Budget Monitoring – February 2013

Summary - Revenue

The council is forecasting a small underspending on its revenue budget of £3.5m, or 0.2% of its gross budget. This has been achieved whilst services are facing increasing demand for its services, particularly in social care and highways.

The Council takes a multiyear approach to financial management and 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 £6.5m. 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. 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. If the support for continuing projects is also transferred to the Budget Equalisation Reserve then the council's services would face a small net overspend of £0.3m, which would be offset by 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. By the end of February 2013, £55.4m has been achieved with a further £11.2m expected to be achieved the end 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. In the eleven months to the end of February 2013, the council had spent and committed £146m of capital expenditure and forecasts a further £12m 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)
3. approves the use of the unused contingency for the Olympic Games to be used to respond to the winter damage to roads.

Revenue Budget - Month End Financial Position – February 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 £m	Year to date actual £m	Full year budget £m	Remaining forecast income and spend £m	Outturn forecast £m	Forecast variance £m
Funding:						
Council Tax (ten instalments)	-522.0	-522.0	-580.0	-58.0	-580.0	0.0
Government grants (incl Formula grant)	-851.4	-754.6	-928.8	-174.2	-928.8	0.0
Total income	-1,373.4	-1,276.6	-1,508.8	-232.2	-1,508.8	0.0
Net revenue expenditure:						
Service income	-123.7	-125.9	-134.8	-14.0	-139.9	-5.1
Service staffing costs	280.7	271.6	306.2	24.2	295.8	-10.4
Service non-staffing costs	751.1	735.8	842.5	118.7	854.5	12.0
Schools - net expenditure	522.4	470.1	522.4	52.3	522.4	0.0
Total net revenue expenditure	1,430.5	1,351.6	1,536.3	181.2	1,532.8	-3.5
Increase(-)/ decrease in reserves & balances	**57.1**	**75.0**	**27.5**	**-51.0**	**24.0**	**-3.5**

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.

Table A2 – Directorate net revenue budgets, expenditure and forecasts

January Forecast Variance		Year to date budget	Year to date actual	Full year budget	Remaining forecast spend	Outturn forecast	Forecast variance
£m		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1.9	Adult Social Care	309.1	309.7	337.2	29.5	339.2	2.0
-3.8	Children, Schools & Families	270.0	256.0	295.5	34.8	290.8	-4.7
0.0	Schools	522.4	470.1	522.4	52.2	522.4	0.0
-2.1	Customers & Communities	67.5	65.8	74.4	6.4	72.2	-2.2
0.8	Environment & Infrastructure	114.7	112.6	129.9	17.6	130.2	0.3
-3.9	Change & Efficiency	80.3	73.9	88.0	9.7	83.6	-4.4
-0.1	Chief Executive's Office	12.8	12.5	14.0	1.3	13.8	-0.2
8.5	Budget equalisation reserve	0.0	0.0	9.0	18.5	18.5	9.5
1.3	**Net service expenditure**	**1,376.8**	**1,300.6**	**1,470.4**	**170.0**	**1,470.7**	**0.3**
-3.6	Central Income & Expenditure	53.7	51.0	65.9	11.2	62.1	-3.8
-2.3	**Net revenue expenditure**	**1,430.5**	**1,351.6**	**1,536.3**	**181.2**	**1,532.8**	**-3.5**

Adults Social Care: (Current Forecast: is an overspend of +£2.0m or +0.6%, a increase in overspend of -£0.1m from the previous month)

5. The February projected outturn for Adult Social Care is an overspend of £2.0m. This represents an increase of £0.1m from the January position.

6. The ASC budget continues to face considerable pressures, leading to the forecast that an overspend of £2.0m 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,
   - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings.

7. 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.

8. 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, £1.4m 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.
9. 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.
10. 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.

<u>Summary of Management Actions included in the February projections</u>

11. Forecast Efficiency Savings in the remainder of 2012/13:

- £(0.1) m - Maximising Income through partnership arrangements. Continuing Health Care (CHC) savings of £ (1.9) m have been validated as at the end of February 2013. A small amount of savings are expected to be made in the final month of the year, but full year savings are now only projected to be £2.0m because of risks brought about by changes in health economy and growing numbers of individuals losing CHC with associated backdated payments to health, from Surrey, that reduce the net CHC savings the department secures.
- £1.2m – Additional DoH winter pressure funding for 2012-13 is being drawn down to reduce the current projected overspend.
- £ (0.01) m - S256 Attrition - £ (2.2) m of savings were achieved in full as at the end of February 2013. A further £ (0.01) m of savings are projected for the remainder of the financial year.
- £(0.16)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. £2.5m of reclaims had been achieved by the end of February 2013.
- £(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.
- £(1.3)m - An adjustment has been applied to projections for Older People Home Care, PSD supported living and PLD call offs to account for 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 decrease of -£0.1m from January

12. The key variances within Older People services are:

- £4.2m - 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.
- £0.4m - 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.
- £1.5m - Overspend in relation to Other Community Services, including respite, day care and transport due to strategic shift as part of the personalisation agenda.
- £0.8m - 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.
- £(0.7)m - Underspend on Direct Payments primarily due to a reduction in the actual start position and an overachievement against the demography and inflation efficiencies.

13. £(0.9)m of management actions are included in the February monitoring position for Older People.

14. The main changes from last month are:

- £0.2m - Increase across Older People spot care packages mainly in Nursing due to increases to existing care package costs (£84k), the net impact of new and cease packages (£43k) in February due to 32% of new packages relating to previous months plus further write back of 2011-12 accruals (£52k).
- £-0.2m – Increase in Management Actions to account for over projections within AIS.
- -£0.2m – Reduction in HBC projections resulting from 53 backdated ceased packages (32% of all reported ceased in month) releasing more funds than the cost of new placements in month
- -£0.1m – Reduction in Direct Payment due to additional surplus reclaims in month.
- £0.1m Increase in other community care services.
- £0.2m Increase in in-house Residential Homes and Day Care Services.

Physical Disabilities: £1.5m overspend, a decrease of £0.2m from January

15. The key variances within Physical Disability services are:

- £1.4m - Overspend on Direct Payments due to the start position in spot care being higher than budgeted and a net increase of 119 direct payments services from April 2012 to February 2013.
- £0.4m - 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.
- £0.4m - Overspend on Nursing spot care, mainly due a net increase of 10 spot nursing care packages so far this year plus some MTFP savings being achieved against other policy lines.
- £(0.3)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

16. £(0.2)m of management actions are included in the February monitoring position for PSD.
17. The main changes from last month were:
    - £(0.1)m – Decrease in Direct Payment costs due to a net reduction of 2 services and reclaims of surplus client balances received in February,
    - £(0.1)m – Increase in management action planned savings to account for overprojection of PSD Supported Living costs in AIS.

Learning Disabilities: £7.7m overspend, an decrease in overspend of -£0.7m from January

18. 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 54 supported living services between April 2012 and February 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.
    - £(0.7)m - Underspend across other community services due to Direct Payments reclaims and reduction of other community service projections
    - £(0.3)m - Underspend on In-house Supported Living, Day Services and Residential care.

19. £(0.5)m of management actions are included in the February monitoring position for PLD.

- £(0.4)m Increase in Management Action planned savings to account for over-projection of PLD Transport of Other Care call off services on AIS.
- £(0.1)m Reduction in Residential care projections due to savings achieved as a result of de-registration of services and transfer to Supported Living arrangements.
- £(0.1)m Reduction in external Day Care costs due to reduction in service volumes in February.
- £(0.1)m Reduction in PLD In-house Residential costs due to revisions to staffing projections in the last month.

<u>Mental Health: £(0.2)m underspend, no significant change in projection from January</u>

20. 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
21. No significant change from the January report.

<u>Other expenditure: £(6.5)m underspend, an increased underspend of £(0.7)m from January</u>

22. The key reasons for the underspend on Other Expenditure are:

- £(3.5)m Underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment.
- £(2.3)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 through the renegotiation of contracts in respect of volume and unit costs ahead of the 4 year plan.

23. No Management Actions are included in the February monitoring position for Other Expenditure.
24. The main changes from last month were:

- £(0.5)m Increased underspend on core establishment budgets due end of year adjustments to staffing projections and further recruitment delays.
- £(0.2)m Increased underspend on funds carried forward from 2011/12 as a contribution to pressures within the main client groups.

<u>Income: £(5.2)m surplus, a reduced surplus of £1.9m from January</u>

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

- > £(5.8)m Surplus on Other Income due to £(4.7)m of draw downs of Additional DoH 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 £(1.5)m, unbudgeted income within Service Delivery of £(0.3)m, additional income for Carers. Transformation and establishment £(0.3)m offset against £1.0m pressure due to increases in the bad debt provision.

- £(1.1)m Potential surplus on Fees & Charges based on the year to date position and expected income to year-end.
- £1.5m 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.
- £0.2m 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.

26. £(4.1)m of Management Actions are included in the February monitoring position for Income.
27. The key changes from last month were:
    - > £1.9m Due to reduction in the Management Actions in respect of £1m DOH Winter Pressure draw down and removal of backdated CHC income £0.9m previously forecast to be received from PCT's, following confirmation from the DOH that potential backdated liabilities for outstanding cases will be transferred to the new Clinical Commissioning Groups from the 1st April 2013.

Children, Schools & Families: (Current Forecast: Underspent by -£4.7m or -1.6%, -£0.9m increase in underspend since January).

28. The projected year end revenue position for Children Schools and Families is for an underspend of -£4.7m. This represents a further increase in the Directorates county funded underspend of £1m. This is mainly due to a further improvement in the position of Children's Services together with the confirmation of other underspends across the department as it becomes clear that expenditure will not be incurred this year. This has been offset by the identification of an anticipated overspend in relation to SEN transport costs.
29. In addition Children Schools and Families projects a £2.1m underspend related to Dedicated Schools Grant funded services which is determined by the Schools Forum.
30. 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 £0.97m; the implementation of the RIE around homelessness requires an investment of £0.15m which is aimed to reduce costly bed and breakfast spend through improved housing contracts with providers; the implementation of the Family Support initiative across Surrey partners will span 2 or 3 years and requires the second year investment of £0.25m; the implementation of the youth service skills centre contracts in the latter half of 2012/13 require the continuing investment of £0.15m to reduce Not in Education, Employment or Training (NEETs); the recent inspection identified the need for improved partnership working and an investment of £0.1m 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 £0.9m over a two year period.

Children's Services

31. The projected overspend has reduced since last month by £0.4m to £2.0m, 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:

- Looked After Children and Children in Need, both staffing and care costs - 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 increase in the anticipated overspend of £0.1m relating to increased demand for supervised contact in care budgets.
- Agency Placements - the projected overspend has reduced by -£0.2m since January as the number of independent placements has reduced by six. The overspend is now expected to be to be £1.9m for both children with disabilities and care. Although this monthly variation is a reduction, the underlying trend is an increase in agency placements and this is reflected in the medium term financial plan 2013/18. Management action to avoid high cost placements continues.
- Fostering and Adoption Allowances – 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 again this month and now stands at +£0.6m resulting from a steady increase in the numbers requiring a service.

32. Overall service pressures are being offset by underspent staffing budgets across the service (-£1.2m) 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), and there is an underspend of £0.3m due to delays setting up and Emergency Duty Team for Children's services.

Schools & Learning

33. The anticipated underspend for schools and learning has increased this month by £0.3m to -£3.7m on county funded services. There is a further underspend of -£2.5m relating to DSG.

34. There are a number of areas where projections have reduced since January, although these are partially offset by an increase in projected transport costs. The main budget variances across Schools and Learning are outlined below together with changes since the January forecast.

35. The underspend in the early years service has increased further by -£0.3m in county funded areas of the service: mainly staffing budgets where the position is clearer as we approach year end. The overall projected position for the Early Years service is for an underspend of -£4.5m in 2012/13. The main reasons for the Early Years underspend relate to: three and four year old (DSG) provision (-£1.7m), provision for two year olds (-£0.9m), building a world class workforce bursaries underutilised (-£0.3m), application of grant from previous years (-

£0.2m), the working together project (-£0.2m) children's centres (-£0.6m) and staffing vacancies (-£0.5m).

36. In relation to SEN services the overspend on Agency placements has reduced by -£0.2m to an anticipated overspend of +£0.4m. This is offset by an increase in the call on the ISPSB budget of +£0.16m although overall this is expected to underspend by -£0.26m. In addition central SEN costs are expected to underspend by -£0.3m.
37. The transport budget is now expected to overspend by +£0.7m compared to a breakeven position last month. This overspend is mainly related to SEN transport where the number of routes has increased.
38. Commercial Services anticipate a slightly increased underspend of -£0.7m for the year mainly due to increased activity. However, this position does not include any related overhead costs, which if included would give an overall balanced budget position for Commercial Services.
39. In addition to the above there are staffing underspends across the directorate of- £1.5m 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

40. The anticipated underspend (£0.2m) has slightly increased. Within Commissioning and Development there are staffing savings as youth centres have not been fully staffed. Within Service Management some discreet projects will not now go ahead resulting in an underspend of -£0.7m. These underspends are offset by area staffing pressures within Youth Support Services and in the Gypsy Skills, Duke of Edinburgh and Surrey Outdoor Learning Development (SOLD) services.

Strategic and Central Resources

41. The main budget item under the Strategic Director's control is the residual balance of 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 used 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 February 2013 and is unlikely to be spent in 2012/13. In addition there are staffing underspends of £0.4m particularly in teams for the family support initiative and the change programme, due to vacancies prior to recruitment.

Customer & Communities (Current Forecast: -£2.2m underspend or -3.0%, an increase in underspend of £0.1m from last month)

42. The directorate is currently projecting an underspend of -£2.2m 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.
43. 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.

44. 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 (£0.1m) arising from anticipated delays in receiving signed funding agreements preventing payments being made before 31 March. The remainder is due to there being an underspend on directorate projects (£0.1m) within the Community Partnership team.

45. 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. There were no changes made during the last month.

46. Carry forward requests: Once the outturn position is known, a carry forward request will be made to match the committed underspend on member allocations and community improvement fund, currently predicted as £0.6m. The directorate will also be submitting an £0.1m carry forward request in relation to fire service communications to ensure funding is available in the new financial year to complete essential maintenance that improves resilience of the backup control room. The unused contingency for the Olympics of £1m will be used as a response to the winter damage to roads.

Environment & Infrastructure (Current forecast: +£0.3m overspend, an decrease in overspend of £0.5m from last month)

47. Overall Environment & Infrastructure is expecting to overspend by £0.3m, a reduction of £0.5m compared to the previous month due to reduced pressures in a number of areas including concessionary fares and Highways capital recharges.

48. Staffing - £1.2m (underspend). An underspend of £1.2m is expected primarily in Highways and Environment. Recruitment has taken place throughout the year, and in some cases additional temporary staff have been employed to deliver projects across the Directorate.

49. Highways maintenance +£0.7m (overspend). An overspend is expected primarily due to a number of offsetting factors including additional road maintenance, illuminated street furniture repairs and winter maintenance.

50. New Homes Bonus - £0.5m (underspend) 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.

51. Road safety - £0.3m (underspend). An underspend is expected primarily in respect of road safety initiatives (£0.2m). Schemes are decided on by the Road Safety Board and the Board requests that this amount is carried forward to 2013/14.

52. Local bus services + £0.3m (overspend) Local bus services are expected to overspend by £0.3m, primarily due to the need to replace services previously operated by Countryliner.

53. Other variations – a number of other smaller variations, including overspends on waste disposal (£0.2m) and highways capital recharges (£0.2m), combine to a net overspend of £1.3m.

54. Carry forwards – carry forwards totalling £0.8m are requested to allow completion of New Homes Bonus projects (£0.5m, above), road safety schemes (£0.2m), and Community Transport grant funding (£0.1m) required to deliver one-off savings in 2013/14.

Change & Efficiency (Current forecast: -£4.4m underspend or -5.0%, an increase in underspend of £0.5m from the previous month)

55. The Change & Efficiency revenue budget is projected to underspend by £4.4m for the year. This is an increase of £0.5m on last month due to an accumulation of a number of smaller changes, mainly in Property and Human Resources. Requests to carry forward £1m will leave a net underspend of £3.4m.

56. 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, and the expected income from partner contributions to the Data Centre will be delivered in 2013/14. 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.

57. 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.

58. 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.

59. Further savings (£1.4m) 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.

60. A comprehensive review of the planned maintenance budget has been completed and confirms a projected underspend of £1.1m, 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.

61. Income from rents is expected to be below budget by £0.5m. This is 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).

62. 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.

63. Human Resources and Shared Services have delivered new income generation of £0.4m. There will be a saving of £0.2m in the Finance budget as a result of external audit fees being reduced. 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.

64. The Making A Difference (MaD) project budget has been reviewed and it is now expected that the budget this year will underspend by £0.6m. This is a multi-year project and the underspend will need to be carried forward to ensure the later phases of the project can be delivered.

65. 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. In addition, in order to escalate the delivery of a step-change in IT capability across the organisation, some investment planned for next year has been brought-forward. These initiatives include an improved and more resilient scanning solution and upgrade to the Citrix hardware.

66. Revenue carry forward requests - Three revenue carry forward requests totalling £1m have been identified. These are £0.3m to continue the apprenticeship scheme for a further year, £0.6m MaD project expenditure and £0.1m to fund staff who are working with services to help maximise the benefits of the recent investment in mobile technology.

Chief Executive's Office (Current Forecast: £0.2m underspend or 1.4%, an increase in underspend of £0.1m from last month).

67. The overall projection for the directorate is a an underspend of £0.2m 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.

68. Legal and Democratic Services are forecasting an overspend of+ £0.2m. Despite additional funding of £0.2m being funded from Children's, Schools and Families' carry forward to provide additional staffing, it is anticipated the Legal Services will overspend by +£0.4m due to expected continuation of high levels of complex child protection cases and associated external legal expenses. The legal overspend is partly offset by an anticipated underspend of -£0.2m within Democratic Services. This is due to staff changes, only one by election occurring in 2012/13, an underspend against Members allowances and expenses, plus confirmation of approximately £40,000 funding from the Home Office towards the Police & Crime Scrutiny Panel which was not included in previous reports.

69. Policy, Performance & Audit are forecasting and underspend of -£0.3m. This is due to staff vacancies within the Policy and Performance Team which have been held in order to manage the pressure within Legal. The Policy & Performance budget includes a £0.2m carry forward from 11/12 to fund superfast broadband (SFBB) Project Team costs. The SFBB Joint Operations Centre costs will be funded from the £1.3m BDUK funding that has been successfully secured.
70. Small underspends within Strategic Leadership (£21,000) and Communications (£84,000) make up the remaining £0.1m underspend.

Central Income & Expenditure (Current Forecast: -£3.8m underspend or -5.3%, an increase in underspend of £0.2m from last month).

71. The full year forecast for the Central Income and Expenditure budget is for an underspending of -£3.8m. The increase in the projected underspending is relation to a revised projection of redundancy and compensation costs.
72. 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.
73. 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.
74. Expenditure on Redundancy and Compensation is currently expected to be broadly equal to the budget based on cases approved to date this year. There have been 126 new cases approved this year against 138 assumed in the budget - an increase of 8 from January. 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 change even in the final month of the year.
75. 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.

Staffing Costs

76. The Council's total full year budget for staffing is £306.2m. Expenditure to the end of February 2013 is £271.6m.
77. 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.

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

79. 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.

80. Table A3 shows the staffing expenditure for the first eleven months of the year against budget, analysed among the three staff categories.

Table A3 – Staffing costs to end of February 2013.

	Budget £m	Actual £m	%	Variance £m
Contracted		248.9	92%	
Agency		13.2	5%	
Bank		9.5	3%	
Total Staffing Cost	280.7	271.6		-8.9

81. The favourable current variance of £8.9m 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.

82. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A4 shows that there are 7,408 contracted FTEs in post at the end of February.

Table A4: Full Time Equivalent by directorate

Directorate	**Feb FTE**
Adult Social Care	1,901
Children Schools & Families	2,569
Customer and Communities	1,469
Environment & Infrastructure	507
Change & Efficiency	785
Chief Executive Office	177
Total	**7,408**

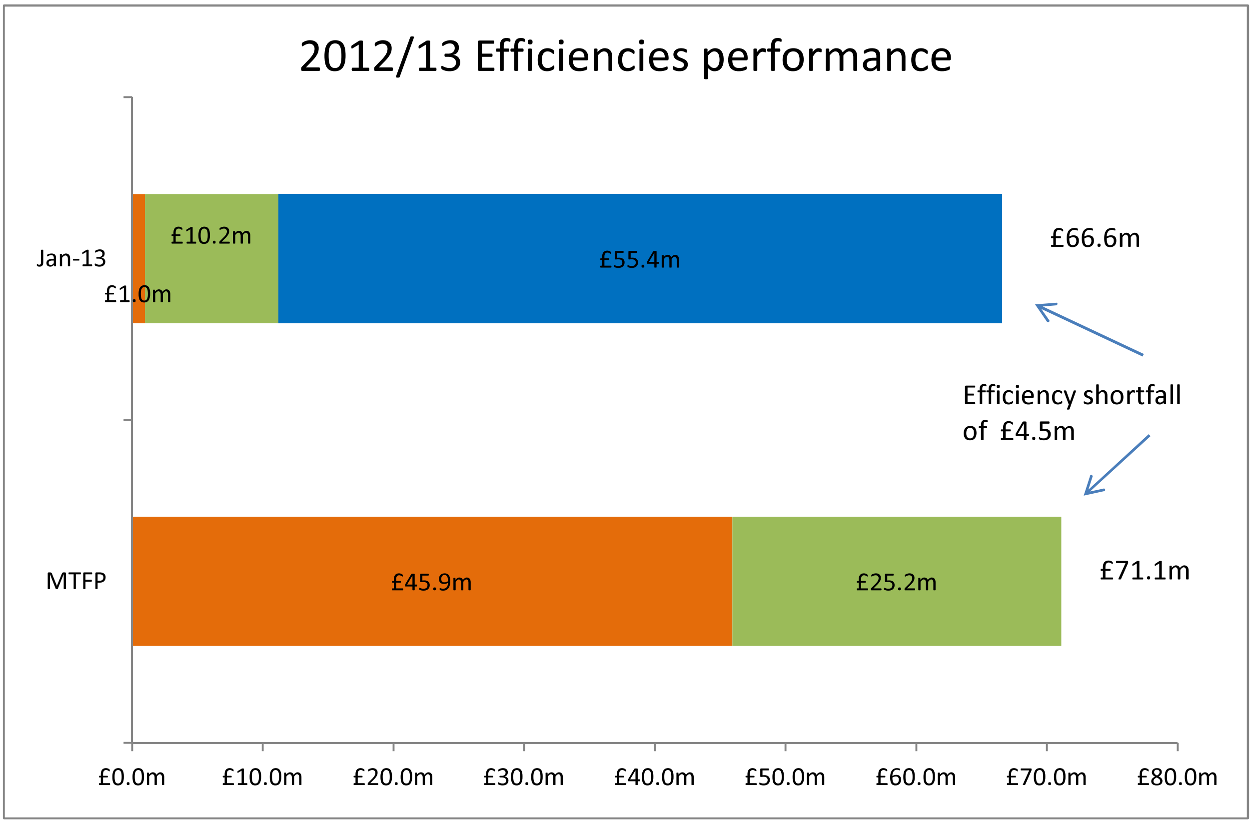
83. There are 229 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A5- full time equivalents in post and vacancies

	Feb FTE
Budget	7,700
Occupied contracted FTE	7,408
“Live” vacancies (ie: actively recruiting)	229
Vacancies not occupied by contracted FTEs	63

Efficiencies

84. 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 £66.6m of these to be achieved.



85. Although there is a shortfall in achieving the efficiencies in the Medium Term Financial Plan, Strategic Directors are looking to deliver all of their £1.0m amber savings to add to the £10.2m green savings and £55.4m 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.

<u>Adult Social Care</u>

86. 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.

<u>Children Schools & Families</u>

87. 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

88. 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

89. 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 – February 2013

90. 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 £147.1m planned in 2012/13.
91. 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 self-financing in future years. An example of this is the Woking Bandstand Joint Venture investment
92. 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	YTD Actual	Committed	**Apr –Feb YTD & Committed**	Mar Remaining Forecast	**Full Year Forecast**	**Full Year Variance**
	£000s	£000s	£000s	**£000s**	£000s	**£000s**	**£000s**
Adult Social Care	**1,687**	632	748	**1,380**	-139	**1,241**	**-446**
Children, Schools & Families	**9,455**	10,792	172	**10,964**	-3,164	**7,800**	**-1,655**
Schools Basic Need	**31,992**	25,325	3,480	**28,805**	568	**29,373**	**-2,619**
Customers & Communities	**5,376**	2,041	206	**2,247**	238	**2,485**	**-2,891**
Environment & Infrastructure	**50,168**	40,759	17,131	**57,890**	-10,235	**47,655**	**-2,513**
Change & Efficiency	**47,761**	31,888	13,089	**44,977**	24,301	**69,278**	**21,517**
Chief Executive's Office	**10,173**	173	0	**173**	150	**323**	**-9,850**
c.fwd adjustment	**-9,525**			**0**	0	**0**	**9,525**
Total	**147,087**	**111,610**	**34,827**	**146,437**	**11,718**	**158,155**	**11,068**

Adult Social Care

93. The capital budget for Adult Social Care is forecast to underspend by £0.4m, which is due to planned and committed works that will not be complete until the new financial year. The service will request that these budgets are carried forward to the new year to fund the completion of the projects.

Children, Schools & Families

94. The forecast under spend of -£1.7m is across a number of programme areas and caused by projects that are unlikely to be completed by the end of March. These include Children's Centres, and adaptations for children with disabilities. The service will request that these budgets are carried forward to the new year to fund the completion of the projects.

School Basic Need

95. The Schools Basic Need programme is expected to be £2.6m under budget. This is an increase of £0.6m on last month's forecast, due to a more certain position on the status of each project, as there is only one month of the year remaining. This includes procurement savings made on the demountables programme and reductions in the programme where schemes are no longer required.

Customer & Communities

96. The Fire & Rescue Service vehicle and equipment replacement scheme is currently underspent by £1.2m. There is a significant programme of purchases underway for the financial year. It is estimated that a further £147,000 will be committed and goods received within this financial year. Additional commitments are planned but it is likely that all will be completed by 31 March 2013 due to the lead time for procurement.

97. 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

98. Overall Environment & Infrastructure is expecting to underspend by £2.5m, an increase of £1.2m (increased underspend) since the previous month. This is primarily due to timing of expenditure on the Walton bridge scheme. Key variances
    - **Walton bridge – £1.3m (underspend)** Expected spend has reduced this year due to recent poor weather and steel supply delays. Overall the scheme remains financially on target.
    - **Highways maintenance + £1.3m (overspend)** Additional schemes have been carried out this year, and additional costs have been incurred disposing of tarmac
    - **Developer funded schemes - £1.1m (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.
    - **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** – smaller variations, including underspends on bridge strengthening (£0.3m) and maintenance at closed landfill sites (£0.3m), combine to a net **underspend of £1.0m**.

Change & Efficiency

99. The directorate's capital budget is expected to be overspent this financial year due to the inclusion of projects (£24.7m) which form part of the council's strategy for encouraging economic growth and will be self financing in future years. These are Phase 1 of the Woking Bandstand Project and two town centre projects in Guildford and Egham. It should be noted that, as it is so close to the end of the year, there is a risk that these projects may not complete before the 31 March 2013 and so the cost may fall in April. If so, this will reduce the capital expenditure recorded in this financial year.

100. 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.

101. 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 and some work is now expected to start in the new financial year.

102. Non-schools projects will underspend by £6.1m. 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 (£1.7m), Guildford Fire Station (£0.5m) 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.

103. 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.

104. 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 is 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.

<u>Chief Executive Office</u>

105. 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.

106. 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

107. 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 £1,536.3m. In addition to grant changes, DSG carry forwards, academy conversions and other minor movements in quarters 1-3, there was a school adjustment and minor movements December, and reprofiling of the LSTF grant in January. 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**
Jan changes			1.5		1.5
Previous changes		**1.0**	**11.9**	**10.7**	**23.6**
February changes	0.0	**0.0**	**0.0**	0.0	**0.0**
Updated budget – Feb 2013	**580.0**	**149.6**	**779.2**	**27.5**	**1,536.3**

108. 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.

109. In February there was a small change to the grants for schools totalling £22,120

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

111. 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 February. 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 – February 2013

	Original MTFP Budget	2011/12 Carry Forwards & Other reserves	Gov't Grants	Virements	Full Year Updated Budget
	£m	£m	£m	£m	£m
Adult Social Care	331.5	3.8	0	1.9	337.2
Children, Schools and Families	289.3	2.6	3.7	-0.2	295.4
Schools	518.9	0	4.2	-0.7	522.4
Customers and Communities	70.6	1.8	1.1	1.0	74.5
Environment and Infrastructure	125.6	0.9	2.6	0.8	129.9
Change and Efficiency	84.7	2.3	0.1	0.9	88.0
Chief Executive's Office	13.6	0.1	0	0.3	14.0
Corporate Projects	1.5	0	0	-1.5	0.0
Central Income / Exp	68.0	0.9	1.2	-2.5	65.9
Service Revenue Expenditure	1503.7	10.7	12.9	0.0	1527.3
Budget equalisation reserve / Risk Contingency	9.0				9.0
Total Revenue Expenditure	1512.7	10.7	12.9	0.0	1,536.3