

Budget monitoring period 2 2016/17 (May 2016)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget for 2016/17 is a -£1.3m underspend (paragraph 1).
2. Forecast efficiencies and service reductions for 2016/17 is £83.5m (paragraph 20).
3. Adult Social Care service has reviewed the hourly charge for provision of Extra Care services operated in-house by the council and updated it to reflect these services' current operating costs. The revised hourly charge will be £16.10 (paragraph 10).

Cabinet is asked to approve the following.

4. Transfer of £4.8m from the Investment Renewals Reserve to the Budget Equalisation Reserve (paragraph 8).
5. Highways & Transport capital virements
 - £0.66m from bridge strengthening to highways maintenance (paragraph 28)
 - £1.03m from Government grants to highways maintenance (paragraph 29)
 - £1.71m from highways maintenance to strategic economic plan schemes (paragraph 30)

Revenue summary

Surrey County Council set its gross expenditure budget for the 2016/17 financial year at £1,686m. A key objective of MTFP 2016-21 is to increase the council's overall financial resilience. This includes making efficiencies totalling £83.5m during 2016/17.

As at 31 May 2016, services forecast -£1.3m year end underspend and achieving £83.5m efficiencies. The underspend is due to higher than budgeted forecast income from retained business rates. It is still early in the financial year and services may yet encounter budget issues. However, as at 31 May 2016, services are on track to achieve their planned efficiencies, which is important to ensure the council maintains a balanced and sustainable budget in the future.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2016/17, Cabinet approved use of £24.9m from reserves and carry forward of £3.9m to fund continuing planned service commitments. The council currently has £21.3m in general balances.

In February 2016, Cabinet approved the Council's Financial Strategy 2016-21. The Financial Strategy aims to:

- secure the stewardship of public money;
- ensure financial sustainability and
- enable the transformation of the council's services.

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 £638m capital programme in MTFP 2016-21. As at 31 May 2016, services forecast spending £209m against the £209m current 2016/17 budget and £279m in total, including long term investments.

Item 14 - Annex

As part of increasing the council's overall financial resilience, it plans to invest £70m in long term capital investment assets in 2016/17 to add to the £120m invested to 31 March 2016 (paragraphs 26 and 27).

Revenue budget

1. As at 31 May 2016, the year to date budget variance is balanced and services forecast a small revenue budget variance at the year end, with a -£1.3m overall net underspend due to higher business rates receipts. Where services forecast an overspend, they are developing plans to bring the budgets back into balance.
2. In March 2016, Cabinet approved the council's 2016/17 revenue expenditure budget at £1,686.0m. Changes in April and May to reflect agreed carry forwards and other budgetary adjustments reduced the expenditure budget as at 31 May 2016 to £1,681.4m. Table 1 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of £672.2m from local taxation and £24.9m from reserves.

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 £24.9m. The expected year to date net expenditure included in the budget is -£30.8m. The actual year to date total net expenditure is -£30.3m, resulting in a balanced position overall. This is summarised in Table 1 below and in more detail in Table App1 in the Appendix.

Table 1: 2016/17 revenue budget subjective summary as at 31 May 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,656.5	-281.6	-1,659.5	-3.0
Gross expenditure	1,681.4	251.3	1,683.1	1.7
Total net expenditure	24.9	-30.3	23.6	-1.3

Note: * Profiled year to date net budget is -£30.8m compared to actual net expenditure of -£30.3m
All numbers have been rounded - which might cause a casting difference

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.
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 services' budgets are on track to achieve a balanced outturn or underspend in 2016/17. General funding shows a favourable forecast variance for business rates income.

Table 2: 2016/17 updated revenue budget forecast as at 31 May 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.1	1.7	0.0
Strategic Leadership	1.0	0.1	1.0	0.0
Adult Social Care	368.6	65.8	368.7	0.1
Children's and safeguarding services	97.8	15.5	97.9	0.1
Commissioning & Prevention	37.7	5.4	37.7	0.0
Schools & Special Educational Needs & Disabilities	63.3	9.6	63.2	-0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	0.3	3.5	-0.1
Coroner	1.8	0.3	1.8	0.0
Cultural Services	9.6	1.4	9.6	0.0
Customer Services	3.5	0.5	3.5	0.0
C&C Directorate Support	1.0	0.1	1.0	0.0
Emergency Management	0.5	0.1	0.5	0.0
Surrey Fire & Rescue Service	33.2	5.9	33.4	0.2
Trading Standards	2.0	0.7	2.0	0.0
Environment & Planning	79.8	13.2	79.8	0.0
Highways & Transport	45.2	6.5	45.2	0.0
Public Health	0.3	0.0	0.3	0.0
Central Income & Expenditure	56.1	-2.6	56.2	0.1
Communications	2.1	0.3	2.1	0.0
Finance	3.1	0.3	3.1	0.0
Human Resources & Organisational Development	4.3	0.5	4.3	0.0
Information Management & Technology	13.1	1.9	13.1	0.0
Legal & Democratic Services	8.5	1.3	8.4	-0.1
Strategy & Performance	1.7	0.4	1.7	0.0
Procurement	0.9	0.1	0.9	0.0
Property	21.0	2.4	21.0	0.0
Joint Operating Budget ORBIS	38.0	4.6	38.0	0.0
Business Operations	0.2	0.0	0.2	0.0
Total services' net revenue expenditure	899.4	134.9	899.6	0.2
General funding sources				
General Government grants	-202.3	-31.7	-202.3	0.0
Local taxation (council tax and business rates)	-672.2	-133.5	-673.7	-1.5
Total general funding	-874.5	-165.2	-876.0	-1.5
Total movement in reserves	24.9	-30.3	23.6	-1.3

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

Significant revenue budget variances

Central Income & Expenditure - -£1.5m underspend (-£1.5m change since 1 April)

- As at 31 May 2016, Central Income & Expenditure forecasts -£1.5m underspend at year end. This is due to locally retained business rates income forecast to be -£1.5m higher than budgeted. -£1.4m is due to the council's share of the business rates pool gain being higher than estimates provided by the borough and district councils at outturn and -£0.1m is due to the agreed schedule of business rates income collected from borough and district councils being higher than the budget. The final schedule is

agreed based on the NNDR (National Non-Domestic Rates) returns from the borough and district councils, which are produced after the council has set its budget.

Revenue reserves

8. The council has held the Investment Renewals Reserve (IRR) for a number of years to fund invest to save projects. The current balance on the IRR is £8.8m, of which £4.0m is committed against projects. The government are now providing local authorities with the flexibility of using capital receipts to fund invest to save and transformation projects providing there is a robust business case. This replicates the council's current IRR provision. To enable the council to create a balanced and sustainable budget in the future, the uncommitted balance on the IRR of £4.8m can be transferred to the Budget Equalisation Reserve.

Revenue fees and charges

9. Adult Social Care (ASC) provides direct care services in four Extra Care settings across Surrey. These schemes provide independent accommodation for Older People with supported living care provided as an alternative to traditional home care services. The districts & boroughs provide and maintain the accommodation and ASC staff provide the supported living care services directly.
10. ASC asks Cabinet to note the hourly charge for provision of Extra Care services operated in-house by the council has been reviewed and updated to reflect the current operating cost of these services. The new hourly charge will be £16.10.

Revolving Infrastructure & Investment Fund

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

Revenue	YTD actual £m	Full year forecast £m
Income	-1.1	-9.0
Expenditure	0.0	0.4
Net income before funding	-1.1	-8.6
Funding costs	1.0	7.1
Net revenue income after funding	-0.1	-1.5
Capital Expenditure	31.9	70.3

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

11. The council forecasts generating net income of £1.5m in 2016/17 (after subtracting funding costs and other expenses) by the joint venture project to deliver regeneration in Woking town centre, from various property acquisitions made for future service delivery and the Halsey Garton group. The council anticipates transferring the net income to the Revolving Infrastructure and Investment Fund at the year-end.
12. Capital expenditure in 2016/17 includes equity investment and loans to the Halsey Garton group, development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and other town centre development projects.

Staffing costs

13. 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.
14. 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.
15. The council sets its staffing budget on the estimated labour needed to deliver its services. It expresses this as budgeted full time equivalent (FTEs) staff and converts it to a cost for the budget. The budget includes spending on all three categories of staff and is the key control in managing staffing expenditure. The council's total full year staffing budget for 2016/17 is £273.5m based on 7,122 budgeted FTEs.
16. The council has 555 "live" vacancies, where it is actively recruiting. 406 of these vacancies are in social care.
17. Table 4 shows staffing cost as at 31 May 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 4 also shows services' budgeted FTEs. Budget variances 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.
18. 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 is cost, using the total expenditure and variance shown in Table 4 and Table App3 in the appendix.
19. Table 4 shows the year to date budget as at 31 May 2016 is £45.4m and expenditure incurred is £44.3m. Table App 3 shows the -£1.1m year to date underspend on employment costs and services' forecast -£3.6m underspend at year end.

Table 4: Staffing costs and FTEs to 31 May 2016

Service	YTD Staffing spend by category							Budgeted FTE
	YTD staffing budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Strategic Leadership	0.2	0.1	0.0	0.0	0.1	0.0	10	
Adult Social Care	9.6	8.7	0.3	0.3	9.4	-0.2	1,860	
Children, Schools & Families	19.3	17.0	1.3	0.6	18.9	-0.4	2,956	
Community Partnership & Safety	0.2	0.2	0.0	0.0	0.2	0.0	25	
Coroner	0.1	0.0	0.0	0.0	0.1	0.0	2	
Cultural Services	3.2	2.8	0.0	0.3	3.1	-0.1	507	
C&C Directorate Support	0.2	0.2	0.0	0.0	0.2	0.0	26	
Emergency Management	0.1	0.1	0.0	0.0	0.1	0.0	12	
Surrey Fire & Rescue Service	4.6	4.5	0.0	0.3	4.8	0.2	648	
Trading Standards	0.6	0.5	0.0	0.0	0.5	-0.1	75	
Environment & Planning	1.7	1.6	0.0	0.0	1.6	0.0	215	
Highways & Transport	2.6	2.1	0.0	0.0	2.2	-0.4	370	
Public Health	0.5	0.4	0.0	0.0	0.4	-0.1	48	
Communications	0.2	0.2	0.0	0.0	0.2	0.0	22	
Customer Services	0.6	0.5	0.0	0.0	0.6	0.0	107	
Legal & Democratic Services	0.9	0.8	0.0	0.0	0.8	-0.1	129	
Strategy & Performance	0.3	0.3	0.0	0.0	0.3	0.0	27	
ORBIS Managed Budget	0.7	0.6	0.1	0.0	0.8	0.0	84	
Total	45.4	40.7	1.9	1.7	44.3	-1.1	7,122	

Note: Trading Standards' FTEs include C&C Directorate support

Children, Schools & Families' FTEs include: Children's and safeguarding, Commissioning & Prevention, Schools & Special Educational Needs & Disabilities and Delegated Schools

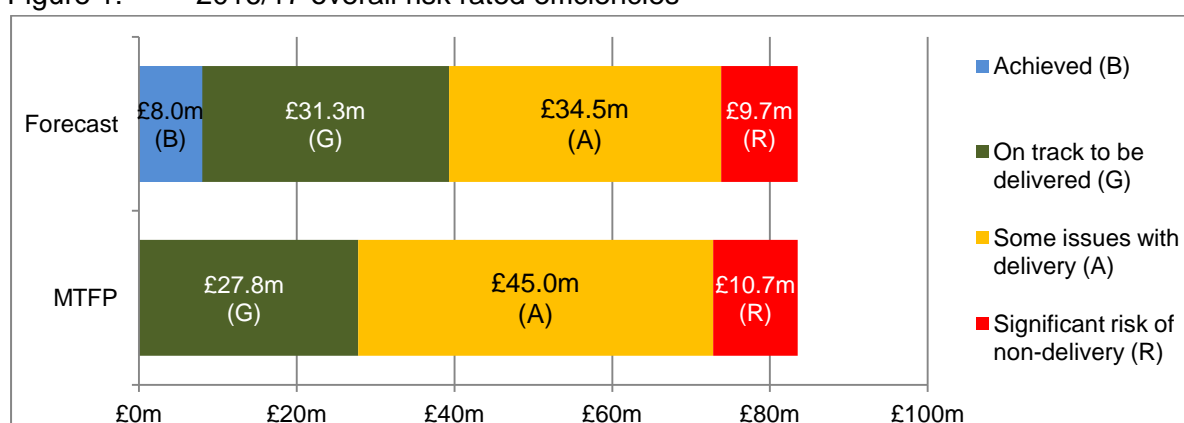
ORBIS Joint Operating Budget is formally delegated to the Joint Operating Committee for management (including staffing), therefore the council's monitoring only reports its contribution to the joint budget

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

Efficiencies

20. MTFP 2016-21 incorporates £83.5m efficiencies in 2016/17. Council services currently forecast to achieve these targets, although recognise the level of risk in their achievement. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2016/17 overall risk rated efficiencies



21. 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.

22. Table 5 summarises forecast progress on efficiencies by service. It shows services are on track to achieve their planned efficiencies and the risk rating of the total of efficiencies services plan to deliver this year has improved slightly from the MTFP position. Adult Social Care, ORBIS and Surrey Fire & Rescue are supporting their programmes with additional in year and one off efficiencies.

Table 5: 2016/17 Efficiency programme

Service	MTFP £m	Forecast £m	Variance £m
Adult Social Care	55.3	55.6	0.3
Public Health	1.9	1.9	0.0
Children, Schools & Families	10.8	10.8	0.0
ORBIS	3.5	3.5	0.0
Highways	2.3	2.3	0.0
Environment	3.2	3.2	0.0
Fire and Rescue	2.3	2.0	-0.3
Cultural Services	0.7	0.7	0.0
Central Income & Expenditure	2.9	2.9	0.0
Services under £0.15m	0.6	0.6	0.0
Total	83.5	83.5	0.0

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

Capital budget

23. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £638m 2016-21 MTFP capital programme, including £194m original capital expenditure budget for 2016/17.
24. Cabinet approved carry forward of £13.0m scheme budgets requested in the 2015/16 Outturn report. As at 31 May 2016, capital virements totalled £1.3m as shown in Table 6 and Table App 2.
25. Table 6 shows the construction of the current year capital expenditure budget from the MTFP budget.

Table 6: Capital expenditure budget 2016/17

	MTFP budget £m	2015/16 budget c/fwd £m	Budget virement £m	Proposed reprofile £m	Current full year budget £m
Schools basic need	75.6	-8.1			67.5
Highways recurring programme	57.0	2.9			59.9
Property & IT recurring programme	25.7	4.5			30.2
Other capital projects	36.1	13.6	1.3		51.0
Service capital programme	194.4	13.0	1.3	0.0	208.7
Long term investments					0.0
Overall capital programme	194.4	13.0	1.3	0.0	208.7

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

26. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £208.6m to the current full year budget of £208.7m.

Table 7: Forecast capital expenditure 2016/17

	Current full year budget £m	Apr - May actual £m	Jun - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	67.5	7.4	60.1	67.4	0.0
Highways recurring programme	59.9	3.0	56.9	59.9	0.0
Property & IT recurring programme	30.2	1.9	28.3	30.2	0.0
Other capital projects	51.0	4.0	46.9	50.9	-0.1
Service capital programme	208.7	16.2	192.4	208.6	-0.1
Long term investments	0.0	0.0	70.3	70.3	70.3
Overall capital programme	208.7	16.2	262.7	278.9	70.2

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

27. Approved Investment Strategy spending is expected to be £70.3m in 2016/17 and total capital expenditure £278.9m. There are no significant variances to the service capital programme.

Capital virement requests

28. The Highways & Transport capital programme includes £1.96m for bridge strengthening. Following a review of the programme of works for 2016/17, Highways & Transport has determined the best use of resources would be to use £0.66m of this to undertake additional major maintenance works. The service requests a £0.66m virement from bridge strengthening to highways maintenance (major maintenance).
29. In April 2016 the Department for Transport (DfT) announced new funding in the form of its Pothole Action Fund. The council's share of this funding is £1.03m. DfT intends

councils spend the funding on potholes, which must also be in addition to existing budgeted spend. The service requests a £1.03m virement to increase the highways maintenance budget to reflect this additional funding.

30. In 2015/16, Highways & Transport applied £1.71m of funding, which was originally to be used for Strategic Economic Plan (SEP) schemes, to the highways maintenance budget. This is necessary as while the funding was not required by the SEP schemes in 2015/16 the Local Economic Partnership (LEP) has requested the funding would be used. This funding will be required for SEP Schemes in 2016/17. The service requests a £1.71m virement to decrease the highways maintenance budget to make the funding available to the SEP schemes.

Appendix to Annex

Efficiencies & service reductions

App 1. There were no significant variations in services' progress against their MTFP 2016-21 efficiencies & service reductions as at 31 May 2016.

Updated budget - revenue

App 2. The council's 2016/17 revenue expenditure budget was initially approved at £1,686.0m. Adding virement changes in April and May reduced the expenditure budget as at 31 May 2016 to £1,681.4m. Table 1 shows the updated budget.

App 3. When Council agreed the MTFP in February 2016, 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 4. 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 April or May 2016.

App 5. Table App 1 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 1: 2016/17 Revenue budget forecast position as at 31 May 2016

	Year to date			Full year			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-133.4	-132.4	1.0	-672.2	-541.3	-673.7	-1.5
Government grants	-136.3	-122.8	13.5	-841.6	-716.4	-839.2	2.4
Other income	-23.9	-26.4	-2.5	-142.7	-120.2	-146.6	-3.9
Income	-293.6	-281.6	12.0	-1,656.5	-1,377.9	-1,659.5	-3.0
Expenditure:							
Staffing	45.4	44.3	-1.1	273.5	219.6	269.9	-3.6
Service provision	145.4	135.0	-10.4	950.2	826.5	955.5	5.3
Non schools sub-total	190.8	179.3	-11.5	1,223.7	1,046.1	1,225.4	1.7
Schools expenditure	72.0	72.0	0.0	457.7	385.7	457.7	0.0
Total expenditure	262.8	251.3	-11.5	1,681.4	1,431.8	1,683.1	1.7
Movement in balances	-30.8	-30.3	0.5	24.9	53.9	23.6	-1.3

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

Updated budget – capital

App 6. Cabinet approved £13.0m carry forward of scheme budgets requested in 2015/16's Outturn report. There were two significant virements in April and May 2016. Table App 2 summarises the capital budget movements for the year.

Table App 2: 2016/17 Capital budget movements as at 31 May 2016

	1 April 2016 £m	31 May 2016 £m
MTFP (2016-21) (opening position)	194.4	194.4
Approved budget movements:		
Carry forwards from 2015/16		13.0
Virements		
Limnerlease (Watts Gallery Trust)		1.0
Woodfuel & timber grant		0.3
In year budget changes		14.3
2016/17 updated capital budget		208.7

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