Budget Monitoring – January 2013

Summary - Revenue

The Council set its budget for the next financial year on 12 February 2013 and in doing so demonstrated the multi year approach to financial management and control that it has adopted. The council recognises that some projects and schemes do not complete by the end of year deadline, and will straddle two financial years. This is highlighted by service requests to use current year budget to support continuing schemes in the next financial year totalling £5.5m. As a part of the 2013/14 budget, £11m from the current year's budget was included to support service expenditure through the use of the Budget Equalisation Reserve. In addition, and as a result of the unused contingency for the Olympics, £1m will be used as a response to the winter damage to roads. If these transfers to the Budget Equalisation Reserve are approved, then the council's services would face a small overspend, which would be offset by forecast savings on capital financing and other central costs.

The council set its self a target of making £71m in efficiencies and reductions for this year. To date £52.5m has been achieved with a further £13.2m expected to be achieved in the remaining two months of the year.

Summary - Capital

The council's capital budget aims to support, maintain and improve service delivery and also to provide a stimulus to economic activity in the county of Surrey. For the ten months to the end of January 2013, the council had spent and committed £140m of capital expenditure and forecasts a further £10m by the financial year end. This includes the council's investment in the Woking town centre by the year end and the council is looking to bring forward other projects that will provide a presence in other town centres from which services can be provided. These form a part of the strategy for stimulating economic activity across the county and have been delivered with fewer resources than in previous years.

Recommendations:

That Cabinet:

1. notes the projected revenue budget underspend; (Annex 1 – Section A) and the capital programme direction; (Section B)
2. confirms that government grant changes are reflected in directorate budgets; (Section C)

Revenue Budget - Month End Financial Position – January 2013

1. Table A1 shows the current full year funding and net expenditure budgets for council services, and schools, along with the forecast outturn.

Table A1 – Updated income and expenditure budget and year-end forecast

	Year to Date Budget	Year to Date Actual	Full Year Budget	Remaining Forecast Income and Spend	Outturn Forecast	Forecast Variance
	£m	£m	£m	£m	£m	£m
Funding:						
Council Tax (ten instalments)	-464	-406	-580	-174.0	-580	0
Government Grants (incl Formula Grant)	-774	-696.5	-928.8	-232.3	-928.8	0
Total Income	-1,238.00	-1,102.50	-1,508.80	-406.3	-1,508.80	0
Net Revenue Expenditure:						
Service Income	-112.2	-112.2	-133.3	-28.2	-140.4	-7.1
Service staffing costs	254.8	246.4	306	51.4	297.8	-8.2
Service non-staffing costs	686	677.2	841.2	177.0	854.2	13.0
Schools - net expenditure	522.4	429.7	522.4	92.7	522.4	0.0
Total Net Revenue Expenditure	1,351.0	1,241.1	1,536.3	292.9	1,534.0	-2.3
Increase(-)/ decrease in reserves & balances	**113.0**	**138.6**	**27.5**	**-113.4**	**25.2**	**-2.3**

2. The updated revenue budget for the 2012/13 financial year is £1,536.3 million. Annex 1 Section C provides more details on this along with changes to government grants and inter-directorate virements.
3. Table A2 shows the updated net revenue budget for each directorate and also schools.
4. The Council set aside a risk contingency of £9.0m and this will be earmarked to offset additional pressures. It is now very unlikely that this will be used and following the Council's budget recommendation to support the 2013/14 budget with earmarked reserves, this will be transferred to the Budget Equalisation Reserve. There are £6.5m worth of projects and schemes that will not be complete by the end of the financial year and, if approved, would also transfer to the budget equalisation reserve, which will fund these schemes and projects to completion.
5. In addition to the above earmarked pressures, Environment & Infrastructure is predicting an overspend (+£0.8m). Offsetting this overspend are Children, Schools and Families (-£3.8m), Customers & Communities (-£2.1m), Change & Efficiency (-£3.9m) and Central Income & Expenditure (-£3.6m). This leads to a -£2.3m underspend.

Table A2 – Directorate net revenue budgets, expenditure and forecasts

	Year to Date Budget	Year to Date Actual	Full Year Budget	Remaining Forecast Spend	Outturn Forecast	Forecast Variance
	£m	£m	£m	£m	£m	£m
Adult Social Care	280.9	283.6	337.2	55.5	339.1	1.9
Children, Schools & Families	244.7	236.1	295.5	55.6	291.7	-3.8
Schools	522.2	429.6	522.4	92.8	522.4	0
Customers & Communities	61.6	59.7	74.4	12.6	72.3	-2.1
Environment & Infrastructure	104.6	103.3	130	27.5	130.8	0.8
Change & Efficiency	72.6	67.2	87.8	16.7	83.9	-3.9
Chief Executive's Office	11.6	11.4	14	2.5	13.9	-0.1
Budget Equalisation Reserve	0	0	9.0	17.5	17.5	8.5
Net Service Expenditure	**1,298.2**	**1,190.9**	**1,470.3**	**280.7**	**1,471.6**	**1.3**
Central Income & Expenditure	52.8	50.2	66.0	12.2	62.4	-3.6
Net Revenue Expenditure	**1,351.0**	**1,241.1**	**1,536.3**	**292.9**	**1,534.0**	**-2.3**

Adults Social Care: (Current Forecast: is an overspend of +£1.9m or +0.6%, a decrease in overspend of -£2.4m from the previous month)

6. The directorate is predicting to be overspent by +£1.9m at year end, a decrease in overspend of -£2.4m from the November position. The key change from the December position has been the receipt of £2.2m of Department of Health funding allocated to the County Council via the PCT for winter pressures.

7. The ASC budget continues to face considerable pressures, leading to the forecast that an overspend of £1.9m is likely at year end. The main reasons for this follow:
   - all of the £3.8m underspend carried forward from 2011/12 has now been used to fund new pressures,
   - there are growing demand pressures within the main client groups, including transition from children's services, a trend which has increased since November but has been offset by increased income and,
   - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings.

8. The Whole Systems funding programme is in the second of its four years, with £10.2m allocation received in 2012/13. Joint plans have been agreed with NHS Surrey to spend this money on new projects which should help in the longer term to reduce pressures on care and health budgets through preventative mechanisms such as telecare and telehealth. The funding is being retained on the balance sheet and drawn down to match expenditure as it is incurred. Due to growing demand pressures it is proposed that £0.8m of Whole Systems funds will be drawn down as a contribution to help offset these pressures. This represents a reallocation of funding previously set aside for internal ASC projects and as such would not directly affect plans agreed with health and other partners.
9. In addition to the Whole Systems funding, £2.4m of Department of Health (DoH) funding allocated to the County Council via the PCT was received late in 2011/12 and so remained unspent at year-end. Given the reduction in this year's forecast of achievable savings, £2m of this funding is drawn down as a contribution towards ASC's wider budget pressures. Every effort will be made to maximise savings in the remainder of the year, which may reduce the amount of Department of Health funding needed for this purpose.
10. The policy line summary shown above for Adult Social Care does not include a £1m contribution from the corporate centre to fund additional temporary staff to support more rapid progress with personalisation, which is to be matched by a £1m contribution from ASC. The recruitment of these staff is now due to take place next year, so hence the £1m corporate contribution has been included in the 2013/14 budget as part of the forward budget setting process.
11. This position does include the £1m corporate contribution towards partnership working with the districts and borough councils, which is matched by £1m from ASC. It is expected that this £2m will be spent in year, but in view of the separate identification of the sum by the leader for this partnership purpose, any balance will be retained on the balance sheet if not fully spent in 2012-13 for draw down in 2013-14.

Summary of Management Actions included in the January projections

Forecast Efficiency Savings in the remainder of 2012/13:

- £(1.0) m - Maximising Income through partnership arrangements. Continuing Health Care (CHC) savings of £ (1.2) m have been validated as at the end of January 2013. Based on 2011/12 performance and the backlog of cases still awaiting assessment additional savings are expected, but full year savings have been reduced to £3m because of risks brought about by changes in health economy and growing numbers of individuals losing CHC with associated backdated payments to health that reduce the net CHC savings the department secures.
- £2.4m – Additional DoH winter pressure funding for 2012-13 is being drawn down as a contribution towards ASC's wider budget pressures.
- £ (0.03) m - S256 Attrition - £ (2.2) m of savings were achieved in full as at the end of January 2013. A further £ (0.03) m of savings are projected for the remainder of the financial year.
- £(0.1)m - Consistent application of the Resource Allocation System (RAS) - it is anticipated that a proportion of service users currently receiving a direct payment, will be identified as needing lower cost packages which will lead to reclaims of surplus balances. £2.3m of reclaims had been achieved by the end of January 2012.
- £(2.0)m - As a result of the reduction in this year's forecast savings it is now proposed that £2m of Additional Department of Health funding is drawn down as a contribution towards ASC's wider budget pressures.
- £(0.6)m - An adjustment has been applied to Older People Home Care projections to account to breaks in service and ceases not yet actioned in the Adults Information System (AIS). This is in line with prior years' trends.
- £(0.8)m - £0.8m of Whole Systems funding previously set aside for internal ASC projects is now planned to be drawn down as a contribution to the wider ASC budget pressures.

Older People: £4.8m overspend, an increase of +£0.4m from December

The key variances within Older People services are:

- £4.0m - Overspend on Nursing and Residential placements mainly due to demand pressures that it has not been possible to absorb within the budget and underachievement against preventative, CHC and RAS savings against these policy lines.
- £0.8m - Spot Home Based Care pressures primarily due to MTFP efficiencies in relation to preventative savings not expected to be fully achieved within the current financial year.
- £1.3m - Overspend in relation to Other Community Services, including respite, day care and transport due to strategic shift as part of the personalisation agenda.
- £0.7m - Overspend within In-House residential homes including Day Care, due to MTFP efficiencies ascribed to this budget area being achieved within other areas in Service Delivery.
- £(1.4)m - Underspend within the Reablement service due to a high level of vacancies and delays in the appointment process.

- £(0.6)m - Underspend on Direct Payments primarily due to a reduction in the actual start position and an overachievement against the demography and inflation efficiencies.

£(0.7)m of management actions are included in the January monitoring position for Older People.

The main changes from last month are:

- £0.5m - Increase across Older People spot care packages mainly in Nursing due to a net increase of 8 placements, price pressures due to 24% of placements being above the fee guidance and 2011-12 accrual pressures.
- £0.2m - Reduction in Management Actions
- -£0.4m – Reduction in HBC profections due to a higher level of ceased packages (198) in January compared to the new packages.
- -£0.1m Reduction in reablement costs due to continues recruitment delays.
- £0.2m Inrease in in-house Residential Homes and Day Care Services.

<u>Physical Disabilities: £1.7m overspend, a decrease of £0.3m from December</u>

The key variances within Physical Disability services are:

- £1.5m - Overspend on Direct Payments due to the start position in spot care being higher than budgeted and a net increase of 121 direct payments services from April to December 2012/13.
- £0.6m - Overspend on Supported Living due to the start position in spot care being higher than budgeted, together with the under-achievement against preventative and strategic shift efficiencies.
- £0.3m - Overspend on Nursing spot care, mainly due a net increase of 9 spot nursing care packages so far this year plus some MTFP savings being achieved against other policy lines.
- £(0.4)m - Underspend on Residential care, primarily due to lower than anticipated volumes of physical and sensory difficulties (PSD) transition clients.
- £(0.4)m – Underspend on Community services due to a reduction in PSD commissioned services

£(0.05)m of management actions are included in the January monitoring position for PSD.

The main changes from last month were:

- £(0.1)m – Decrease in spot services primarily in Supported Living due to a net reduction of 7 services in January
- £(0.3)m – Decrease in Commissioning PSD contracts including HIV and Equipment Pool..
- £0.1m - Reduction in Management Action planned savings.

<u>Learning Disabilities: £8.3m overspend, an increase of £0.2m from December</u>

The key variances within People with Learning Disabilities (PLD) services are:

- £2.7m - Overspend for PLD Transition clients due to growing demand pressures and increased volumes above those previously anticipated, forecast non-achievement of the £1m Optimisation of Transition Pathways efficiency and a number of high cost packages that the department has had to pick up this year.
- £2.5m - Overspend on Residential spot care mainly due to forecast under-achievement against strategic supplier review, preventative efficiencies, LD PVR and strategic shift efficiencies.
- £2.1m - Overspend on Supported Living spot care excluding S256 and Transition clients primarily because the start position was £1m higher than budgeted due to increased volumes in late 2011/12 (in line with the focus on community based provisions as part of personalisation), a net increase of 55 Supported Living services between April and January 2013 and under-achievement against preventative savings.
- £1.1m - Overspend on PLD clients, who transferred from the health sector under S256 of the National Health Act 2006, due to anticipated under-achievement against MTFP efficiencies.
- £0.3m - Overspend on Nursing spot care due to a net increase of 4 services since the start of the financial year.
- £(0.3)m - Underspend across other community services due to Direct Payments reclaims and reduction of other community service projections
- £(0.1)m - Underspend on In-house Supported Living, Day Services and Residential care.

£(0.05)m of management actions are included in the January monitoring position for PLD.

The main changes from last month were:

- £0.5m - Reduction in Management Action planned savings, mainly relating to the reduction in forecast LD PVR savings this year.
- £(0.5)m - Decrease in Residential spot care due to a net reduction of 3 placements in January.
- £0.2m – Increase in external Day Care due to an increase in one to one recharges offset against decreases within in-house services together with additional volumes.
- £(0.2m) – Reduction in Direct Payment projections due to a net reduction of 3 services in January and increased DIRECT PAYMENTS reclaims.
- £0.1m – Increase in Nursing spot placement costs relating to a new placement in January.
- £0.1m - Increase in in-house services including Kingston & Wimbledon YMCA establishments.

Mental Health: £(0.2)m underspend, no significant change in projection from December

The £0.2m underspend on Mental Health is due to an underspend on Substance Misuse within Residential Care offset by an overspend within Supported Living/Home Based care services

No significant change from the December report.

Other expenditure: £(5.8)m underspend, an increased underspend of £(0.6)m from December

The key reasons for the underspend on Other Expenditure are:

- £(3.0)m - Underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment.
- £(2.1)m - Funds brought forward from 2011/12 being used to offset pressures within the main client group budgets.
- £(0.7)m - Underspend on Supporting People – this is due to achievement of the Supporting People efficiency throught the renegotiation of contracts in respect of volume and unit costs ahead of the 4 year plan.

No management actions are included in the January monitoring position for Other Expenditure.

The main changes from last month were:

- £(0.4)m - Increased underspend on core establishment budgets due to further recruitment delays and a senior management decision to not commence any new recruitment until the start of the next financial year.
- £(0.1)m - Increased underspend on funds carried forward from 2011/12 as a contribution to pressures within the main client groups.
- £(0.1)m - Reduction in the Supporting People spend due to the renegotiation of contracts.

<u>Income: £(7.0)m surplus, an increased surplus of £(2.1)m from December</u>

The key variances that make up the overall surplus forecast on income are:

- £(7.5)m - Surplus on Other Income due to £(5.7)m of draw downs of Additional Department of Health funding, Whole Systems and other historic balance sheet funding to help offset wider pressure, unbudgeted refunds for clients who are determined as CHC with a backdated effective date £(1.4)m ,unbudgeted income within Service Delivery of £(0.3)m and £(0.1)m additional Carers income.
- £(0.9)m - Potential surplus on Fees & Charges based on the year to date position. .
- £1.1m - Shortfall on Joint Funded care package income, mainly caused by a reduction in the number of joint funded clients due to ongoing reviews of historical joint funding arrangements which usually result in clients being determined as either 100% CHC or 100% social care.
- £0.3m - Shortfall on Section 256 fees & charges and Section 256 Mental Health income caused by reductions in S256 user numbers and offset by reductions in expenditure as a result.

£(6.0)m of management actions are included in the December monitoring position for Income.

The key changes from last month were:

- £(1.7)m - Increase in Other Income due to the inclusion of £(2.2m) DoH winter pressure funding for 2012-13 offset by £0.5m changes in CHC management actions.
- £(0.4)m - Increase in Fees & Charges due to an increase in the Management Action to reflect a potential overachievement of fees and charges across this financial year based on current billed income.

Children, Schools & Families: (Current Forecast: Underspent by -£3.8m or -1.2%, -£0.3m increase in underspend since December).

12. The projected year end revenue position for Children Schools and Families is for an underspend of -£3.8m. This represents an increase in underspend of £0.3m. The main reason for this is recognising that the remaining resources held by the strategic director for change and other initiatives is unlikely to be spent in 2012/13, an improvement in the position for children's services, offset by a fall in commercial services anticipated income for the remainder of the financial year.
13. In addition Children Schools and Families projects a £2.0m underspend related to Dedicated Schools Grant funded services which is determined by the Schools Forum.
14. The total Children, Schools and Families request for carry forward is £2.5m. The carry forward from 2011/12 into 2012/13 was intended to cover two years worth of work designed to deliver the required medium term financial plan savings of £40m as well as developing some key initiatives, all designed to improve outcomes for vulnerable families. There are several projects which have started but will span two financial years - the second year of the CSF Public Value Change Program requires continued funding of £970,000; the implementation of the RIE around homelessness requires an investment of £150,000 which is aimed to reduce costly bed and breakfast spend through improved housing contracts with providers; the implementation of the national Troubled Families initiative across Surrey partners will span 2 or 3 years and requires the second year investment of £250,000; the implementation of the youth service skills centre contracts in the latter half of 2012/13 require the continuing investment of £150,000 to reduce NEETs; the recent inspection identified the need for improved partnership working and an investment of £100,000 is required. The continued cost of locum cover in Children's Services is an issue as the number of child protection cases continues to impact on frontline staff caseloads. The Council is looking into the options of supporting newly qualified social workers so they develop their experience and are then appointable to vacancies. This may require investment of up to £900,000 over a two year period.

<u>Children's Services</u>

15. The projected overspend has reduced slightly since last month by £0.1m to £2.5m, of which £0.4m relates to DSG funded activities. As previously reported the main reason for the overspend is an increase in the number of children receiving services despite the service largely meeting its efficiency targets. The main variations giving rise to the overspend and changes from last month are:

- <u>Looked After Children and Children in Need, both staffing and care costs</u> - these budgets remain under pressure due to the impact of increased referral rates (+£0.8m) and the need to cover statutory work with agency staff in vacant positions (+£0.7m). There has been a small decrease in the anticipated overspend of £0.1m as both care and team commitments have been reviewed across the board prior to year end.
- <u>Agency Placements</u> - the projected overspend remains at £2.1m for both children with disabilities and care. This reflects the increasing number of placements being made throughout the year. Management action to avoid high cost placements continues.
- <u>Fostering and Adoption Allowances</u> – There is no change to the projection this month. The overall pressure on this budget (+£0.6m) reflects a rising number of allowances and Special Guardianship orders.

- Leaving Care and Asylum Seekers – the overspend on these services has increased slightly this month and now stands at +£0.5m resulting from a steady increase in the numbers requiring a service.
- Safeguarding Services – the overspend had reduced following Cabinet Member approval of a virement from centrally held budgets to relieve the pressure on the service.

16. Overall service pressures are being offset by underspent staffing budgets across the service (-£0.9m) and by the holding of unallocated resourced within central budgets (-£0.7m). Also within Children with Disabilities (CwD) specialist care services underspends are anticipated on contracts and services linked to the "Aiming High" Programme (-£0.4m).

Schools & Learning

17. The anticipated underspend for schools and learning has reduced this month by £1m to -£3.5m on county funded services, although £0.5m of this reduction relates to the treatment of income from schools in relation to the delayed broadband project as income in advance. There is a further underspend of -£2.4m relating to DSG funded areas as last month. A further -£0.5m underspend relates to broadband provision in schools and is funded by them from delegated budgets. The project is delayed and the budget will underspend although it and the matching schools funding will be carried forward.
18. The main reason for the decreased underspend is a reduction in the anticipated underspend by commercial services (£0.6m) as activity and income has reduced below that anticipated in December. Also additional commitments have been identified in relation to school improvement (0.3m).
19. A further underspend has been identified in relation to early years of -£0.1m mainly in relation to DSG funded activity in Children's Centres bringing the overall projected position for the service to -£4.1m. The other main reasons for the Early Years underspend relate to: three and four year old (DSG) provision (-£1.7m), provision for two year olds (-£0.85m, building a world class workforce bursaries underutilised (-£0.3m), application of grant from previous years (-£0.2m), children's centres (-£0.6m) and staffing vacancies (-£0.4m).
20. The transport budgets are now expected to overspend by £0.2m compared to a breakeven position last month. This overspend is mainly related to SEN transport where the number of routes has increased.
21. The anticipated underspend on ISPB allocations remains at £0.4m. The overspend on agency placements however has increased by £0.2m to £0.7m.
22. In addition to the above there are staffing underspends across the directorate of- £1.8m largely arising from the implementation of the service restructure and decisions to hold vacant posts pending clarifications of future funding arrangements and delegation.

Services for Young People

23. Services for Young People are projecting a small underspend of -£0.1m.

Strategic and Central Resources

24. The main budget item under the Strategic Director's control is the residual balance of the carried forward underspend from 2011/12 not yet allocated. The total carry forward was £7.4m of which £3.6m was transferred to the Child Protection Reserve, £1m for ongoing funding of the CSF Change Programme and £0.4m for schools' broadband. A budget of

£1.9m remains to be allocated at the end of January 2013 and is unlikely to be spent in 2012/13.

Customer & Communities (Current Forecast: -£2.1m underspend or -2.9%, an increase in underspend of £0.2m from last month)

25. The directorate is currently projecting an underspend of -£2.1m against a budget of £74.4m. This is predominantly due to confirmation that there are no commitments against the Olympics contingency (£1.0m), underspends in member allocations (£0.5m) and community improvement fund (£0.1m) where payments are unable to be made this financial year (£0.5m), increased income in Registration (£0.3m) and miscellaneous savings across the remaining services.
26. There is a projected underspend of £1.3m in Directorate Support. This is mainly due to there being no call against the Olympic contingency (£1.0m). In addition there are net underspends within the team on staffing, (£0.2m), projects (£0.1m), and Olympic cycle races (£34,000) against the £2m cap.
27. Community partnership and safety are projecting an underspend of £0.7m. This is due to an expected underspend on member allocations (£0.5m) and Community Improvement fund arising from anticipated delays in receiving signed funding agreements preventing payments being made before 31 March. The service will have a firmer position on the likely committed underspend by the end of February and will request that this be carried forward to allow these to be honoured early in 2013/14.
28. The directorate budget excludes offsetting government grant funding of £11.8m which is accounted for centrally. Variations in grant funded expenditure are therefore reflected within the directorate report, offset by equivalent variations in the centrally held budget. Periodic budget virements are processed to reflect these changes. During the last month there was an increase of £0.2m in relation to fire and Olympic look and feel.

Environment & Infrastructure (Current forecast: +£0.8m overspend, an decrease in overspend of £0.4 from last month)

29. The directorate is forecasting a +£0.8m overspend: Highways are predicting a +£0.5m overspend, Economy, Planning and Transport are predicting a +£0.2m overspend, and Environment are predicting a £0.2m overspend. Offsetting these overspends is a -£0.1m underspend in other Directorate costs.
30. Highways capital recharges + £0.5m (overspend): There is likely to be a shortfall in the recharge of staff costs to capital schemes, as a result of the phasing of applicable activities (e.g. for design and preparation works).
31. Staffing - £1.2m (underspend): Following a review an underspend of £1.2m is now expected, primarily in Highways. Recruitment has taken place throughout the year, and in some cases additional temporary staff have been employed to deliver projects across the Directorate.
32. Local bus services & concessionary fares + £0.5m (overspend): Local bus services are expected to overspend by +£0.3m, primarily due to the need to replace services previously operated by Countryliner. The Concessionary Fares scheme for reimbursement of travel costs for elderly and disabled passengers is currently expected to overspend by +£0.2m.
33. Highways maintenance +£0.8m (overspend): An overspend is expected primarily due to additional emergency road maintenance and illuminated street furniture.

34. New Homes Bonus - -£0.5m underspend. The New Homes Bonus grant has been transferred to E & I during the year for a number of projects. Currently an underspend of £0.5m is expected primarily associated with Olympic legacy and development of major transport schemes.
35. Local Sustainable Transport Fund grant – the Department of Transport agrees to reprofile LSTF grant, carrying forward £0.6m into 2013/14. Revenue budgets have been adjusted accordingly.
36. Carry forwards totalling £1.6m will be requested to allow completion of New Homes Bonus projects (£0.45m) and road safety schemes (£0.2m). In addition, and following the success of the Olympics in the county, the £1m unused contingency will be used as a response to winter damage.
37. Other variations – other variations, including overspends on waste management (£0.3m) and streetworks income (£0.2m) combine to a net overspend of £0.6m.
38. **Change & Efficiency (Current forecast: -£3.9m underspend or -4.4%, an increase in underspend of £1.4m from the previous month)**
39. Overall, the Change and Efficiency revenue budget is projected to underspend by -£3.9m for the year consisting of underspends in Property (-£3.5m), Human Resources (-£0.5m), Finance (-£0.5m), other minor variations (-£0.3m), offsetting an overspend in IMT of £1.7m
40. 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.
41. Significant savings of £1.2m 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.
42. 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.
43. 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.

44. A comprehensive review of the planned maintenance budget has been completed and confirms a projected underspend of £1.0m, as a result of the new contracts implemented this 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. Income from rents is expected to be below budget as a result of Countryliner going into administration (+£0.1m), incorrect budget assumptions in respect of rents Mayford Business Centre and Gypsy sites (+£0.2m), lower occupancy at Business Centres (£0.1m) and less income from smallholdings due to the sale of houses (£0.1m).

45. An underspend of £0.6m is expected within Human Resources and Finance on staffing costs as a result of the prudent holding of vacancies prior to restructure implementation in order to reduce redundancy costs. In both cases, recruitment to posts is 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.

46. There will be a saving of £0.2m in the Finance budget as a result of external audit fees being reduced. The move from the Audit Commission to Grant Thornton is expected to deliver a saving of 40%.

47. 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.

48. All of the above savings help to offset an overspend in IMT totalling £1.7m. In particular there is an increased spend in IMT of £0.3m for dual running costs in the final quarter to ensure the new Unicorn contract with BT can go live on 1 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.

Chief Executive's Office (Current Forecast: £0.1m underspend or 0.4%, an increase in underspend of £0.2m from last month).)

49. The overall projection for the directorate is a small underspend of £0.1m against a total revenue budget of £14.0m. The directorate is managing a large pressure within Legal (£0.4m) through the careful management of staff vacancies and early achievement of efficiencies within Policy and Performance.

50. Legal and Democratic Services are forecasting an overspend of £0.4m due to the expected continuation of high levels of complex Child Protection cases in 2012/13, despite additional funding of £185,000 being added from Children's, Schools and Families' carry forward to provide additional staffing. Management action is being taken to minimise the impact. Underspends in other departments, in particular within Policy, Performance & Audit (£0.2m) due to current staff vacancies offset this pressure to result in the net predicted budget position.

Central Income & Expenditure (Current Forecast: -£3.5m underspend or -4.6%, an increase in underspend of £1.5m from last month)

51. The full year forecast for the Central Income and Expenditure budget is for an underspending of -£3.5m. This is an increase of £1.5m from last month. This increase is in relation to the New Homes Bonus grant, which will not all be used in the current year and will be proposed to be carried forward to fund the economic development schemes planned for 2013/14. The projected costs in relation for protected salaries and redundancies have also been updated.

52. The Central Income and Expenditure budget included £2m in relation to the New Homes Bonus funding, of which £0.5m was transferred to Economic Development earlier in the year for committed schemes. The remaining £1.5m is now unlikely to be required this financial year. This underspend will be requested as a carry-forward, as schemes have been identified to be funded from this during 2013/14.

53. A lower Minimum Revenue Provision (MRP) charge than estimated has been incurred (£1.2m)., This is due to underspends in the 11/12 capital programme resulting in less capital expenditure being funded from borrowing than anticipated.

54. 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 -£0.2

55. Expenditure on Redundancy and Compensation is currently expected to overspend by £500k, based on cases approved to date this year. There have been 118 new cases approved this year against 138 assumed in the budget - an increase of 7 from December. Expenditure on this budget going forward depends on the decisions and outcomes of service re-structures and also the possibility of some people being re-deployed. Therefore the number of cases may increase in future months so this budget will continue to be closely monitored

Staffing Costs

56. The Council's total full year budget for staffing is £306.0m. Expenditure to the end of January 2013 is £246.64m.

57. The Council employs three categories of paid staff.

    - Contracted staff are employed on a permanent or fixed term basis and are paid through the Council's payroll. These staff are contracted to work full time, or part time.
    - Bank staff are contracted to the Council and paid through the payroll but have no guaranteed hours.
    - Agency staff are employed through an agency with which the Council has a contract.

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

59. A sensible degree of flexibility in the staffing budget is good, as is some staff turnover, which allows new ideas and thinking into the workforce from other organisations. The Council aims to incur between 88% and 95% of its staffing costs from contracted staff, depending on the

particular Directorate service needs. The current level of 92% has been stable for most of the current year.

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

Table A2 – Staffing costs to end of January 2013.

	Budget £m	Actual £m	%	Variance £m
Contracted		226.1	92%	
Agency		12.0	5%	
Bank		8.5	3%	
Total Staffing Cost	254.8	246.6		-8.2

61. The favourable current variance of £8.2m is due to a combination of vacancies in the process of being filled, vacancies being held unfilled prior to restructures and a more economical mix of staffing grades being employed than budgeted.

62. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A3 shows that there are 7,408 contracted FTEs in post at the end of January.

Table A3: Full Time Equivalent by directorate

Directorate	**Jan FTE**	**Dec FTE**
Adult Social Care	1,901	1,887
Children Schools & Families	2,569	2,533
Customer and Communities	1,469	1,464
Environment & Infrastructure	507	502
Change & Efficiency	785	772
Chief Executive Office	177	176
Total	**7,408**	**7,334**

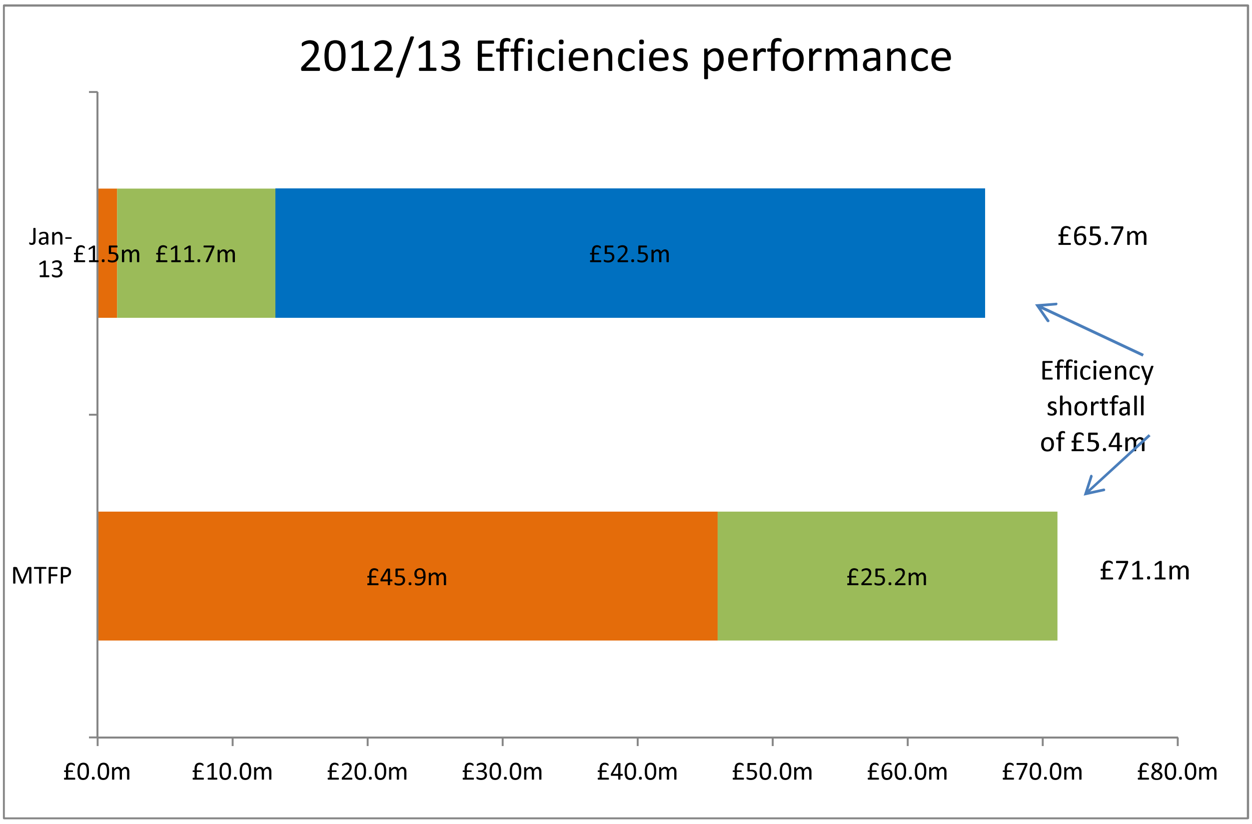
63. There are 118 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A4- full time equivalents in post and vacancies

	Dec FTE	**Jan FTE**
Budget	7,700	7,700
Occupied contracted FTE	7,334	7,408
“Live” vacancies (ie: actively recruiting)	127	118
Vacancies not occupied by contracted FTEs	239	174

Efficiencies

64. For the current year the Council has a savings target of £71.1m, which was set out in the MTFP. The current forecast is for £65.7m of these to be achieved.



65. Although there is a shortfall in achieving the efficiencies in the Medium Term Financial Plan, Strategic Directors are looking to deliver all of their £1.5m amber savings to add to the £11.7m green savings and £52.5m already delivered. The MTFP 2012-17 savings are long term savings but directorates are supporting long term saving shortfalls with one-off savings or expenditure under spends.

Adult Social Care

66. A comprehensive review of savings plans conducted in September led to the removal of some high risk savings from the previous month's projections and their replacement largely with temporary one-off measures (£8.4m) which will help to contain this year's overspend, but will leave a sustainable challenge in the following years. The need to replace these one-off measures is being highlighted as part of the forward budget setting process. The Directorate is progressing well in achieving the forecast savings.

Children Schools & Families

67. A number of challenging savings targets in 2012/13 are no longer achievable for a variety of reasons: savings through restructuring of Schools & Learning of £0.5m due to the need to create a structure to meet increasing demand from demographic growth; the £0.8m saving by outsourcing some preventative services is delayed; savings by managing transport contracts of £0.4m. Schools and Learning had set aside a contingency of £2.0m in order to meet any demographic growth pressures in year, £1.5m of which is effectively being used to meet these costs of managing demand. A virement has now been approved and actioned to realign budgets to reflect anticipated activity and costs.

Environment & Infrastructure

68. A comprehensive review of performance against efficiency targets is under way. At this stage a number of shortfalls are expected, primarily in respect of contract cost savings, recharge of staff costs to the Local Sustainable Transport Fund grant, and the cost of concessionary fares where increased patronage has impacted on costs. In future years, planned savings from parking income are not now expected to be made.

Central Income & Expenditure

69. The budget included a savings target of £0.2m on the Minimum Revenue Provision for the current year. However, following the final audit of the 2011/12 accounts, capital expenditure and borrowing was lower than forecast and this has led to an ongoing saving of £1.2m more than anticipated. The budget also included an increase in income from short term investments of £0.3m. Due to higher cash balances, the council has earned an additional £0.6m in addition to the target budget.

Capital Budget - Month End Financial Position – January 2013

70. In agreeing significant capital investment as part of the MTFP for 2012-17 in February 2012, the Council demonstrated its firm long term commitment to stimulating economic recovery in Surrey. The increase in investment and capital expenditure during this year has stimulated economic activity in the county and been delivered with fewer resources than in previous years. The total capital programme is £685m over the 5 year MTFP (2012/17) period, with £148.9m planned in 2012/13. This is an increase of £1.0m on the budget reported in December, which is mostly due to third party contribution to schools.

71. The current forecast is for the in-year budget to be fully spent and in addition will include economic development projects which are due to be financed in future years. An example of this is the Woking Bandstand Joint Venture investment

72. On a scheme by scheme basis the budgets include the funding brought forward for projects continuing from 2011/12. With all large capital programmes there will inevitably be some in-year variation through changes to the timing of some spend and through successful delivery of efficiencies. Due to these risks a corporate adjustment to the forecast of £9.5m was made earlier in the year.

Table B1- 2012/13 Capital budget

	Revised Full Year Budget £000s	YTD Actual £000s	Committed £000s	**Apr –Jan YTD & Committed £000s**	Feb - Mar Remaining Forecast £000s	**Full Year Forecast £000s**	**Full Year Variance £000s**
Adult Social Care	**1,687**	465	418	**883**	319	**1,202**	**-485**
Children, Schools & Families	**9,455**	10,227	172	**10,399**	1,889	**8,510**	**-945**
Schools Basic Need	**31,992**	26,017	2,549	**28,566**	1,418	**29,984**	**-2,008**
Customers & Communities	**5,402**	1,923	191	**2,114**	293	**2,407**	**-2,995**
Environment & Infrastructure	**49,980**	37,945	18,821	**56,766**	-8,080	**48,686**	**-1,294**
Change & Efficiency	**47,761**	27,818	13,090	**40,908**	17,102	**58,010**	**10,249**
Chief Executive's Office	**10,173**	173	0	**173**	150	**323**	**-9,850**
c.fwd adjustment	**-9,525**			**0**	0	**0**	**9,525**
Total	**146,925**	**104,568**	**35,241**	**139,809**	**9,313**	**149,122**	**2,197**

Children, Schools & Families

73. The forecast under spend of -£0.9m is principally caused by additional funding received for school funded capital projects.

School Basic Need

74. The Schools Basic Need programme is expected to be -£2.0m under budget; which is the net result of bringing schemes forward and of procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

Customer & Communities

75. The Fire & Rescue Service vehicle and equipment replacement scheme is currently underspent by £1.3m. There is a significant programme of purchases underway for the financial year. It is estimated that a further £124,000 will be committed and goods

received within this financial year. Additional commitments are planned but it is likely that all will be received by 31 March 2013 due to the lead time for procurement.

76. The Fire Service, Mobilising Control scheme is currently £1.6m underspent. This is a complex two year project and the service are working hard to ensure that they maximise the benefits from the resulting acquisitions. The budget will need to be reprofiled as expenditure will be incurred over the two year grant life.

Environment & Infrastructure

77. The Directorate is forecasting a £1.3m underspend:

- **Developer funded schemes - £1.0m (underspend).**This includes schemes funded from S106 developer contributions which form part of the Local Sustainable Transport Fund project. Following the re-profiling of grant agreed with the Department for Transport this will be spent in future years.
- **Highways maintenance +£0.7m (overspend).** Additional schemes have been carried out this year, and additional costs have been incurred disposing of tarmac.
- **Pay and display - £0.4m (underspend).** Fewer schemes are expected to be progressed this year. The programme is under review to determine whether this underspend is required in future years.
- **Other variations -£0.6m (underspend).** Smaller variations, including underspends on bridge strengthening and maintenance at closed landfill sites combine to this underspend.
- **Local Sustainable Transport Fund grant** – the DfT have agreed to reprofile LSTF grant, moving £1.7m into 2013/14. Capital budgets have been adjusted accordingly.

Change & Efficiency

78. Following the Cabinet's approving Phase One of the Woking Bandstand Project, the directorate's capital budget will be fully spent for this financial year. After completion of the due-diligence and establishment of the Joint Venture Company, it is expected that the first tranche of Phase 1 funding commitment will be paid in February. This Project forms a part of the council's strategy for encouraging economic growth and will be self financing in future years. The council is looking to bring forward other projects that will provide a presence in other town centres from which services can be provided. These also form a part of the strategy for economic growth across the county. If these projects complete before the 31 March 2013, then this will further increase capital expenditure, which is self-financing in future years.

79. 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. Also, the change in specification (to modular lights) requires permanent planning permission and so the work will not now start until the new financial year, creating an underspend for this year.

80. Non-schools projects will underspend by £5.0m. The overage payment of £2.1m in relation to the Waste site at Charlton Lane is now unlikely to proceed this financial year. Other variances are primarily as a result of planning issues particularly in relation to Gypsy sites and Cobham Library re-provision. The Fire Station reconfiguration project (of

which £0.5m was expected to be incurred this year) has been delayed on request by the Fire Service.

81. There is a projected overspend on IT projects (£0.9m) funded by the Equipment Renewal Reserve in the current year. This is due to the significantly increased number of laptops that were purchased as part of the desktop refresh in order to facilitate more mobile and remote working. Additional contributions to the reserve have been made this year from the revenue budget to cover the expenditure. The Adult Social Care Infrastructure Grant (-£0.6m) needs to be carried forward to fund systems improvements in the future.

82. 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. Options appraisal was completed which determined that the most cost effective methodology would be for the council to purchase equipment required rather than paying over the life of the contract. Savings of will be achieved in future years' revenue expenditure.

<u>Chief Executive Office</u>

83. The Chief Executive Office has responsibility for delivering the superfast broadband initiative. The Cabinet has committed to ensuring that access to superfast broadband is available to all business and residential premises in Surrey. In addition to this the Surrey Public Sector Network project will focus on broadband access for Public Sector and third sector bodies.

84. Cabinet approved the preferred bidder in July and the contract was awarded in September. State aid approval has now been received, enabling the contract to start. Detailed planning has commenced, but not completed, with the contractor clarifying the likely profile of expenditure from 2012 to 2014 Due to delays it is anticipated that only £150,000 will be spent in 2012/13 with a further £11m in 2013/14, and then the balance in 2014/15. It is anticipated that the costs of the JOC (approx. £0.6m for 2 years) will be funded from the £1.3m provided by Broadband Delivery UK (BDUK).

Government grants and budget revenue budget virements

Updated Budget

85. The Council's 2012/13 revenue expenditure budget was initially approved at £1,512.7 million. Subsequently the Cabinet approved the use of reserves built up in 2011/12 to augment this. This approval increased the budget to £1,527.3m. In addition to grant changes, DSG carry forwards, academy conversions and other minor movements in quarters 1-3, there was a school adjustment in December and other minor movements. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax	Formula Grant	Government Grants	Reserves	Total
	£m	£m	£m	£m	£m
Original MTFP	580.0	148.6	767.3	16.8	**1,512.7**
Previous changes					
Q1 changes			0.9	11.7	**12.6**
Q2 changes		1.0	16.6	-1.0	**16.6**
Q3 changes			-7.1		-7.1
Previous changes		**1.0**	**10.4**	**10.7**	**22.1**
January changes					
LSTF			1.5		1.5
School adjustments for January			0.1		**0.1**
Minor changes			-0.1		**-0.1**
January changes	0.0	**0.0**	**1.5**	0.0	**1.5**
Updated budget – Jan 2013	**580.0**	**149.6**	**779.2**	**27.5**	**1,536.3**

86. When the Council agreed the 2012-2017 MTFP in February 2012, government departments had not determined the final amount for a number of grants. Services therefore made an estimate of the likely level of grant. The general principle agreed by Cabinet was that any changes in the final amounts, whether higher or lower, would be represented in the service's expenditure budget.

87. Government grant changes in January totalled £326,629. This comprised:

- school adjustments totalling £133,560
- minor changes in Customer & Communities and Children, Schools and Families.

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

89. In controlling the budget during the year, budget managers are occasionally required to transfer, or vire, budgets from one area to another. In most cases these are administrative or technical in nature, or of a value that is approved by the Chief Finance Officer. Virements above £250,000 require the approval of the Cabinet Member. There were no virements above this amount in January. Table C2 below shows the updated

revenue budget that includes the changes in government grants and virements since the beginning of the year:

Table C2: 2012/13 updated revenue expenditure budget – January 2013

	Original MTFP Budget	2011/12 Carry Forwards	Government Grants	Virements	Full Year Updated Budget
	£m	£m	£m	£m	£m
Adult Social Care	331.5	3.8		1.9	337.2
Children, Schools and Families	289.3	2.6	3.7	-0.2	295.5
Schools	518.9		4.1	-0.6	522.4
Customers and Communities	70.6	1.8	1.1	1.0	74.4
Environment and Infrastructure	125.6	0.9	2.6	1.0	130.0
Change and Efficiency	84.7	2.3	0.1	0.7	87.8
Chief Executive's Office	13.6	0.1		0.3	14.0
Corporate Projects	1.5			-1.5	0.0
Risk Contingency/ Budget Equalisation Reserve	9.0	0.0	0.0	0.0	9.0
Service Revenue Expenditure	1,444.7	11.5	11.6	2.6	1,527.3
Central Income / Expd.	68.1	0.1	0.3	-2.6	66.0
Total Revenue Expenditure	**1,512.8**	**11.6**	**11.9**	**0.0**	**1,536.3**