

Provisional Outturn Finance Report

Executive Summary

As with last year, and as a part of improving financial management and services delivery, the Cabinet considers a provisional outturn at its April meeting, which includes the consideration of revenue budget carry forward requests. This is to enable service managers to continue and complete projects that require funding approval. Services are requesting £7.9 million of revenue budget to transfer to the new 2013/14 financial year. The figures presented are provisional and there may be some changes in the final outturn report Cabinet will receive in 28 May 2013.

Services have been successful in containing expenditure and are exceeding savings targets to produce a forecast underspending of £3.8 million on the revenue budget. The Council has spending under control and is applying prudent financial management whilst continuing to provide services to the residents of Surrey.

Based on these forecasts and approval by the Cabinet to carry forward funding for the identified projects and services in 2013/14, the Council's available general balances will be £20.6m at the year end.

The budget movements for March 2013 comprise year-end adjustments to central government grant of £1.3m. Annex B provides details of these movements. Cabinet is asked to approve changes to the relevant service budgets to reflect these movements, in line with established principles.

The final overall capital budget position for 2012/13 will be presented to the Cabinet meeting in May 2013. However, it is known that the full in-year budget has been spent or committed to be spent and that the council was committed to spend a further £17.5m at the year-end that was in fact spent in early April 2013. Approval to carry forward the funding for this is sought. There may be further capital carry forward requests at the Cabinet meeting on 28 May 2013.

Recommendations for Cabinet on 23 April 2013

It is recommended that Cabinet:

- 1 notes the provisional revenue and capital year end budget outturns (Annex A);
- 2 approves the revenue budget carry forward requests by services totalling £7.9m (Annex A);
- 3 approves the carry forward of £17.5m committed capital budget (Annex A);
- 4 confirms that government grant changes are reflected in directorate budgets (Annex B).

Revenue Budget

1. During 2012/13 the Council's services operated within their budgets and achieved their savings targets. The 2012/13 revenue budget is forecast to underspend by a net total of -£3.8 million, a small increase of £0.3m from February's forecast of £3.5m. Table A1 shows an analysis of the year-end forecast by directorate.

Table A1 – Summary 2011/12 Revenue Budget Outturn Forecast incorporating carry forward requests

	Full Year Updated Budget	Provisional Outturn	Carry forward requests	Full Year Variance
	£m	£m	£m	£m
Adult Social Care	337.4	339.4	0.0	2.0
Children, Schools and Families	295.0	288.6	3.1	-3.3
Schools	522.4	522.4	0.0	0.0
Customers and Communities	73.8	72.5	0.9	-0.4
Environment and Infrastructure	130.3	131.0	0.9	1.6
Change and Efficiency	88.3	83.6	1.3	-3.4
Chief Executive's Office	14.0	13.8	0.1	-0.1
Budget equalisation reserve	9.0	12.0	0.0	3.0
Net service expenditure	1,470.2	1,463.3	6.3	-0.6
Central income and expenditure	67.4	62.6	1.6	-3.2
Net revenue expenditure	1,537.6	1,525.9	7.9	-3.8

2. Table A. 2 provides details of each of the proposed carry forwards listed above.

Adults Social Care – provisional overspend of +£2.0m (no change since January).

3. There are no carry forwards for this directorate

Children's Schools and Families – provisional underspending of -£3.3m (increase of -£1.7m since February), after a proposed carry forward of £3.1m and Dedicated School grant underspend of £3.6m

4. The change between February and the provisional outturn are mainly due to the revised carry forward requests. Initially the directorate proposed £2.5m of carry forwards in February. There are also volume changes (-£0.3m), delays in projects (-£0.3m) and early years (-£0.4m).

Customers and Communities – provisional underspending of -£0.4m (a decrease of +£0.3m from February), after a proposed carry forward of £0.9m

5. The reduced underspend from February month end is primarily due to the budgetary transfers and increased carry forward proposals.
6. The directorate budget has reduced by £0.6m since the February month end. This is due to the transfer of the -£1m Olympic contingency budget to Environment & Infrastructure to fund highway repairs offset by an adjustment to reflect +£0.4m grant funded expenditure within Surrey Fire & Rescue.
7. In February the directorate proposed £0.6m of carry forward, this has now increased to £0.9m.

Environment and Infrastructure provisional overspend of +£1.6m. (an increase of +0.5m from February), after proposing a carry forward of £0.9m.

8. Significant movements include increased spend on passenger transport of £0.5m (including bus contracts and concessionary fares) and local highway schemes of £0.3m offset by reduced spend and additional income elsewhere in the directorate.

Change and Efficiency – provisional underspending of -£3.4m (-£0.1m change from February) after a proposed carry forward of £1.3m

9. There is a net movement of -£0.1m from the February position. This is due to several offsetting changes, including further underspending within Property, offset by higher than anticipated spend in IMT and HR. Some of these are still under review and the position is likely to change.

Chief Executive's Office – provisional underspending of -£0.1m (-£0.1m change from February) after a proposed carry forward of £0.1m

10. The change in the position is due to the proposed carry forward.

Central Income and Expenditure - provisional underspending of +£3.2m (-£0.9m change since February) after a proposed carry forward of £1.6m

11. The principal changes are within the redundancy & compensation budget and general reimbursements. There is a -£0.7m underspend on the redundancy & compensation budget caused by fewer than expected redundancies in March and the average cost of the packages was lower. However, the Council approved redundancies in early April totalling £0.1m and a request is made to carry forward some of the underspend to meet these known costs in the new financial year
12. There are a series of minor adjustments, or general re-imbursements to the financial accounts such as the travel VAT adjustment, rebates and the write back of old cheques that are part of the year end process. This has led to £0.2m being written back to the revenue account as a favourable balance.
13. There is an increase in the proposed carry forward of £0.1m for redundancies approved in April 2013.

Budget Equalisation Reserve

14. In setting the 2012/13 budget the council included £9m as a contingency against the risk of it not meeting its £71m savings target. By the third quarter of the year, it was clear that this provision would not be needed in the 2012/13 year. At its budget meeting on 12 February 2013 the council approved the transfer of this budget to the Budget Equalisation Reserve (BER) to support the 2013/14 budget. In addition, the council also approved to transfer a further £2m of the 2012/13 revenue budget to the BER for the same purpose.
15. At its meeting on 26 March 2013 the Council approved the transfer of £1m to the BER in respect of the unused contingency for the Olympic Games to be used to respond to the winter damage to roads.

Table A.2: List highlighting the proposed revenue carry forwards to support the 2013/14 budget

Directorate	Request	£m	Reason
Children, Schools & Families	CSF Public Value Change Programme	0.97	Second year requires continued funding to achieve the MTFP savings for 2013/14 onwards
	Implementation of homelessness Rapid Improvement Event recommendations	0.15	to reduce costly bed and breakfast spend through improved housing contracts with providers
	Implementation of the Family Support initiative	0.25	the implementation of the initiative across Surrey partners will span 2 or 3 years and requires a second year of funding
	Implementation of the youth service skills centre contracts	0.15	Implementation of contracts commenced in the latter part of the 2012/13 year, and requires funding in 2013/14 to complete and to reduce the Not in Education, Employment or Training (NEETs)
	Improved partnership working	0.10	Identified by recent OfSTEd inspection
	Newly qualified social workers	0.90	The Council is looking into the options of supporting newly qualified social workers so they develop their experience and are then appointable to vacancies currently covered by expensive locums. This will require investment of up to £0.9m over a two year period
	Troubled Families Grant Income	0.40	This grant was funded via the Early Intervention Grant which is not ring fenced. The budget allocated has not all been spent as the teams in the Borough and Districts have just become operational. However, this funding is required still in 2013/14 for the investment into services to turnaround the lives of the families in the programme.
	Looked After Children savings accounts	0.10	A match funding savings scheme was established in 2012/13 for Looked After Children (LAC). The take up of this scheme has been slower than originally anticipated. However, it is envisaged that this will increase considerably early in 2013/14 as awareness of the scheme is enhanced.
	Safeguarding Board External Funding	0.10	The Safeguarding Board is funded by contributions from external agencies and at the end of each financial year the surplus external income is carried forward.
Children, Schools & Families		3.12	
Customer & Communities	Community Partnership Committed projects funded from member allocations	0.43	Allocations approved by local committee but funding agreements not signed by third parties before year end.
	Community Partnership Committed community improvement fund grants	0.19	Applications for project funding approved but payment not yet processed. Either funding agreements not signed by third parties, or have not yet met payment criteria.
	Fire Service Improved resilience of fire control	0.08	Underspend on communications budget due to delays in undertaking essential maintenance to improve resilience of the backup control room against line and power failures as recently

Directorate	Request	£m	Reason
			suffered. This is showing as a risk in the service's risk register.
Customer & Communities (continued)	Trading Standards development of a joint Regulatory Services database for SCC Trading Standards and Mole Valley Environmental Health Service	0.04	The shared database is crucial to the development of shared regulatory services between SCC and Mole Valley District Council and the further development of such partnerships with other District Councils within Surrey. The project was significantly delayed by Legal and Procurement issues which were not finally resolved until March 2013. Despite this the project has moved very quickly since then with the implementation go live date now scheduled as 1 June 2013 (original date had been 1 April). The funding available in 2012/13 was available from unfilled vacancies as a result of the knock on effects of the service restructure in November 2011. There is no budget available to fund this work in 2013/14.
	Customer Services. Delayed implementation of web development projects	0.08	The public website development project over-ran due to supplier problems resulting in there being insufficient time to deliver other programmed projects.
	Cultural Services Registration ceremony booking system	0.08	The current ceremony booking system was developed in house and is not now fit for purpose or supported. The new booking system will be an addition to the county 'Silverbear' online booking system already in operation. This carry forward would utilise the service's early achievement of additional income, in order to implement the PVR system improvement recommendation. There is no other budget provision available.
Customer & Communities		0.89	
Environment & Infrastructure	New Homes Bonus projects	0.43	The underspending relates to a number of projects funded by the New Homes Bonus and the Surrey Growth Fund, including Olympic legacy projects and major transport schemes
	Road safety schemes	0.24	Schemes decided by Road Safety Board and the board have request the underspend is carried forward
	Community Transport grant funding	0.12	Required to deliver one-off savings in 2013/14
	Highway repairs	0.09	Contingency allocated in March 2013
Environment & Infrastructure		0.88	
Change & Efficiency	Continuation of the apprenticeship scheme	0.28	Continuation of the apprenticeship scheme for a further year
	Making a Difference	0.61	Carry forward of project funding
	Investment in mobile technology	0.13	To fund staff who are working with services to help maximise the benefits of the recent investment in mobile technology, for a further six months.
	Citrix upgrade	0.26	Project delays due to supplier issues. Citrix hardware upgrade and scanning solutions for

Directorate	Request	£m	Reason
			Children's Services and Adult Social Care.
Change & Efficiency		1.27	
Chief Executive Office	Strengthen organisational capacity	0.09	Establishing position to strengthen organisational capacity on financial and service challenges
Chief Executive Office		0.09	
Central income & expenditure	New Homes Bonus funding	1.49	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 £1.49m is now unlikely to be required this financial year.
	Redundancy & Compensation	0.13	Redundancy cases approved in early April 2013.
Central income & expenditure		1.62	
Total		7.87	

Capital Budget

16. As a part of its £685m five-year capital programme, the Council estimated to spend £153m in the 2012/13 financial year. To the end of March 2013 the Council had spent £142m of its 2012/13 budget with a further £17.5m committed in 2012/13 and incurred within the first week of April.
17. 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 the budget includes a corporate adjustment of £9.5m.
18. Table X shows the capital budget outturn, including the £17.5m committed expenditure, on a directorate basis.

Table A3 – 2012/13 Provisional Capital Budget Outturn

	Full Year Budget £m	Forecast Expenditure £m	Committed Expenditure £m	Total forecast expenditure & commitments £m	Full Year Variance £m
Adult Social Care	1.7	1.3	0.0	1.3	-0.4
Children, Schools & Families	13.4	11.8	0.0	11.8	-1.6
Schools Basic Need	32.0	27.5	1.2	28.7	-3.3
Customer & Communities	5.4	2.3	0.0	2.3	-3.1
Environment & Infrastructure	52.1	50.0	0.0	50.0	-2.1
Change & Efficiency	47.8	48.4	16.3	64.7	16.9
Chief Executive's Office	10.2	0.3	0.0	0.3	-9.9
Corporate Adjustment	-9.5	0.0	0.0	0.0	9.5
Total	153.1	141.6	17.5	159.1	6.0

19. The £17.5m committed expenditure relates to the purchase of a number of properties and was expected to be incurred in 2012/13. Following a short delay around the Easter bank holiday the

Council completed these purchases at the beginning of April. It is proposed that this budget is carried forward to the 2013/14 financial year.

20. The full outturn report to be considered by the Cabinet in May 2013 will include further details of variances and also requests to carry forward budgets to the new financial year. The basis of a carry forward budget is that expenditure on the scheme has commenced and is not completed.

Government grants and budget revenue budget virements**Updated Budget**

1. The Council's 2012/13 revenue expenditure budget was initially approved at £1,512.7m. Subsequently the Cabinet approved the use of reserves built up in 2011/12 to augment this. This approval increased the budget to £1,537.3m. In addition to grant changes, Dedicated Schools Grant 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 Local Sustainable Transport Fund grant in January, also some of the central government grants have been adjusted for year end. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax £m	Formula Grant £m	Government Grants £m	Reserves £m	Total £m
Original MTFP	580.0	148.6	767.3	16.8	1,512.7
<u>Previous changes</u>					
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 & Feb changes			1.5		1.5
Previous changes		1.0	11.9	10.7	23.6
<u>March changes</u>					
Cultural & Fire grants			0.4		0.4
Right to control grant			0.2		0.2
E&I Government grant adjustments			0.2		0.2
School Government grant adjustments			0.3		0.3
Children Development Workforce Council grant			0.2		0.2
March changes	0.0	0.0	1.3	0.0	1.3
Updated Budget - March 2013	580.0	149.6	780.5	27.5	1,537.6

2. 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.
3. In March, some grants that have conditions relating to drawing down only final spend were adjusted. The grants were Area of Outstanding Natural Beauty (AONB), Right to control (ASC) Bikeability, Fire pensions, Cultural and some schools grants. These total £0.9m. There was also a drawdown of the Children Development Workforce Council grant of £0.2m.
4. The Cabinet is asked to note these grant changes and approve that they are allocated to the relevant services.
5. 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 five virements above this amount in

March. Table C2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year:

6. The five virements were:
1. Three virements (£0.8m) transferring revenue spend to capital as the actual spend relates the capital programme or will be capitalised at year end.
 2. The transfer of the Olympic contingency (£1.0m) from Customer & Communities split evenly between Central Income & Expenditure and Environment & Infrastructure
 3. The transfer to Change & Efficiency from Central Income & Expenditure for the future government innovation initiative.

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

	Original MTFP Budget £m	2011/12 Carry Forwards & Other reserves £m	Gov't Grants £m	Virements £m	Full Year Updated Budget £m
Adult Social Care	331.5	3.8	0.2	1.9	337.4
Children, Schools and Families	289.3	2.6	3.7	-0.6	295.0
Schools	518.9	0.0	4.4	-0.9	522.4
Customers and Communities	70.6	1.8	1.4	0.0	73.8
Environment and Infrastructure	125.6	0.9	2.9	0.9	130.3
Change and Efficiency	84.7	2.3	0.3	1.0	88.3
Chief Executive's Office	13.6	0.1	0.0	0.3	14.0
Corporate Projects	1.5	0.0	0.0	-1.5	0.0
Central Income & Expenditure	68.1	0.1	0.3	-1.1	67.4
Service Revenue Expenditure	1,503.8	11.6	13.2	0.0	1,528.6
Budget equalisation reserve / Risk Contingency	9.0	0.0	0.0	0.0	9.0
Total Revenue Expenditure	1,512.8	11.6	13.2	0.0	1,537.6

