

Budget monitoring period 10 2015/16 (January 2016)

Summary recommendations

Cabinet is asked to note:

1. services forecast a -£6.2m revenue budget variance at year end which includes use of -£7.4m central government grant (paragraph 1)
2. services forecast to achieve £64.5m efficiencies and service reductions by year end (paragraph 38);
3. total forecast capital expenditure for 2015/16, including long term investments, is £222.3m (paragraph 46);

Cabinet is asked to approve:

4. The investment of £3.4m in the East Surrey Local Transformation Investment Fund, subject to final agreement of the proposal by all parties. (Paragraph 50)

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 31 January 2016, services forecast to underspend by -£6.2m and achieve £64.5m 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 +£7.3m increase in demand; +£2.8m forecast unachieved savings and -£1.8m additional fees and charges;
- +£2.9m 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 December 2015 of -£1.2m. The principal reasons for this are;

- Increases in ASC demand, partially offset by additional income (+£0.3m)
- Increase of external agency placements within Children's Services (+£0.3m)
- Increase in agency payments and inclusion work within Schools and Learning (+£0.6m)
- Lower forecast spending on Highways and Transportation due to a mild winter (-£0.6m)
- Services committed expenditure to be incurred in 2016/17 (-£2.3m)
- Other smaller service net underspendings totalling -£0.5m

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 31 January 2016, services forecast £160.3m capital spending against the current 2015/16 budget of £176.6m and total forecast capital expenditure including long term investments is £222.3m (paragraphs 45 to 48)

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 31 January 2016, the council's overall forecast is a -£6.2m underspend at year end, which includes the use of -£7.4m support from New Burdens Care Act.
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 31 January 2016, increased the gross expenditure budget to £1,679.5m and gross income to -£1,675.8m. 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 forecast underspending of -£6.2m would lead to a contribution to reserves and balances of £2.5m instead of the budgeted £3.7m drawdown. The expected year to date net expenditure included in the budget is £15.5m. The actual year to date total net expenditure is £7.3m, resulting in a favourable variance from budget of -£8.2m. 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 31 January 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,675.8	-1,406.9	-1,692.2	-16.4
Gross expenditure	1,679.5	1,414.2	1,689.7	10.2
Total net expenditure	3.7	7.3	-2.5	-6.2

Note: * Profiled year to date budget is £7.3m compared to actual net expenditure of £15.5m
All numbers have been rounded - which might cause a casting error

4. 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.
5. 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.
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: 2015/16 updated revenue budget forecast – 31 January 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.9	1.2	-0.5
Strategic Leadership	0.4	0.4	0.4	0.0
Adult Social Care	372.2	312.9	372.5	0.3
Children's Services	91.4	77.7	94.3	2.9
Services for Young People	15.4	11.0	15.2	-0.2
Schools & Learning	74.2	60.7	74.5	0.3
Strategic Services (CSF)	2.2	1.9	2.3	0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	2.2	2.9	-0.6
Coroner	1.3	1.1	1.5	0.2
Cultural Services	9.8	7.6	9.5	-0.3
Customer Services	3.4	2.7	3.3	-0.1
C&C Directorate Support	1.0	0.8	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	28.9	34.6	0.0
Trading Standards	2.0	1.5	2.0	0.0
Environment & Planning	80.4	67.6	80.5	0.1
Highways & Transport	45.3	34.5	44.7	-0.6
Public Health	0.3	1.3	0.3	0.0
Central Income & Expenditure	50.1	38.9	51.8	1.7
Communications	2.1	1.5	2.0	-0.1
Finance	8.4	6.3	7.6	-0.8
Human Resources & Organisational Development	8.5	6.4	7.9	-0.6
Information Management & Technology	25.5	20.3	25.2	-0.3
Legal & Democratic Services	8.5	6.8	8.5	0.0
Policy & Performance	2.5	2.1	2.4	-0.2
Procurement	3.3	2.5	3.2	-0.1
Property	28.9	22.6	27.1	-1.8
Shared Service Centre	4.7	3.3	4.4	-0.3
Total services' net revenue expenditure	883.0	725.1	881.5	-1.5
General funding sources				
General Government grants	-237.2	-201.0	-238.8	-1.6
Local taxation (council tax and business rates)	-642.1	-516.8	-645.2	-3.1
Total general funding	-879.3	-717.8	-884.0	-4.7
Total movement in reserves	3.7	N/a	-2.5	-6.2

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

Significant budget variances

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

- changes since 31 December 2015;
- the impact of the variances on the council's overall financial position

Adult Social Care - +£0.3m overspent (+£0.3m change since December)

8. As at 31 January 2016 Adult Social Care (ASC) services project an overspending of +£0.3m, which is a +£0.3m adverse change from December 2015. This is after taking into account the use of -£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 +£8.3m forecast overspend.
9. 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.
10. 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 the underspending of £0.6m will be used to cover the underlying forecast overspend.
11. The main drivers of the underlying projected overspend of +£8.3m are as follows.
 - +£7.3m additional pressures from increased demand for care services (+£0.7m from December 2015). Over the first ten months of 2015/16, volumes have increased by 5.7%. 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.
 - 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.
 - +£2.8m underachievement of ASC's savings targets (+£0.2m change from December 2015). This is mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £3.8m. Current performance suggests 16% is achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People.
 - -£1.8m surplus on fees & charges and other income streams not directly related to individual packages of care or block contracts (-£0.3 from December 2015).

Children's Services +£2.9m (+£0.3m change since December)

12. As at 31 January 2016, Children's Services anticipates +£2.9m overspend (up from +£2.6m as at December 2015). The overall pattern of spending is as previously reported. The main reasons for the increase in the overspend are an increase in agency placements reflecting the ongoing increase in the number of Looked After Children (LAC) together with a number of these being high cost residential placements reflecting an increasing complexity of need.
13. Pressures (+£1.3m) on staffing within the area referral, assessment and care management teams remain. Additional social work capacity has been required to manage caseloads safely with a number of teams operating above establishment. Having plateaued through 2014/15 the number of LAC has risen sharply in 2015/16. At the end of December there were 884 Looked After Children, an increase of 102 since March 2015 and the highest level seen in the last five years. In addition, there are 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 year. There is also an increased reliance on locum social workers across all of the area teams (16 in the SE, 10 in SW, 38 in NE and 28 in NW - 92 in total). With each locum costing an additional £25,000 on average this is a significant budget pressure.
14. The growth in external placement numbers is mainly being seen on the budget for fostering (+0.5m) but also external agency placements. The agency budget is forecast to overspend by £3.2m(of which £0.5m is covered through the Dedicated Schools Grant). This is an increase of £0.3m since December. There are currently 193 placements, similar to the numbers assumed when the budget was set although numbers were higher earlier in the year. In addition to demand pressures the average cost of both fostering and residential placements has increased. 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 per week. The main reason for the increased projection is three new residential placements, including two in excess of £5,000 per week. In addition there has been an increase in the number of short term, 12 week, Family Assessment Centre placements. There are expected to be 30 such placements in 2015/16 costing £1.2m.
15. The other significant pressure area relates to rising numbers of unaccompanied asylum seeking children (UASC). This includes an increase of 55 in the number of Unaccompanied Asylum Seeking Children where numbers have increased by 50% this year. Although additional grant is received from the government to meet the costs of asylum seeking children this does not cover the costs in full and an overspend of £0.9m is expected. On average there is a £10,000 pa shortfall for each child, in addition to those without recourse to public funds.
16. Offsetting these pressures is a -£0.4m centrally held budget against emerging pressures. In addition there is a -£1.0m underspend against the Adoption Reform grant in 2015/16 and additional one-off interagency income of -£0.6m

Property Services -£1.8m (-£0.2m change since December 2015)

17. As at 31 January 2016, Property Services forecasts -£1.8m underspend (-£0.2m since December 2015). This is primarily because it will only carry out essential building maintenance until April 2016. Property Services will only undertake works that are required for health and safety reasons; to complete schemes already underway; or to deliver efficiency savings. The reduction in works also means -£0.2m lower fees. The mild winter to date adds another -£0.1m forecast underspend on utilities.

Highways & Transport -£0.6m (-£0.6m change December 2015)

18. As at 31 January 2016, Highways & Transport anticipates a -£0.6m (1%) underspend. This is comprised of a number of offsetting variances, including anticipated underspends against winter maintenance and insurance claim budgets, and the impact of delayed development of local growth deal schemes and local committee schemes. These underspends are offset by the impact of staffing vacancies, where those vacancies are covered by temporary staff at a higher cost or where vacancies result in reduced income or recharges.

Central Income & Expenditure +£1.8m (-£0.1 since December 2015)

19. As at 31 January 2016, the Central Income & Expenditure budget is forecast to overspend by +£1.8m 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 -£4.8m (-£0.1m since December 2015)

20. As at 31 January 2016, General Government Grants and Local Taxation are forecast to be -£4.8m greater than in the original budget The 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 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.

Areas to be aware - Waste Management

21. 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.
22. As a result of these factors, expenditure is expected to be higher than budget and, subject to necessary approvals, Waste Management plans to meet this additional cost by drawing £4.2m from the Waste Sinking Fund.

Areas to be aware - Public Health

23. 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).

24. 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

25. The coronial inquest into the death of Private Cheryl James has commenced. 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.
26. Changes in legislation regarding Deprivation of Liberty (DOL) will result in an increased number of coroner inquests required. The exact number cannot currently be confirmed but has the potential to significantly increase the number of inquests the coroner undertakes. Currently no significant pressure has been felt as a result of this. It is expected to be experienced next financial year. 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

27. There is committed expenditure with a number of services that is now unlikely to be incurred until 2016/17, which may seek approval for a carry forward of budget at the year end. The value of the potential carry forwards is £2.3m

Revolving Infrastructure & Investment Fund

Table 3: Summary revenue and capital position as at 31 January 2016

Summary	YTD actual	Full year forecast
Revenue expenditure	£m	£m
Income	-2.9	-4.0
Expenditure	0.3	0.4
Net income before funding	-2.6	-3.6
Funding costs	2.2	3.1
Net income after funding	-0.4	-0.5
Capital expenditure	56.5	62.0

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

28. 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 that the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year-end.
29. 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

30. 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.
31. 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.
32. 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.
33. 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.
34. 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 31 January 2016. Of the 520 live vacancies, where the council is actively recruiting, 401 are in social care.

Table 4: Full time equivalents in post and vacancies as at 31 January 2016

	FTE
Budget	7,935
Occupied contracted FTE	7,324
"Live" vacancies (i.e. actively recruiting)	520

35. Table 5 shows staffing cost as at 31 January 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.

36. 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.
37. 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 31 January 2016 is £255.2m and actual expenditure is £250.5m. Table App 3 reiterates the -£4.7m year to date underspend on employment costs and shows services forecast -£6.1m underspend by year end.

Table 5: Staffing costs and FTEs to 31 January 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	2	
Adult Social Care	50.1	43.3	3.4	1.8	48.5	-1.6	1,925	1,612	
Children's Services	39.2	32.7	5.2	2.2	40.1	0.9	1,108	991	
Services for Young People	11.7	11.1	0.0	0.4	11.5	-0.2	395	398	
Strategic Services	2.3	2.4	0.0	0.0	2.4	0.1	52	59	
Schools & Learning	38.7	37.0	0.3	0.7	38.0	-0.7	1,332	1,275	
Delegated Schools							0	0	
Community Partnership & Safety	1.0	1.1	0.0	0.0	1.1	0.1	24	26	
Coroner	0.3	0.2	0.1	0.0	0.3	0.0	1	2	
Cultural Services	15.5	13.8	0.0	1.3	15.1	-0.4	520	526	
Customer Services	2.9	2.6	0.2	0.0	2.8	-0.1	112	100	
C&C Directorate Support	0.8	0.8	0.0	0.0	0.8	0.0		0	
Emergency Management	0.4	0.4	0.0	0.0	0.4	0.0	12	13	
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0	
Surrey Fire & Rescue Service	23.1	21.7	0.1	1.4	23.2	0.1	675	634	
Trading Standards	2.7	2.5	0.1	0.0	2.6	-0.1	100	96	
Environment & Planning	8.6	8.2	0.2	0.2	8.6	0.0	215	200	
Highways & Transport	11.4	9.6	0.3	0.2	10.1	-1.3	313	301	
Public Health	2.4	2.1	0.0	0.1	2.2	-0.2	51	46	
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0	
Communications	0.9	0.9	0.0	0.0	0.9	0.0	23	23	
Finance	4.8	4.5	0.0	0.0	4.5	-0.3	101	103	
Human Resources & Organisational Development	4.5	4.1	0.1	0.1	4.3	-0.2	104	96	
Information Management & Technology	10.1	8.5	1.5	0.0	10.0	-0.1	221	202	
Legal & Democratic Services	4.5	3.9	0.3	0.0	4.2	-0.3	130	112	
Policy & Performance	2.2	2.1	0.2	0.0	2.3	0.1	42	39	
Procurement	2.6	2.4	0.1	0.0	2.5	-0.1	57	51	
Property	7.1	6.7	0.5	0.0	7.2	0.1	177	181	
Shared Service Centre	6.8	6.4	0.0	0.0	6.4	-0.4	242	238	
Total	255.2	229.5	12.6	8.4	250.5	-4.7	7,935	7,324	

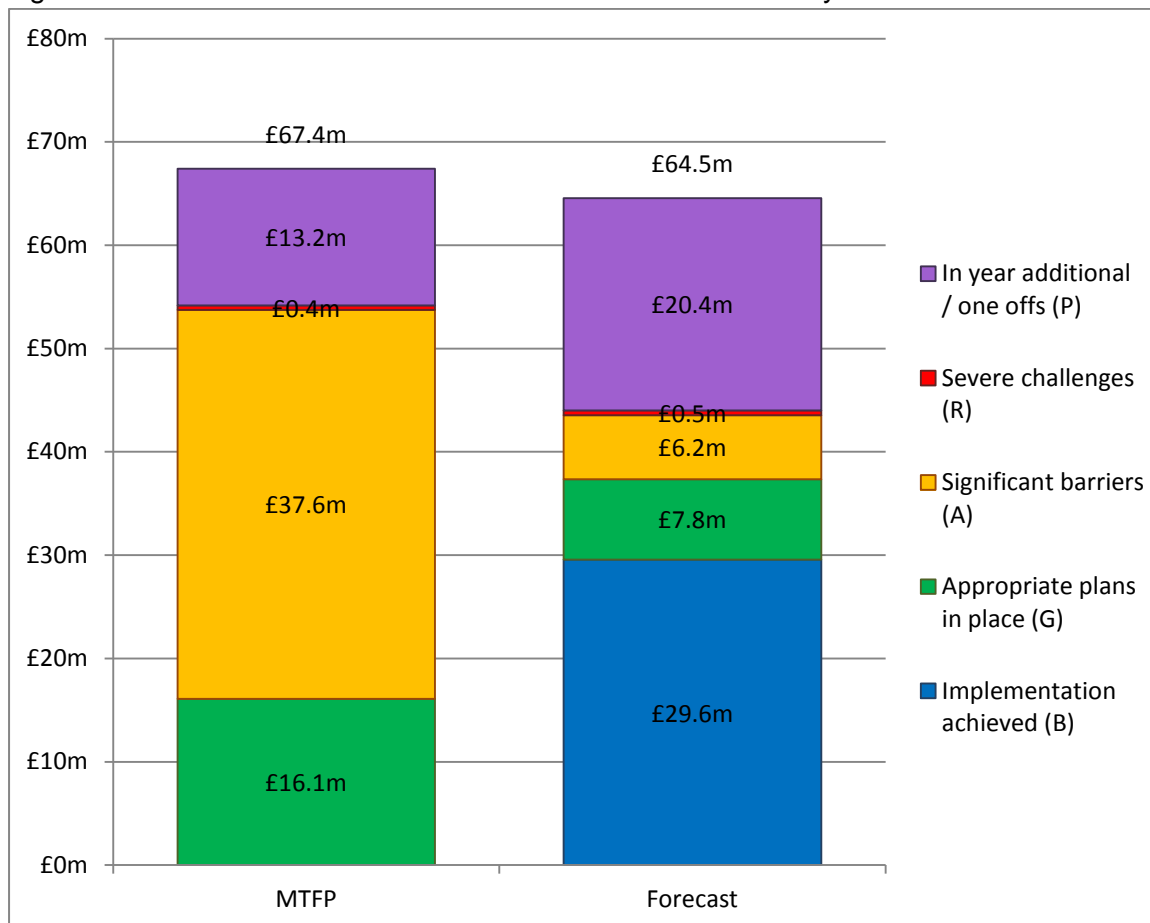
Note: All numbers have been rounded - which might cause a casting error.

Trading Standards' FTEs include C&C Directorate support

Efficiencies

38. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £64.5m by year end (£64.4m as at 31 December 2015), an underachievement of £2.9m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.
39. 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 31 January 2016



40. 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 will need to be replaced by on-going savings as a part of the 2016/17 budget.

41. 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.

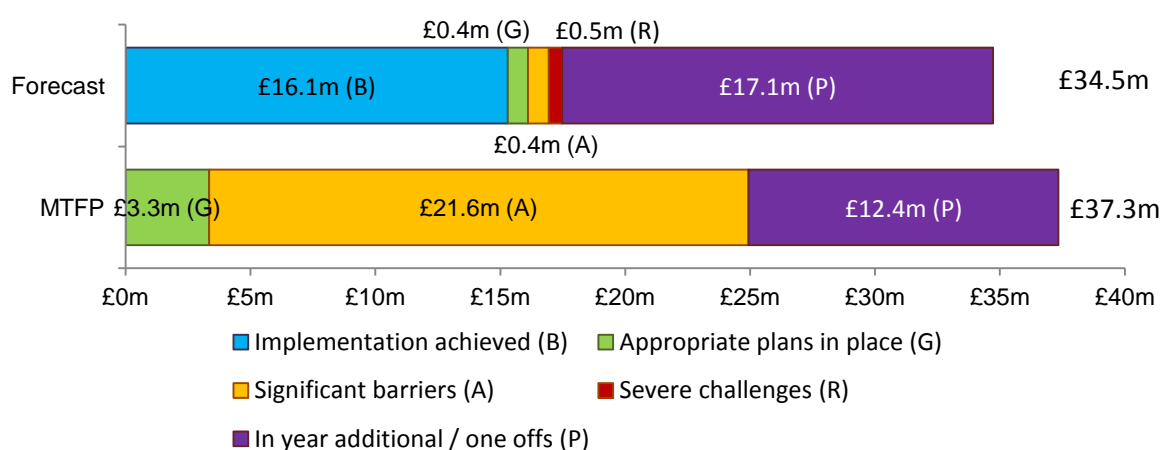
Table 6: 2015/16 Efficiency programme as at 31 January 2016

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	17.4	17.1	-2.8
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	0.7	0.0	0.1
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	3.0	0.7	0.3
Shared Service Centre	0.1	0.2	0.0	0.1
Total	67.4	44.0	20.5	-2.9

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

Significant variances in services' efficiencies & service reductions

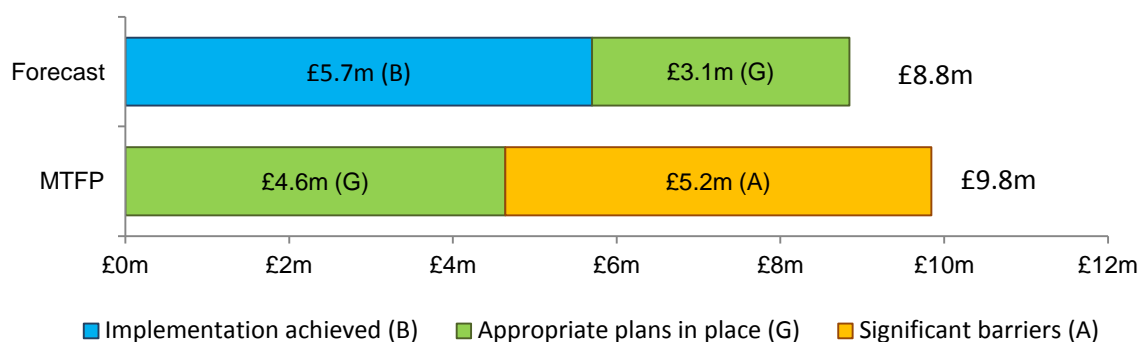
Adult Social Care



42. As at 31 January 2016, ASC forecasts a £2.8m shortfall against its efficiencies target (a decrease of 0.2m from December 2015). There is a high degree of risk associated with £0.5m of savings related to two efficiencies:

- £0.2m 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.

Schools & Learning



43. As at 31 January 2016, S&L forecasts a £1.0m shortfall against its efficiencies target (no change from November 2015). Decision to not progress some early years projects means S&L is unlikely to achieve £1.0m efficiencies in 2015/16.

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 31 January 2016, the revised full year capital budget is £176.6m. 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 31 December 2015.
46. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £222.3m to the revised full year budget of £176.6m.

Table 7: Forecast capital expenditure 2015/16 as at 31 January 2016

	Current full year budget £m	Apr - Jan actual £m	Feb- Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	59.4	3.6	63.0	5.2
Highways recurring programme	33.9	42.1	-7.1	35.0	1.1
Property & IT recurring programme	25.6	17.5	3.1	20.6	-5.0
Other capital projects	59.3	31.4	10.3	41.7	-17.6
Service capital programme	176.6	150.3	10.0	160.3	-16.3
Long term investments	0.0	56.5	5.5	62.0	62.0
Overall capital programme	176.6	206.8	15.5	222.3	45.7

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

47. The forecast in-year variance on the 2015/16 capital programme as at 31 January 2016 is an underspend of £16m against the approved revised service budget of £177m. The main reasons for the underspend include;

- +£5.2m school basic needs programme expects to be ahead of schedule.
 - -£3.1m year to date underspend across a range of projects including Community Infrastructure Levies, Local Sustainable Transport Fund, Basingstoke canal and closed landfill site maintenance;
 - -£3.7m on schools capital maintenance due to only carrying out essential maintenance.
 - -£2.0m on Superfast broadband scheme life; and
 - -£6.2m on other school and corporate schemes due to scheme delays.
48. 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 contract costs, and the complexity of the roads being treated which require more costly treatments. Highways anticipate that costs can be accommodated within the wider Highways & Transport capital budget this year.
49. Approved Investment Strategy spending is expected to be £62.0m in 2015/16 (-£3.5m change from December 2015) and total capital expenditure £222.3m (£225.2m as at December 2015). Table 8 shows significant variances to the service capital programme.

Table 8: Significant variances to the service capital programme

	to 31 December £m	To 31 January £m
Schools capital maintenance, including children's centres	-£3.7m	-£3.7m
Merstham Library & Youth	-£1.3m	-£1.3m
Fire reconfiguration and training investment	-£1.2m	-£0.8m
School projects	-£1.1m	-£1.5m
SEN Strategy	-£0.7m	-£0.6m
Corporate capital projects	-£0.4m	-£0.8m
Land acquisition for waste	-£0.5m	-£0.5m
Closed landfill sites	-£0.4m	-£0.4m
IT Investment	-£0.2m	-£0.0m
Other variances	-£6.9m	-£6.7m
Capital variance	-£16.4m	-£16.3m

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

East Surrey Local Transformation Investment Fund

50. Surrey County Council is working in partnership with East Surrey CCG, Surrey & Sussex Healthcare NHS Trust (SaSH), First Community Health & Care (FCHC), Surrey County Council (SCC), Tandridge District Council (TDC) and Reigate & Banstead Borough Council (RBBC) to develop proposals for transforming the local model of health & care. This is known as the East Surrey Local Transformation Investment Fund (LTIF) and will significantly improve the quality of services for local patients and also generate efficiencies to contribute to local financial sustainability.
51. The objective of the LTIF is to deliver efficiencies for all stakeholders over time recognising the need for upfront investment in 2015/16 in order to deliver the longer term benefit in subsequent years.
52. The investment in 2015/16 is for £3.4m. This initial first year investment contribution is proposed to be made by Surrey County Council. The investment is focussed at generating 'development headroom' to support the establishment of the new models

of care identified in 5 above in future years. Future years' plans will be developed on an ongoing basis.

53. For 2016/17 and 2017/18, the partners will agree the investment required into the LTIF from each stakeholder together with any costs to be incurred by each directly related to the objectives of the LTIF. There will be a prior recognition, however, that SCC will receive a separate payment from the fund in 2016/17 of £3.4m.

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 31 January 2016 to £1,679.6m. 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 31 January 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	-56.8	428.6	0.4	429.0	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	26.0	15.4
Schools & Learning	-145.3	0.3	-145.0	217.3	1.9	219.2	74.2
Strategic Services (CSF)	-1.5	-0.9	-2.4	3.6	1.1	4.6	2.2
Delegated Schools	-469.0	-7.3	-476.3	469.0	7.3	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	-10.1	50.9	50.2
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	0.1	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	-9.7	37.2	1.4	38.6	28.9
Shared Service Centre	-4.6	-0.8	-5.4	8.8	1.4	10.2	4.8
Services total	-788.3	-8.3	-796.6	1,671.3	8.3	1,679.6	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	-642.1
Total	-1,667.6	-8.3	-1,675.9	1,671.3	8.3	1,679.6	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 January 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
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
<u>Jan Movements</u>					
Internal service movements	-0.3	0.3	0.0	0.0	11
Cabinet approvals	0.0	0.0	0.0	0.0	0
Funding changes	0.0	0.0	0.0	0.0	
Total January movements	-0.3	0.3	0.0	0.0	11
January approved budget	-1,675.9	1,688.9	-9.3	3.7	228

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 31 January 2016

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-515.1	-516.8	-1.7	-642.1	-128.4	-645.2	-3.1
Government grants	-753.8	-736.5	17.3	-891.3	-134.1	-870.6	20.7
Other income	-118.4	-153.6	-35.2	-142.5	-22.8	-176.4	-33.9
Total income	-1,387.3	-1,406.9	-19.6	-1,675.9	-285.3	-1,692.2	-16.3
Expenditure:							
Staffing	255.2	250.5	-4.8	311.5	55.0	305.5	-6.1
Service provision	736.7	752.6	16.2	891.8	155.1	907.9	16.1
Non schools sub-total	991.9	1,003.1	11.4	1,203.3	210.1	1,213.4	10.1
Schools expenditure	410.9	410.9	0.0	476.2	65.3	476.2	0.0
Total expenditure	1,402.8	1,414.2	11.4	1,679.6	275.3	1,689.6	10.1
Movement in balances	15.5	7.3	-8.2	3.7	-10.0	-2.6	-6.2

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 January except that the Cabinet May 2015 approval for ASC replacement system has been included.

Table App 4: 2015/16 Capital budget movements as at 31 January 2015

	to 30 June £m	31 December £m	To 31 January 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
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
Third party delegated school contributions		2.5	2.5
Highways	0.1	0.1	0.1
Newlands Corner		0.1	0.1
ASC Replacement system			0.3
Minor virements		0.2	0.3
In year budget changes	-4.7	0.2	0.4
2015/16 updated capital budget	171.5	176.2	176.6
In year budget changes funded by:			
Third party contributions		2.5	2.5
Borrowing and reprofiling to future years	-4.7	-2.3	-2.1