

Overview & Scrutiny Select Committee
Finance Review Group

28 January 2013

Budget Monitoring
Change & Efficiency and Chief Executive's Office
Central Income & Expenditure

Purpose of the report:

This report, requested by the committee, provides supplementary detailed budget monitoring information for Change & Efficiency and Chief Executive's Office.

The report provides information based upon December month-end reporting and provides background to the monthly budget monitoring report provided to Cabinet.

Report contact: Susan Smyth, Strategic Finance Manager
Kevin Kilburn, Deputy Head of Finance

Change and Efficiency

December 2012 Budget Monitoring - Change and Efficiency						
Revenue Budget				Strategic Director: Julie Fisher		
	Year to Date			Full Year		
Policy Budget	Budget	Actual	Variance	Budget	Forecast	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Property						
Building Running Costs	10,419	8,943	-1,476	13,892	13,487	-405
Utilities	2,866	1,989	-877	4,389	3,789	-600
Repairs & Maintenance	5,101	4,509	-592	8,012	7,581	-431
Carbon Reduction Commitments	1,081	306	-775	1,441	374	-1,067
Property Projects	1,808	1,819	11	2,313	2,316	3
Support & Management	2,668	2,693	26	3,557	3,518	-40
Total Property	23,943	20,259	-3,684	33,605	31,064	-2,540
IMT						
Support & Delivery	5,043	5,550	507	6,724	7,268	544
Network Contracts	3,958	3,858	-100	5,278	5,578	300
Design & Build	4,786	5,289	503	6,381	7,651	1,270
Project Office	3,625	3,502	-123	4,771	4,746	-25
Management & Business Change	1,328	844	-484	1,770	1,339	-432
Total IMT	18,740	19,043	304	24,924	26,582	1,658
HR & OD						
Training	3,143	2,791	-352	4,148	4,016	-132
Recruitment Fees	500	529	28	667	717	50
Staffing, occupational health & other costs	3,417	2,979	-437	4,556	3,864	-691
Total Human Resources and OD	7,061	6,300	-761	9,370	8,597	-773
Finance						
Finance	5,102	4,607	-496	6,522	6,257	-265
Insurance	2,087	1,964	-124	2,783	2,783	0
Total Finance	7,190	6,571	-619	9,305	9,040	-265
Shared Services						
Income Management	621	546	-74	579	563	-16
Procure to Pay	912	981	69	1,403	1,396	-7
HR & Payroll	991	778	-212	1,321	1,037	-284
Customer & Improvement	758	834	76	1,067	1,187	120
Total Shared Services	3,281	3,139	-142	4,370	4,183	-188
Procurement & Commissioning	2,682	2,388	-294	3,581	3,486	-95
Transformational Change						
Change Team & Strategic Director	740	535	-205	987	631	-356
My Work - project expenditure	1,266	1,322	56	1,688	1,801	113
Total Transformational Change	2,006	1,857	-149	2,675	2,432	-243
TOTAL	64,902	59,557	-5,345	87,831	85,384	-2,447
Subjective Analysis	YTD Budget	YTD Actual	YTD Variance	Full Year Budget	Full Year Forecast	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Income	-8,755	-9,889	-1,134	-12,147	-12,738	-591
Staffing	29,959	29,946	-13	39,998	39,597	-401
Non-staffing	43,698	39,500	-4,198	59,980	58,525	-1,455
Total Expenditure	73,657	69,446	-4,211	99,978	98,122	-1,856
TOTAL	64,902	59,557	-5,345	87,831	85,384	-2,447

1. The Change & Efficiency revenue budget is projected to underspend by £2.4m for the year. The budget for the directorate includes efficiency savings of £7.9m, of which £7.1m will be delivered. The shortfall is in relation to IMT where one-off network savings from Cable and Wireless (£0.5m) will not be achieved, nor will

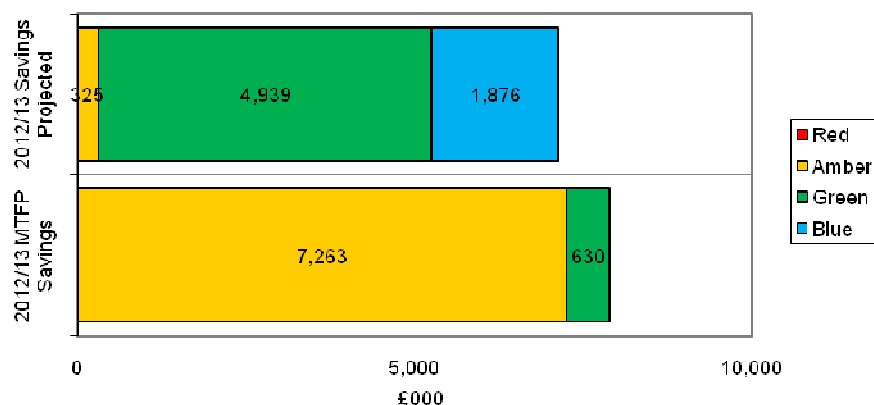
the expected income from partner contributions to the Data Centre. However, the ongoing network savings from 2013-14 through the new Unicorn contract are on course to be delivered and partners are expected to begin to take space in the Data Centre in the new financial year, following the implementation of the shared network (Unicorn), which will significantly reduce the implementation cost for participation.

2. Significant savings of £1.1m are expected on the Carbon Reduction Commitment budget. Data has now been submitted to the CRC commission and following a review of the quality of the data, the likelihood of fines has been significantly reduced. In addition, in view of the number of licences purchased last year together with reductions in energy consumption achieved, it is unlikely that the cost of allowances will reach the levels expected during budget setting.
3. There is expected to be a saving on the utilities budget of £0.6m. This is based on the estimated energy prices (from October) through the Laser contract. This saving is due to two key factors - procurement activity to deliver a reduction in electricity prices and a lower increase in gas prices than originally expected. It is also due to the capital investment made, including new boilers and smart metering which facilitate greater control over energy usage. The forecast is subject to weather conditions over the winter months, and further savings will be made if temperatures are fairly mild over the peak consumption period. Conversely, if temperatures are extremely cold for a significant period, the savings may reduce.
4. Further savings (£1m) are expected through the reconfiguration of the office portfolio, where some moves have happened in advance of the original plan, allowing us to relinquish our rent liability earlier than expected and as a result of rent-free periods negotiated on new leases such as the main data centre site.
5. A comprehensive review of the planned maintenance budget has been completed and confirms a projected underspend of £0.8m, as a result of the new contracts implemented mid-year. Part of this is a reduction in work delivered during the transition, however the new contracts have delivered procurement savings in the region of 11%. These savings are partly offset by an increase in responsive repairs and maintenance (£0.4m) as a result of the heavy rainfall earlier in the year.
6. Income from rents are expected to be below budget as a result of Countryliner going into administration (£0.1m), and incorrect budget assumptions in respect of rents from Mayford Business Centre and Gypsy sites (£0.2m), as reported last month.
7. An underspend of £0.8m is expected within Human Resources and Finance on staffing costs as a result of the prudent holding of vacancies prior to restructure implementation, in order to reduce redundancy costs. In both cases, recruitment to posts is substantially completed however the majority of new starters are unlikely to be in place until the new (calendar) year. A further underspend of £0.1m is expected within Procurement as result of vacancies and the sharing of resources with East Sussex.

8. Human Resources and Shared Services have delivered new income generation of £0.5m.
9. There will be an underspend in the Smarter Working team of £0.2m, which will be requested as a carry-forward in order to fund staff on secondment who are working with services to help maximise the benefits of the recent investment in mobile technology.
10. All of the above savings help to offset an overspend in IMT totalling £1.7m. In particular there is an increased spend of £0.3m for dual running costs in the final quarter to ensure the new Unicorn contract with BT can go live on 1st April and efficiency savings of £0.5m have not been met with regard to the Cable & Wireless contract, costs associated with bringing SAP hosting in-house were higher than originally anticipated due to timing changes. In addition, in order to escalate the delivery of a step-change in IT capability across the organisation, some investment planned for next year will be brought-forward. These initiatives include an improved and more resilient scanning solution and upgrade to the Citrix hardware.

Reduction / Efficiency Saving	Forecast Status	Target 2012/13 £000	Forecast 2012/13 £000	Variance 2012/13 £000
Procurement savings	B	330	330	0
Procurement savings	G	300	300	0
PVR savings (HR, Finance, IMT, Shared Services)	G	1,045	1,045	0
PVR savings (Property)	A	325	325	0
IMT applications	B	1,420	1,220	-200
IMT networks	A	500	0	-500
Impact of front line changes	G	100	100	0
Energy usage	B	226	226	0
Energy usage	G	200	200	0
Making a Difference	G	3,094	3,094	0
Responsive maintenance	G	0	0	0
Property income	G	50	50	0
Public sector offer	B	100	100	0
Public sector offer	G	53	0	-53
Partnerships and collaboration	G	150	150	0
Total Change and Efficiency savings		7,893	7,140	-753

Change and Efficiency MTFP Savings 2012/13



Change and Efficiency Staffing – FTE 2012/13

Many of the PVR savings included in the budget will result in a reduction in staff posts, the effect of these savings, and the current staff in post can be seen in this table.

Staffing budgets were carried forward for Transformational Change and Procurement, which is why the number of FTE at the end of the year is greater than the number of FTE at the start of the year. Property is currently working through the restructure process, and which is why there are more staff in post than FTE at the moment.

	FTE	MTFP (Start of Year)	MTFP (End of Year)	Actual (Dec 12)
Property		151	139	146
IMT		153	151	156
HR & OD		147	139	145
Finance		111	106	94
Shared Services		206	174	169
Procurement		48	49	49
Transformational Change		6	9	11
Total Change and Efficiency		822	767	770

Capital

11. The Schools Basic Need programme is expected to be £2m under budget, a reduction in expected expenditure of £1.3m compared to last month's forecast. This includes procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

12. Delivery against the remaining CAE capital programme is expected to be £2.3m under budget, bringing the total including Schools Basic Need to £4.3m, a reduction in expected spend of £3.7m compared to the projection last month. To put these figures into context, the forecast year-end position across all capital budgets managed by CAE means that the programme will be 95% delivered against the original spend target.
13. The recurring programmes are currently projected to overspend as a result of bringing works forward under the maintenance programme from 2013/14 in order to reduce reactive maintenance in future years. A small underspend is expected on the DDA and minor works budgets where the spend is demand-led.
14. Other schools projects are expected to be under-spent by £2.1m. The tender process for the replacement of aged demountables has delivered a saving of £0.4m however work will not now start until the new financial year, creating an in-year underspend.
15. Non-schools projects will underspend by £5.0m. The overage payment of £2.1m in relation to the Waste site at Charlton Lane is unlikely to proceed this financial year. Other variances are primarily as a result of planning issues particularly in relation to Gypsy sites and Cobham Library re-provision. The Fire Station reconfiguration project (of which £0.5m was expected to be incurred this year) has been delayed on request by the Fire Service.
16. There is a projected overspend on the Equipment Renewal Reserve in the current year in order to facilitate more mobile and remote working. Additional contributions to the reserve have been made this year from the revenue budget to cover the expenditure. The Adult Social Care Infrastructure Grant needs to be carried forward to fund systems improvements in the future.
17. The award of a contract to replace the SWAN network with a Surrey wide Public Sector network is proceeding following approval from Cabinet. In order for the network to be ready there will be a significant up-front investment of £4m, of which £3.1m will be spent this year, with the remainder spread over the following five years to provide equipment refresh. Options appraisal was completed which determined that the most cost effective methodology would be for the council to purchase equipment required rather than paying over the life of the contract. Savings will be achieved in revenue expenditure in future years.

Change and Efficiency

As at 31st Dec 2012

Capital Summary Position

	Year to Date			Full Year			Committed on SAP £'000	Total Committed £'000	Scheme Life		
	Budget	Actual	Variance	Budget	Forecast	Variance			Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000			£'000	£'000	£'000
Schools Basic Need	23,453	20,898	-2,555	31,993	29,984	-2,009	3,437	24,335	246,111	282,119	36,008
Schools DDA	245	169	-76	438	426	-12	132	301			
Schools Carbon Reduction	2,333	1,170	-1,163	3,165	3,551	386	810	1,980			
Schools Capital Maintenance	8,115	8,439	324	11,075	13,514	2,439	3,902	12,341			
Recurring Programmes - Schools	10,693	9,778	-915	14,678	17,491	2,813	4,844	14,662			
Fire Risk / minor works / DDA	596	201	-395	1,116	800	-316	114	315			
Carbon Reduction	2,261	515	-1,746	3,584	3,316	-268	723	1,238			
Capital Maintenance	4,507	3,245	-1,262	5,590	5,810	220	2,530	5,775			
Recurring Programmes - Non-Schools	7,364	3,961	-3,403	10,290	9,926	-364	3,367	7,328			
SEN Strategy	2,728	2,487	-241	3,044	3,097	53	48	2,535	28,809	28,809	0
Portesbury	65	63	-2	600	511	-89	0	63	16,533	16,533	0
Other Schools Projects	445	133	-312	2,191	157	-2,034	0	133	9,666	9,666	0
Projects - Schools	3,238	2,683	-555	5,835	3,765	-2,070	48	2,731	55,008	55,008	0

	Year to Date			Full Year			Committed on SAP £'000	Total Committed £'000	Scheme Life		
	Budget	Actual	Variance	Budget	Forecast	Variance			Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000			£'000	£'000	£'000
Consort House	1,518	1,518	0	1,518	1,518	0	13	1,531	9,904	9,904	0
Land Payments for Waste	850	878	28	3,050	878	-2,172	0	878	10,441	10,441	0
Gypsy Sites	413	180	-233	2,050	600	-1,450	115	295	5,835	5,835	0
Guildford Fire Station	302	288	-14	1,000	558	-442	273	561	5,050	5,050	0
MaD	350	793	443	928	928	0	0	793	1,700	1,700	0
Projects to enhance income	570	1,286	716	1,100	1,436	336	31	1,317	2,535	3,635	1,100
Other Non-Schools Projects	1,787	1,317	-470	3,472	2,110	-1,362	159	1,476	19,658	19,658	0
Projects - Non-Schools	5,790	6,260	470	13,118	8,028	-5,090	591	6,851	55,123	56,223	1,100
Total Property	50,538	43,580	-6,958	75,914	69,194	-6,720	12,287	55,867	356,242	393,350	37,108
IMT Equipment Replacement Reserve	1,518	2,695	1,177	2,025	2,896	871	50	2,745	7,447	7,447	0
Data Centre Replacement	228	299	71	303	303	0	0	299	2,200	2,200	0
Adults Social Care Infrastructure Grant	0	0	0	608	0	-608	0	0	782	782	0
Unicorn Implementation	0	0	0	0	3,101	3,101	0	0	0	4,006	4,006
Total IMT	1,746	2,994	1,248	2,936	6,300	3,364	50	3,044	10,429	14,435	4,006
Budget to be reprofiled	678	0	-678	904	0	-904	0	0	0	0	0
Total Change and Efficiency	52,962	46,574	-6,388	79,754	75,494	-4,260	12,337	58,991	366,671	407,785	41,114

Chief Executive's Office

December 2012 Budget Monitoring - Chief Executive's Office

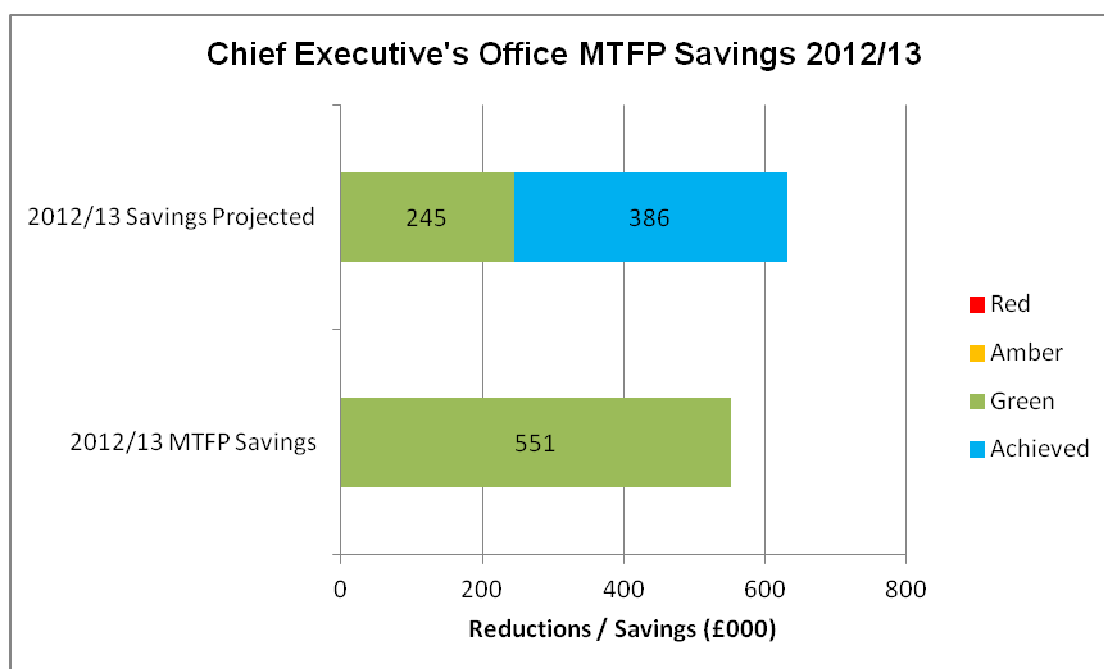
Revenue Budget	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Full Year Projection	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Strategic Leadership	354	315	-39	472	457	-15
Strategic Leadership Total	354	315	-39	472	457	-15
Emergency Management	392	404	12	523	533	10
Emergency Management Total	392	404	12	523	533	10
Communications Team	901	864	-37	1,201	1,170	-31
Central Communications	270	253	-17	510	470	-40
Surrey Matters	167	167	0	222	222	0
Communications Total	1,338	1,284	-54	1,933	1,862	-71
Legal Services	3,053	3,426	373	4,071	4,533	462
Democratic Services Team	1,479	1,423	-56	1,849	1,785	-64
Member Allowances & Expenses	1,365	1,321	-44	1,942	1,912	-30
Local Elections	22	0	-22	30	15	-15
Legal & Democratic Services Total	5,919	6,170	251	7,892	8,245	353
Corporate Policy & Performance	1,160	1,014	-146	1,555	1,356	-199
Corporate Subscriptions	166	166	0	221	201	-20
Voluntary & Community Sector Support	426	426	0	568	580	12
Projects (SFBB & SEEC)	150	150	0	200	200	0
Audit	500	478	-22	668	655	-13
Policy, Performance & Audit Total	2,402	2,234	-168	3,212	2,992	-220
TOTAL	10,405	10,407	2	14,032	14,089	57

Subjective Budget	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Full Year Projection	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Staffing	6,906	6,838	-68	9,207	9,170	-37
Non Staffing	3,991	4,169	178	5,471	5,606	135
Income	-492	-600	-108	-646	-687	-41
Net Expenditure	10,405	10,407	2	14,032	14,089	57

The overall projection for the directorate is a small overspend of £57,000 against a total revenue budget of £14.0m. The directorate is managing a large pressure within Legal through the careful management of staff vacancies and early achievement of efficiencies within Policy and Performance.

Legal Services is forecasting an overspend of £0.5m due to the expected continuation of high levels of complex Child Protection cases in 2012/13. Management action is being taken to minimise the impact. Underspends in other departments, in particular within Policy, Performance & Audit due to current staff vacancies partially offset this pressure to result in the net predicted budget position.

Reductions / Efficiency Saving	Forecast	MTFP	Forecast	Variance
	Status	2012/13	2012/13	2012/13
		£'000	£'000	£'000
PVR Restructure	G	195	195	0
Reduction in Staffing costs	G	50	50	0
Legal Services	B	46	46	0
Supplies & Services	B	89	89	0
Voluntary Sector Grant reduction	B	100	210	110
Communications	B	25	25	0
Emergency Management	B	16	16	0
Income	R	30	0	-30
Total Chief Executive's Office Savings		551	631	80



Chief Executive's Office Staffing – FTE 2012/13

	FTE	MTFP (Start of Year)	MTFP (End of Year)	Actual (Dec 12)
Strategic Leadership		2	2	2
Communications		21	22	24
Democratic Services		40	41	41
Legal Services		62	66	63
Emergency Planning		10	9	11
Corporate Policy, Performance and Audit		*39	38	37
Total Chief Executive's Office		174	178	178

* Published MTFP figure included incorrect figure for Policy, Performance & Audit (39 fte funded not 29 as published).

Increase in posts funded from £185,000 transfer from Childrens Services to Legal Services (approved for three years from 12/13). Actual FTE increase due to maternity cover, apprenticeships, temporary posts funded from 11/12 carry forwards and Legal posts funded from Childrens Services budget transfer.

Capital

The Superfast broadband contract was awarded to BT in September and State aid approval has been given. Surrey is currently finalising contract conditions with BT and is expecting an effective start date shortly. BDUK are providing an additional £1.3m of funding on top of Surrey's budget of £20m. Detailed planning currently underway will inform the expected profile of expenditure which will be updated as soon as possible.

Chief Executive's Office
As at 31st December 2012
Capital Summary Position

	Year to Date			Full Year			Committed on SAP £000s	Total Committed £000s	Scheme Life		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s			Budget £000s	Forecast £000s	Variance £000s
Community Buildings Grant Scheme	115	173	58	173	173	0	0	0	773	773	0
Economic Development (incl. Superfast Broadband)	6,667	0	-6,667	10,000	2,000	-8,000	0	0	20,000	20,000	0
Total Chief Executive's Office	6,782	173	-6,609	10,173	2,173	-8,000	0	0	20,773	20,773	0

Central Income and Expenditure

As at end December 2012

	Year to Date Budget	Year to Date Actual	Year to Date Variance	Full Year Budget	Remaining Forecast Spend	Outturn Forecast	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Protected salaries and relocation costs	715	374	-341	953	579	953	0
Pension back funding	6,455	6,462	7	8,606	2,154	8,616	10
Redundancy & Compensation	2,494	3,004	510	4,781	1,777	4,781	0
Risk contingencies	0	0	0	9,000	9,000	9,000	0
Land drainage precept	730	712	-18	973	237	949	-24
Contribution to/from(-) reserves	11,770	11,770	0	11,770	0	11,770	0
Interest payable	7,404	6,962	-442	13,253	6,128	13,090	-163
New Homes Bonus Investment	0	0	0	1,485	1,485	1,485	0
Minimum Revenue Provision for loans	22,629	21,429	-1,200	22,629	0	21,429	-1,200
Interest receivable	-948	-1,272	-324	-992	-282	-1,554	-562
Contributions to capital		0	0	2,480	2,480	2,480	0
Other		-202	-202	-10	43	-159	-149
Net Expenditure	51,249	49,239	-2,010	74,928	23,601	72,840	-2,088

	Year to Date Budget	Year to Date Actual	Year to Date Variance	Full Year Budget	Remaining Forecast Spend	Outturn Forecast	Full Year Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income	-948	-1,272	-324	-992	-282	-1,554	-562
<u>Expenditure:</u>							
Staffing	715	374	-341	953	579	953	0
Non Staffing	51,482	50,137	-1,345	74,967	23,304	73,441	-1,526
Total Expenditure	52,197	50,511	-1,686	75,920	23,883	74,394	-1,526
Net Expenditure	51,249	49,239	-2,010	74,928	23,601	72,840	-2,088

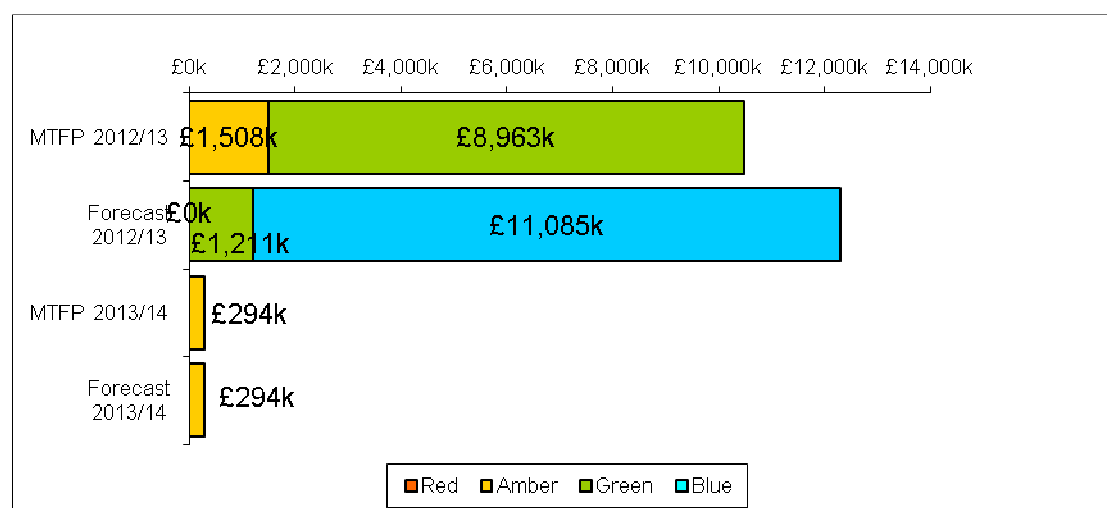
The full year forecast for the Central Income and Expenditure budget is an underspend of -£1.9m. The most significant reason is a lower than estimated provision of the repayment of debt (-£1.2m). This is because the 2011/12 capital programme underspent resulting in less capital expenditure being funded from borrowing than anticipated.

The budget for interest on short term investments is based on assumptions around available cash balances and interest rates. Although interest rates have not risen, cash balances are higher than forecast and it is expected that the council will receive interest income of £0.6m in excess of the budget. In addition, a provision is made in the budget for interest to be paid to schools on their balances. With continuing low interest rates this is unlikely to occur leading to an underspending of -£0.2m.

Expenditure on Redundancy and Compensation is currently in line with the budget, and there have been 111 new cases approved this year against 138 assumed in the budget – and increase of 7 from November. Expenditure on this budget going forward depends on the decisions and outcomes of service re-structures and also the possibility of some people being re-deployed.

Therefore the number of cases may increase in future months so this budget will continue to be closely monitored..

Reductions / Efficiency Savings		MTFP Forecast Variance		
		2012/13 £'000	2012/13 £'000	2012/13 £'000
Removal of Invest to Save Budget	B	8,963	8,963	0
Reduced inflation on precept and pension Backfunding	B	438	438	0
PVR Savings on capital costs	B	278	278	0
Reduced interest due to lower borrowing	G	241	241	0
Reduced MRP	B	206	1,406	1,200
Additional interest on investments	G	345	970	625
Total		10,471	12,296	1,825



The Central Income and Expenditure budget is on track to exceed the savings targets in the Medium Term Financial Plan. Of the total target of £10.5m, £11.1m of the savings have already been achieved. -£1.2m of this is due to the Minimum Revenue Provision being lower than forecast.

The 2011/12 base budget for the Invest to Save budget of £8.9m was removed from the 2012/13 budget, and the budget reductions for both pensions backfunding and reduced interest payments due to the Financial Management PVR have been achieved.

Due to higher cash balances than in previous years, the council is expected to exceed the increased target for interest on short term investments.

The savings on interest payable is still an amber risk. Although no borrowing is expected this year, it is dependent on capital expenditure.

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