE
Adult Social Care	1,890	1,866
Children Schools & Families	2,524	2,491
Customer and Communities	1,468	1,474
Environment & Infrastructure	496	485
Change & Efficiency	773	774
Chief Executive Office	179	176
Total	7,330	7,266

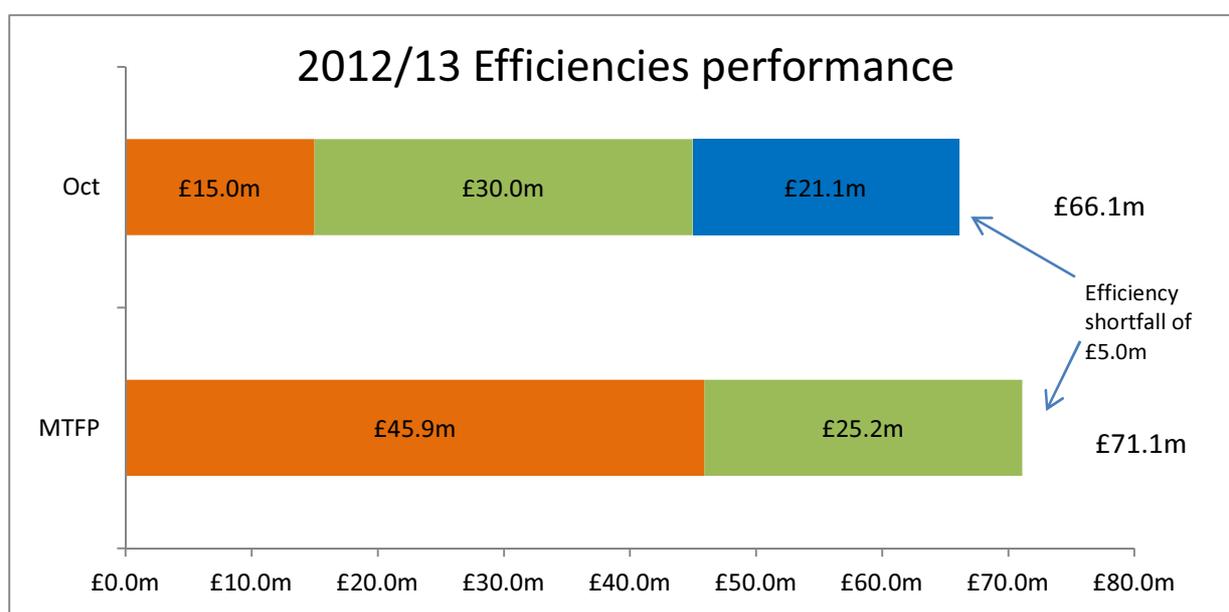
46. There are 204 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A4- full time equivalents in post and vacancies

	Nov FTE	Oct FTE
Budget	7,700	7,700
Occupied contracted FTE	7,330	7,266
“Live” vacancies (ie: actively recruiting)	204	225
Vacancies not occupied by contracted FTEs	196	209

Efficiencies

47. 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.



48. 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

49. 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

50. 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 £2.0m 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. A virement has now been approved and actioned to realign budgets to reflect anticipated activity and costs.

Environment & Infrastructure

51. 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

52. 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 – November 2012

53. 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 £148.5m planned in 2012/13. This is an increase of £2.5m on the budget reported in October, due to additional funding received for school funded capital projects.
54. While 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 £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.
55. 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.
56. 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 £000s	YTD Actual £000s	Committed £000s	Apr –Nov YTD & Committed £000s	Dec - Mar Remaining Forecast £000s	Full Year Forecast £000s	Full Year Variance £000s
Adult Social Care	1,687	187	804	992	695	1,687	0
Children, Schools & Families	8,292	8,775	226	9001	-1,329	7,672	-620
Schools Basic Need	31,992	14,787	3,533	18,320	12,932	31,252	-740
Customers & Communities	5,410	1,691	111	1,802	1,158	2,960	-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	47,886	125
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	148,531	79,060	22,007	101,067	42,858	143,925	-4,606

Children, Schools & Families

57. The forecast under spend of -£0.6m is principally caused by additional £2.5m funding received for school funded capital projects.

School Basic Need

58. 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

59. 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

60. 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

61. Delivery against the remaining CAE capital programme is expected to be £0.1m over budget.

62. 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.

63. Non-schools projects will underspend by £4.0m. The overage payment of £2.1m in relation to the Waste site at Charlton Lane is now unlikely to proceed this financial year. Other variances are 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.

64. There is a projected overspend on IT projects (£0.6m) 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 (-£0.6m) needs to be carried forward to fund systems improvements in the future

65. 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 of £0.5m will be achieved in future years' revenue expenditure.

Chief Executive Office

66. 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.

67. Cabinet approved the preferred bidder in July and the contract was awarded in September. State aid approval has now been received, enabling the contract to start. 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 £2.0m of expenditure is anticipated in 2012/13, with the remaining £18.0m 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

68. 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
Q2 changes		1.0	16.6	-1.0	16.6
October changes			0.2		0.2
Previous changes		1.0	17.7	30.4	32.3
<u>November changes</u>					
Minor changes			0.1		0.1
November changes		0.0	0.1	0.0	0.1
Updated budget – Nov 2012	580.0	149.6	785.1	30.4	1,545.1

69. 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.

70. Government grant changes in November totalled £77,420.

- These were minor changes in Children, Schools & Families, Schools (£77,420).

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

72. 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 were no virements over this value in November. 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 – November 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		0.9	336.2
Children, Schools and Families	289.3	3.9	3.5	-0.1	296.6
Schools	518.9		11.5	-0.6	529.8
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		0.7	87.7
Chief Executive's Office	13.7			0.3	14.0
Corporate Projects	1.5			-1.5	0.0
Central Income / Exp	68.1	0.4		-1.6	66.9
Service Revenue Expenditure	1,503.9	14.5	17.6	0.1	1,536.1
Risk Contingency	9.0				9.0
Total Revenue Expenditure	1,512.9	14.5	17.6	0.1	1,545.1