

Budget monitoring period 11 2015/16 (February 2016)

Summary recommendations

Cabinet is asked to note:

1. services forecast a -£8.7m revenue budget variance at year end which includes use of -£7.4m central government grant (paragraph 1)
2. services forecast to achieve £65.1m efficiencies and service reductions by year end (paragraph 39);
3. total forecast capital expenditure for 2015/16, including long term investments, is £224.1m (paragraph 47);
4. services' management actions to mitigate overspends (throughout this report).

Cabinet is asked to approve:

5. £0.5m virement to reduce the budget in 2015/16 for the SEND Reform Grant intended to support implementation of the new Special Educational Needs and Disabilities (SEND) system (paragraph 3);

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 in the environment of a continuing period of austerity. As part of this, the council plans to make efficiencies totalling £67.4m.

As at 29 February 2016, services forecast to underspend by -£8.7m and achieve £65.1m efficiencies by year end. The underspend is due to several offsetting variances among services, the most significant of which are:

- -£7.4m use of 2015/16 central government grant and an underspend in Adult Social Care (ASC) service's Deprivation of Liberties budget to offset a +£7.8m increase in demand; +£2.5m forecast unachieved savings and -£1.4m additional fees and charges;
- +£2.8m children's services' costs due to higher volumes of children in need; and
- -£4.8m more income from business rates collection than expected.

This is an increase in the forecast underspending since 31 January 2016 of -£2.5m. The principal reasons for this include:

- -£0.4m lower forecast spending on Property Services from reducing the maintenance programme and lower utilities bills due to the mild winter;
 - -£0.7m underspend on Community Improvements Fund and Member allocations;
 - -£0.7m underspend in Highways & Transportation including lower winter maintenance costs and the impact of delayed local growth deal schemes;
 - -£0.8m underspend on redundancy costs;
 - -£0.4m additional interest receivable and
 - other smaller service net underspendings;
- offset by
- +£0.5m demand increase in adult social care.

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 as follows.

- 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 29 February 2016, services forecast £161.9m capital spending against the current 2015/16 budget of £177.6m and total forecast capital expenditure including long term investments is £224.1m (paragraphs 46 to 49)

As part of increasing the council's overall financial resilience, it plans to invest £62m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

Revenue budget

1. As at 29 February 2016, the council's overall forecast is a -£8.7m underspend at year end, which includes the use of -£7.4m support from Care Act service reform new burdens grant.
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 29 February 2016, increased the gross expenditure budget to £1,675.3 m and gross income to -£1,679.0m. The council's plan to use reserves to balance 2015/16 remains at -£3.7m.

Revenue virement request – SEND (Special Education Needs and Disabilities) Reform Grant

3. Schools & Learning seeks a virement to reduce the budget for the SEND Reform Grant by £526,000. The grant is intended to support implementation of the new SEND system that introduced Education Health and Care Plans to replace Statements of Special Educational Need. Delays to recruitment mean that the grant will not be used in full this year. However, implementation of the new system is ongoing as children transfer to the new plans and an OFSTED inspection of the council's arrangements is anticipated in the new financial year. Schools & Learning seeks approval so it can use the grant in 2016/17 to continue to support transitional arrangements ahead of the inspection.

Revenue budget monitoring position

4. 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 forecast underspending of -£8.7m would lead to a contribution to reserves and balances of £5.0m instead of the budgeted £3.7m drawdown. The expected year to date net expenditure included in the budget is £7.2m. The actual year to date total net expenditure is £1.4m, resulting in a favourable variance from budget of -£5.8m. This is summarised in Table 1 below and in more detail in Table App3 of the Appendix.

Table 1: 2015/16 revenue budget subjective summary as at 29 February 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,675.3	-1,552.1	-1,694.6	-19.3
Gross expenditure	1,679.0	1,553.5	1,689.6	10.6
Total net expenditure	3.7	*1.4	-5.0	-8.7

Note: * Profiled year to date net budget is +£7.2m compared to actual net expenditure of +£1.4m, giving a year to date variance of -£5.8m

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

5. In the appendix, Table App1 outlines the updated revenue budget by service after in year budget virements and carry forward of budgets from the last financial year. These are further analysed in Table App2 of the appendix.
6. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, the table shows the net expenditure

position that 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.

7. 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: 2015/16 updated revenue budget forecast as at 29 February 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	1.0	1.3	-0.4
Strategic Leadership	0.4	0.4	0.4	0.0
Adult Social Care	372.1	344.5	372.9	0.8
Children's Services	91.4	85.5	94.2	2.8
Services for Young People	15.4	12.9	15.2	-0.2
Schools & Learning	74.2	66.0	74.2	0.0
Strategic Services (CSF)	2.2	2.1	2.3	0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	2.5	2.8	-0.7
Coroner	1.3	1.2	1.5	0.2
Cultural Services	9.8	8.4	9.3	-0.5
Customer Services	3.4	3.0	3.3	-0.1
C&C Directorate Support	1.0	0.9	1.0	0.0
Emergency Management	0.6	0.4	0.5	-0.1
Magna Carta	0.8	0.6	0.6	-0.2
Surrey Fire & Rescue Service	34.6	31.8	34.4	-0.2
Trading Standards	2.1	1.7	2.0	-0.1
Environment & Planning	80.4	74.4	80.4	0.0
Highways & Transport	45.3	39.4	44.6	-0.7
Public Health	0.3	1.8	0.3	0.0
Central Income & Expenditure	50.1	39.3	50.5	0.3
Communications	2.1	1.7	2.0	-0.1
Finance	8.4	7.0	7.6	-0.8
Human Resources & Organisational Development	8.5	7.0	7.8	-0.7
Information Management & Technology	25.6	22.5	25.0	-0.6
Legal & Democratic Services	8.5	7.6	8.4	-0.1
Policy & Performance	2.5	2.3	2.4	-0.2
Procurement	3.3	2.8	3.1	-0.2
Property	28.9	24.8	26.8	-2.1
Shared Service Centre	4.7	3.8	4.4	-0.3
Total services' net revenue expenditure	883.0	797.2	879.2	-3.9
General funding sources				
General Government grants	-237.2	-215.6	-239.0	-1.7
Local taxation (council tax and business rates)	-642.1	-580.2	-645.2	-3.1
Total general funding	-879.3	-795.8	-884.2	-4.8
Total movement in reserves	3.7	1.4	-5.0	-8.7

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

Significant budget variances

8. The following section sets out, for services with significant budget variances:
- changes since 31 January 2016; and
 - the impact of the variances on the council's overall financial position.

Adult Social Care - +£0.8m overspent (+£0.5m change since January)

9. As at 29 February 2016 the Adult Social Care (ASC) service projects +£0.8m overspend, an increase from +£0.3m at 31 January 2016. This is after taking into account -£7.4m central government Care Act Implementation grant, plus -£0.6m use of ASC's existing Deprivation of Liberty Safeguards (DoLS) budget to offset an underlying +£8.8m forecast overspend.
10. ASC's 2015/16 central government grant funding includes £7.4m 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 all of these funds to offset increased demand pressures in 2015/16. This is a one-off measure.
11. ASC's 2015/16 DoLS budget increased by £1m in response to considerable growth in demand for assessments following a 2014 Supreme Court ruling. Difficulties recruiting specialist Best Interest Assessors will lead to ASC not spending all the additional budget by year end. Consequently ASC will apply £0.6m of the underspend against the underlying forecast overspend.
12. The main drivers of the underlying projected overspend of +£8.8m are as follows.
- +£7.8m additional pressures from increased demand for care services (+£0.5m since January 2016). Over the first eleven months of 2015/16, care service demand volumes have increased by 5.5%. If the current trend continues then the volume of care services is forecast to increase by 6.0%, or another 800 service users. 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. In addition to the increased volume pressure, the cost of placements for those in care is also rising.
 - Demand for care is a whole system issue. Ongoing local health pressures 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 to hospitals 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.
 - Achievement of an average of 17% savings for each completed reassessment compared to ASC's 20% FFC (Family, Friends & Community) stretch savings target, plus underachievement of demand management related savings due to increased service volumes, offset by surpluses on some other savings such as applying the national Continuing Health Care (CHC) framework equates to a forecast +£2.5m overspend against ASC's overall savings target of £37.3m.

- -£1.4m surplus on fees & charges and other income streams not directly related to individual packages of care or block contracts (+£0.4 change from January 2016).

Children's Services +£2.8m (-£0.1m change since January)

13. As at 29 February 2016, Children's Services anticipates +£2.8m overspend (down from +£2.9m as at January 2016). The overall pattern of spending is as previously reported. The main reasons for the overspend are the growth in external agency placements reflecting the ongoing rise in numbers of Looked After Children (LAC) and increasing complexity of need resulting in more high cost residential placements.
14. Staffing pressures on within the area referral, assessment and care management teams remain leading to a +£1.4m overspending. Children's Services has needed additional social work capacity to manage caseloads, with a number of teams operating above establishment. After reaching a plateau through 2014/15, the number of looked after children (LAC) has risen sharply in 2015/16. As at 31 January 2016 there were 869 LAC, a fall of 15 since January, but a rise of 87 since March 2015. There are also continuing high numbers of children who are not looked after, but whose families are in need of support. This figure has increased by more than 1,200 in the last eighteen months. There is also an increased reliance on locum social workers across all of the area teams (96 in total, compared to 92 in January). On average, a locum costs £25,000 more than an employee, so this adds a significant budget pressure.
15. The growth in external placements mainly affects the budget for fostering (+0.4m) and external agency placements. The service forecasts the agency budget to overspend by +£3.3m (of which Dedicated Schools Grant covers +£0.5m). This is an increase of £0.1m since January. Placement numbers were above budget earlier in the year, which has caused a cost bulge that has remained with the services even though placement numbers are now back to the budgeted level. In addition the mix of placements needed has meant the average cost of both fostering and residential placements is higher. In particular there have been some very high cost placements reflecting the complexity of some children's needs. There are seven ongoing placements costing more than £5,000 each week. The main reason for the increased projection is three new residential placements, including two of more than £5,000 each week. In addition, there are more short term, 12 week, Family Assessment Centre placements, of which the service expects 32 in 2015/16 costing £1.2m.
16. The other significant pressure area is rising numbers of unaccompanied asylum seeking children (UASC) which have increased by 50% this year. The government provides additional grant to meet the costs of asylum seeking children. However, this does not cover the costs in full and on average there is a £10,000 annual shortfall for each child, which is over and above the costs of those without recourse to public funds. The service expects +£0.9m overspend against this budget.
17. Offsetting these overspends is: -£0.4m held centrally against emerging pressures; -£1.0m underspend against the Adoption Reform Grant in 2015/16; and -£1.2m additional one-off inter agency income.

Property Services -£2.2m (-£0.4m change since January 2016)

18. As at 29 February 2016, Property Services forecasts -£2.2m underspend (increase from -£1.8m in January 2016). This is primarily because it will only carry out essential

building maintenance until April 2016. Ahead of Orbis restructures, Property Services is holding staff vacancies and the continued relatively warm weather is likely to further reduce the cost of utilities. The service is responsible for the roll out of the managed print service, this project is likely to complete in May. Property Services would like to carry forward £0.05m of their -£2.2m forecast underspend to ensure successful implementation.

Highways & Transport -£0.7m (-£0.1m change since January 2016)

19. As at 29 February 2016, Highways & Transport anticipates a -£0.7m underspend. This includes several offsetting variances, including anticipated underspends against winter maintenance and insurance claim budgets and the impact of delayed development of local growth deal schemes. These underspends are offset by the impact of staffing vacancies where temporary staff cover those posts at a higher cost or where vacancies result in reduced income or recharges.

Central Income & Expenditure +£0.3m (-£1.5m change since January 2016)

20. As at 29 February 2016, the Central Income & Expenditure budget forecasts to overspend by +£0.3m. This is mainly due to increased capital financing costs as a result of 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. These are partially off-set by higher interest receivable on cash balances and -£0.8m underspend on redundancy costs that will be subject to a carry forward request.

General Government Grants and Local Taxation -£4.8m (no change since January 2016)

21. As at 29 February 2016, the General Government Grants and Local Taxation budget forecasts to be -£4.8m greater than in the original budget. The main reasons for this are: -£1.6m in additional 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 due to further government grant compensating councils for the loss of business rate relief scheme being higher than expected; and -£1.5m from business rates pooling arrangements with four Surrey district and borough councils, which increases business rates retained by each authority in the pool by reducing the levy paid centrally.

Areas to be aware - Waste Management

22. Waste Management is experiencing cost pressures due to: an increase in waste volumes linked to population growth and increased economic activity; stalled recycling rates; delayed implementation of savings; and increases in contract prices.
23. As a result of these factors, expenditure is expected to be higher than budget and, subject to necessary approvals, the service plans to meet this additional cost by drawing £4.3m from the Waste Sinking Fund.

Areas to be aware - Public Health

24. In June 2015 the Chancellor announced a £200m in year cut to the Public Health ring-fenced grant, of which Surrey's 2015/16 share is £2.2m. To meet this cut, Public Health (PH) identified: £0.8m 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).

25. 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 £0.8m target and lower priority areas where expenditure can be reduced in year have already or are currently being cancelled. If 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

26. The coronial inquest into the death of Private Cheryl James has begun. The total cost and duration are uncertain. Along with some general cost pressures due to increasing inquest numbers, the forecast includes an estimated cost pressure of £0.2m for the current financial year.
27. Changes in legislation regarding Deprivation of Liberty (DOL) will required more coroner inquests. The exact number cannot be confirmed, but has the potential to significantly increase the number of inquests the coroner undertakes. Currently the service has felt no significant pressure as a result of this, but expects it in 2016/17. In addition, the anticipated cost pressure due to the previous winter shortages of mortuary provision has not yet happened. The forecast has been reduced to reflect these changes in anticipated costs.

Areas to be aware - potential 2015/16 carry forwards

28. Several services have committed expenditure they are now unlikely to incur until 2016/17, for which they may seek approval to carry forward at the year end. The value of the potential carry forward requests is £3.2m. Approving these requests would reduce the funds available to appropriate to reserves to £1.8m

Revolving Infrastructure & Investment Fund

Table 3: Summary revenue and capital position as at 29 February 2016

	YTD actual	Full year forecast
	£m	£m
Revenue expenditure		
Income	-3.5	-4.0
Expenditure	0.4	0.5
Net income before funding	-3.1	-3.5
Funding costs	2.6	3.0
Net income after funding	-0.5	-0.5
Capital expenditure	57.9	62.2

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

29. Net income of £0.5m 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 the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year end.

30. Capital expenditure this year includes: a property acquisition in Dorking; equity investment and loan to Halsey Garton Property Ltd; development of the former Thales site in Crawley; and further loans to the Woking Bandstand Joint Venture Company.

Staffing costs

31. 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.
32. 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.
33. 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.
34. 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 the service would remain within its overall budget.
35. The council's total MTFP full year staffing budget for 2015/16 is £300.6m based on 7,935 budgeted FTEs. Table 4 shows the composition of the council's workforce as at 29 February 2016. Of the 499 live vacancies, where the council is actively recruiting, 391 are in social care.

Table 4: Full time equivalents in post and vacancies as at 29 February 2016

	FTE
Budget	7,935
Occupied contracted FTE	7,327
"Live" vacancies (i.e. actively recruiting)	499

36. Table 5 shows staffing cost as at 29 February 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs and occupied contracted FTEs. Variances between these two figures can arise for several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the service they work in); secondees' budgeted posts appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.
37. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a

few hours only, part time etc. The easiest measure for monitoring staffing costs is the total expenditure and the variance shown in Table 5.

38. 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 29 February 2016 is £282.1m and actual expenditure is £276.6m. Table App 3 reiterates the -£5.5m year to date underspend on employment costs and shows services forecast -£5.1m underspend by year end.

Table 5: Staffing costs and FTEs to 29 February 2016

Service	YTD staffing budget £m	Staffing spend by category					Variance £m	Budgeted FTE	Occupied contracted FTEs
		Contracted £m	Agency £m	Bank & casual £m	Total £m				
Economic Growth							1	0	
Strategic Leadership	0.4	0.3	0.0	0.0	0.3	-0.1	2	3	
Adult Social Care	55.8	47.7	4.3	2.0	54.0	-1.8	1,925	1,610	
Children's Services	43.3	36.0	5.8	2.4	44.2	0.9	1,108	991	
Services for Young People	12.9	12.3	0.0	0.4	12.7	-0.2	395	403	
Strategic Services	2.5	2.5	0.0	0.0	2.5	0.0	52	60	
Schools & Learning	42.9	40.8	0.4	0.8	42.0	-0.9	1,332	1,280	
Delegated Schools							0	0	
Community Partnership & Safety	1.1	1.2	0.0	0.0	1.2	0.1	24	27	
Coroner	0.4	0.2	0.1	0.0	0.3	-0.1	1	2	
Cultural Services	17.1	15.1	0.0	1.4	16.5	-0.6	520	530	
Customer Services	3.1	2.9	0.2	0.0	3.1	0.0	112	99	
C&C Directorate Support	0.9	0.9	0.0	0.0	0.9	0.0	12	13	
Emergency Management	0.5	0.4	0.0	0.0	0.4	-0.1	0	0	
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	675	632	
Surrey Fire & Rescue Service	25.4	23.8	0.1	1.6	25.5	0.1	100	95	
Trading Standards	2.9	2.8	0.1	0.0	2.9	0.0	215	198	
Environment & Planning	9.5	8.9	0.3	0.3	9.5	0.0	313	298	
Highways & Transport	12.6	10.6	0.7	0.2	11.5	-1.1	51	45	
Public Health	2.6	2.3	0.0	0.2	2.5	-0.1	24	27	
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0	
Communications	1.0	1.0	0.0	0.0	1.0	0.0	23	23	
Finance	5.2	5.0	0.0	0.0	5.0	-0.2	101	102	
Human Resources & Organisational Development	5.0	4.4	0.1	0.1	4.6	-0.4	104	96	
Information Management & Technology	11.1	9.4	1.6	0.0	11.0	-0.1	221	203	
Legal & Democratic Services	5.0	4.4	0.3	0.0	4.7	-0.3	130	111	
Policy & Performance	2.4	2.3	0.2	0.0	2.5	0.1	42	40	
Procurement	2.8	2.6	0.1	0.0	2.7	-0.1	57	50	
Property	7.9	7.4	0.5	0.0	7.9	0.0	177	179	
Shared Service Centre	7.5	7.0	0.0	0.0	7.0	-0.5	242	239	
Total	282.1	252.4	14.8	9.4	276.6	-5.5	7,935	7,327	

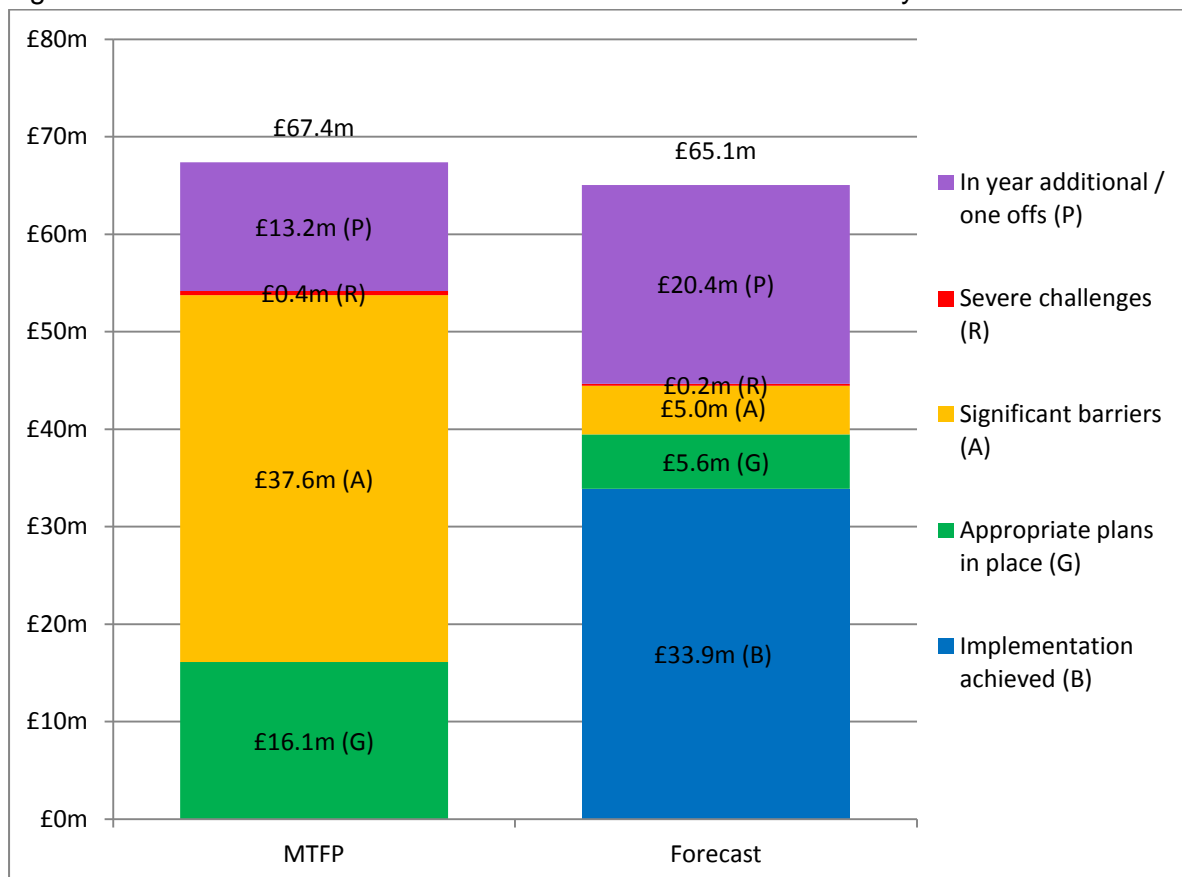
Note: All numbers have been rounded - which might cause a casting error.

Trading Standards' FTEs include C&C Directorate support

Efficiencies

39. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £65.1m by year end (£64.5m as at 31 January 2016) an underachievement of £2.3m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.
40. 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 29 February 2016



41. 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 are supporting their programmes with additional in year and one off efficiencies. These savings are not sustainable and services need to replace them with on-going savings as a part of the 2016/17 budget.

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

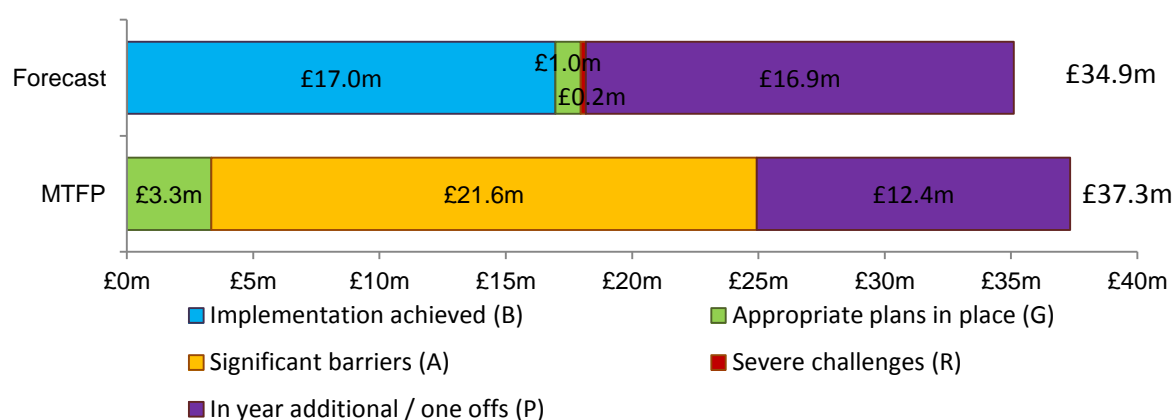
Table 6: 2015/16 Efficiency programme as at 29 February 2016

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	17.9	16.9	-2.5
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	0.5	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	3.4	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	1.0	0.0	0.3
Human Resources & Organisational Development	0.8	1.2	0.0	0.4
Information Management and Technology	0.6	0.8	0.0	0.2
Legal & Democratic Services	0.5	0.5	0.0	0.0
Policy & Performance	0.1	0.1	0.0	0.0
Procurement	0.1	0.5	0.0	0.3
Property	3.4	3.1	0.6	0.4
Shared Service Centre	0.1	0.2	0.0	0.1
Total	67.4	44.6	20.4	-2.3

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

Significant variances in services' efficiencies & service reductions

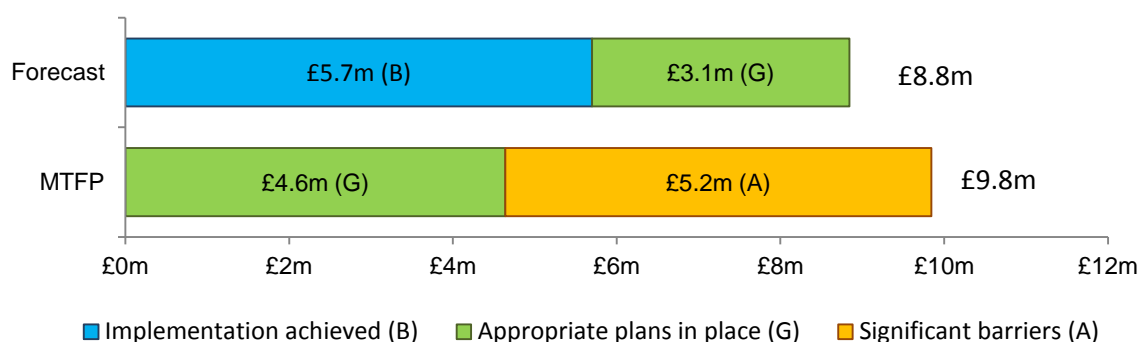
Adult Social Care



43. As at 29 February 2016, ASC forecasts a £2.5m shortfall against its efficiencies target (-£0.3m improvement from January 2016). This is mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £4.0m. Current performance suggests 17% is achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People. There is a high degree

of risk associated with £0.2m of savings related to optimisation of block contracts, which is still subject to negotiations with ASC's biggest block contract provider.

Schools & Learning



44. As at 29 February 2016, S&L forecasts a £1.0m shortfall against its efficiencies target (no change from January 2016). The decision to not progress some early years projects means S&L is unlikely to achieve £1.0m efficiencies in 2015/16.

Capital budget

45. 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.
46. As at 29 February 2016, the revised full year capital budget is £177.6m. Early in 2015, Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling from 2015/16 into future years. Table App 4 summarises movements in the capital budget to 29 February 2016.
47. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £224.1m to the revised full year budget of £177.6m.

Table 7: Forecast capital expenditure 2015/16 as at 29 February 2016

	Current full year budget £m	Apr - Feb actual £m	Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	61.9	2.1	64.0	6.2
Highways recurring programme	34.1	45.0	-8.3	36.7	2.6
Property & IT recurring programme	25.6	18.9	1.9	20.8	-4.8
Other capital projects	60.0	35.2	5.3	40.4	-19.6
Service capital programme	177.6	161.0	0.9	161.9	-15.7
Long term investments	0.0	56.5	5.7	62.2	62.2
Overall capital programme	177.6	217.5	6.6	224.1	46.5

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

48. The forecast in year variance on the 2015/16 capital programme as at 29 February 2016 is an underspend of -£16m against the approved revised service budget of £178m. The main reasons for the underspend include;
- +£6.2m school basic needs as the programme expects to be ahead of schedule;
 - -£1.4m on Environment & Infrastructure programmes, including the Community Infrastructure Levy where receipts have been lower than originally envisaged;

- -£2.0m on Superfast broadband scheme life; and
 - -£3.7m on capital maintenance due to only carrying out essential maintenance.
49. The cost of completing Project Horizon road maintenance schemes this year is expected to be higher than budgeted. This is due to several factors including: higher than estimated contract costs; and the complexity of the roads being treated (such as the structural collapse of the carriageway on the A22) which require more costly treatments. The Highways service expects to accommodate these costs this year within the wider Highways & Transport capital budget.
50. Approved Investment Strategy spending is expected to be £62.2m in 2015/16 (£62.0m as at January 2016) and total capital expenditure £224.1m (£222.3m as at January 2016). Table 8 shows significant variances to the service capital programme.

Table 8: Significant variances to the service capital programme

Variance	As at 31 January £m	As at 29 February £m
Schools capital maintenance, including children's centres	-3.7	-3.7
Merstham Library & Youth	-1.3	0.0
Fire reconfiguration and training investment	-0.8	-1.2
School projects	-1.5	-1.6
SEN Strategy	-0.6	-0.2
Corporate capital projects	-0.8	-3.1
Land acquisition for waste	-0.5	-0.5
Closed landfill sites	-0.4	-0.4
ASC infrastructure project		-0.6
School Basic Need		6.2
Environment & Infrastructure programmes	-2.2	-1.4
Fire joint transport project & vehicle replacement	-5.0	-6.0
Super fast broadband		-2.0
Other variances	-0.5	1.2
Capital variance	16.3	15.7

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 has increased the budget as at 29 February 2016 to £1,679.0m. 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 29 February 2015

Service	MTFP Income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & 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	0.5	-56.3	428.6	-0.2	428.4	372.1
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	26.0	15.4
Schools & Learning	-145.3	0.4	-144.9	217.3	1.8	219.1	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	-0.2	-13.1	22.9	0.0	22.9	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	2.1
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	-10.2	50.8	50.1
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	8.5	8.5
Information Management & Technology	-0.7	0.0	-0.7	25.2	1.0	26.3	25.6
Legal & Democratic Services	-0.5	0.0	-0.5	8.9	0.1	9.0	8.5
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	-9.6	37.2	1.4	38.6	28.9
Shared Service Centre	-4.6	-0.8	-5.4	8.8	1.4	10.2	4.7
Services total	-788.3	-7.6	-796.0	1,671.3	7.7	1,679.0	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	0.0	0.0	-642.1
Total	-1,667.6	-7.6	-1,675.3	1,671.3	7.7	1,679.0	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 requiring Cabinet Member approval in February 2016.

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
Q1 Movements	-2.4	2.7	-0.3	0.0	99
Q2 movements	-1.1	2.1	-1.0	0.0	64
Q3 movements	-4.7	4.7	0.0	0.0	53
January movements	-0.3	0.3	0.0	0.0	11
February movements					
Internal service movements	0.6	-0.6	0.0	0.0	13
Cabinet approvals	0.0	0.0	0.0	0.0	0
Funding changes	0.0	0.0	0.0	0.0	
Total February movements	0.6	-0.6	0.0	0.0	13
February approved budget	-1,675	1,688	-9.3	3.7	242

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

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

Table App 3: 2015/16 Revenue budget year to date and year end forecast positions as at 29 February 2016

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-578.5	-580.2	-1.7	-642.1	-65.0	-645.2	-3.1
Government grants	-822.0	-802.4	19.6	-890.7	-66.9	-869.3	21.4
Other income	-130.4	-169.5	-39.1	-142.5	-10.6	-180.1	-37.6
Total income	-1,530.9	-1,552.1	-21.2	-1,675.3	-142.5	-1,694.6	-19.3
Expenditure:							
Staffing	282.1	276.6	-5.5	312.1	30.4	307.0	-5.1
Service provision	805.9	826.8	20.9	890.6	79.5	906.3	15.7
Non schools sub-total	1,088.0	1,103.4	15.4	1,202.7	109.9	1,213.3	10.6
Schools expenditure	450.1	450.1	0.0	476.3	26.2	476.3	0.0
Total expenditure	1,538.1	1,553.5	15.4	1,679.0	136.1	1,689.6	10.6
Movement in balances	7.2	1.4	-5.8	3.7	-6.4	-5.0	-8.7

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 February.

Table App 4: 2015/16 Capital budget movements as at 29 February 2016

	31 December 2015 £m	31 January 2016 £m	29 February 2016 £m
MTFP (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
Virements			
Weybridge Library - reprofile to future years	-0.1	-0.1	-0.1
Schools projects	0.6	0.6	0.6
Lindon Farm, Alford, Cranleigh	1.5	1.5	1.5
Third party delegated school contributions	2.5	2.6	3.3
Highways	0.1	0.1	0.1
Newlands Corner	0.1	0.1	0.1
ASC replacement system		0.3	0.3
Minor virements	0.2	0.3	0.6
In year budget changes	0.2	0.4	1.4
2015/16 updated capital budget	176.2	176.6	177.6
In year budget changes funded by:			
Third party contributions	2.5	2.5	3.3
Borrowing and reprofiling to future years	-2.3	-2.1	-1.9