

## **Budget monitoring periods 1 and 2, 2013/14 (April and May)**

### **Summary - Revenue**

The Council set its budget for the 2013/14 financial year in the context of the Government's continuing austerity programme, with reducing public spending and rising demand for services. In setting a balanced 2013/14 budget, the Council developed plans for efficiencies and service reductions totalling £68m and approved the use of £12m general balances. In developing its five year Medium Term Financial Plan (MTFP 2013-18), the Council approved plans to achieve efficiencies and service reductions totalling £167m, following achievement of £225m efficiencies from 2009 to 2012.

As reported in the Local Government Peer Review of March 2013, the Council takes a longer term view and multi-year approach to its financial management. As part of this, Cabinet approved carry forward of £7.9m underspend from 2012/13 to fund service, projects and commitments in 2013/14.

At the end of May 2013, services forecast a total overspend of +£0.7m. This excludes use of the £13m risk contingency held within the 2013/14 budget. Applying the risk contingency brings the forecast position to -£12.3m underspend. The services' forecast overspend is largely due to delays in achieving efficiencies and additional pressures in Children's Services.

One third of Adult Social Care's demanding savings requirement (i.e. £15m) relies on the success of a new policy to maximise use of social capital. This approach is taking longer than expected to finalise and implement. Together with it being very early in the year to fully assess the impact, the approach's untried nature means these savings remain a significant red risk.

### **Summary – Efficiencies**

MTFP 2013-18 is based on achieving planned efficiencies and reductions in ongoing spending totalling £68.6m in 2013/14 (£167m for 2013-18). At the end of May 2013, services forecast achieving £68.4m total ongoing savings by year end, a small -£0.2m under delivery.

### **Summary - Capital**

MTFP 2013-18 set a £699m five year capital programme. Cabinet approved re-profiling of carry forwards (£2.5m) and four virements mean the revised 2013/14 capital budget is £188.9m. At the end of May 2013, overall capital spending is forecast to be within budget by year end.

### **Recommendations:**

That Cabinet notes the:

1. forecast revenue budget underspend for 2013/14 (paragraph 1);
2. forecast ongoing efficiencies & service reductions achieved by year end (paragraph 46);
3. forecast capital budget position for 2013/14 (paragraph 50);
4. management actions to mitigate overspends (throughout this report);

That Cabinet:

5. approves the virement of £757,661 from the Central HR Training Budget to most services that have service specific training budget allocations for 2013/14 (paragraph 6);
6. confirms the re-profiling of -£2.5m capital budget carry forwards to 2013/14 (paragraph 50);
7. approves the use of Fire Capital Grant to fund vehicle and equipment replacement (paragraph 52);

## Revenue budget

1. The updated revenue budget for the 2013/14 financial year, including schools, was supported by £23.0m of earmarked and general reserves. In April 2013, the Cabinet approved £7.9m revenue carry forward from 2012/13 to fund committed 2013/14 expenditure. The current projection for the council funded service net revenue budget is +£0.7m overspend. This excludes use of the £13m risk contingency held within the 2013/14 budget. Applying the risk contingency brings the forecast position to -£12.3m underspend.
2. The net revenue budget is supported by £19.8m of earmarked reserves (£18.9m Budget Equalisation Reserve and £0.9m Child Protection Reserve). Table 1 below shows the revenue position supported by general balances.
3. The reported variances are by directorate. In the background information to this document is the Directorate service or policy financial information that supports the variances (page 15).
4. Also within the background information is the updated budget with explanations to the movement on the budget. This can be found at paragraphs App. 9 - App. 13.

**Table 1: 2013/14 Revenue Budget - Forecast position as at end of May 2013**

	Year to Date Budget	Year to Date Actual	Year to Date Variance	Full Year Budget	Jun – Mar remaining Forecast Spend	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>							
Local taxation	-99.0	-99.2	-0.2	-594.3	-495.0	-594.2	0.1
Government grants	-147.9	-149.2	-1.3	-923.3	-773.9	-923.1	0.2
Other income	-23.7	-21.4	2.3	-144.7	-124.1	-145.5	-0.8
<b>Income</b>	<b>-270.6</b>	<b>-269.8</b>	<b>0.8</b>	<b>-1,662.3</b>	<b>-1,393.0</b>	<b>-1,662.8</b>	<b>-0.5</b>
<b>Expenditure</b>							
Staffing	52.6	51.5	-1.1	315.1	262.2	313.7	-1.4
Non staffing	115.2	110.5	-4.7	837.4	716.5	827.0	-10.4
School expenditure	78.0	78.0	0.0	521.7	443.7	521.7	0.0
<b>Expenditure</b>	<b>245.8</b>	<b>240.0</b>	<b>-5.8</b>	<b>1,674.2</b>	<b>1,422.4</b>	<b>1,662.4</b>	<b>-11.8</b>
<b>Funded by:</b>							
<b>General balances</b>	<b>-24.8</b>	<b>-29.8</b>	<b>-5.0</b>	<b>11.9</b>	<b>29.4</b>	<b>-0.4</b>	<b>-12.3</b>

5. Table 2 shows the updated net revenue budget for each directorate and schools and the year end variance.

**Table 2: 2013/14 Revenue budget - net positions by directorate**

<b>Directorate net position</b>	<b>YTD Budget £m</b>	<b>YTD Actual £m</b>	<b>YTD Variance £m</b>	<b>Full Year (revised) Budget £m</b>	<b>Jun – Mar remaining Forecast Spend £m</b>	<b>Full Year Projection £m</b>	<b>Full Year Variance £m</b>
Adult Social Care	56.4	59.7	3.3	338.0	278.3	338.0	0.0
Children, School & Families	29.3	25.2	-4.1	179.3	155.6	180.8	1.5
Schools	-5.5	-7.5	-2.0	0.0	7.5	0.0	0.0
Customer & Communities	10.4	10.6	0.2	60.2	49.2	59.8	-0.4
Environment & Infrastructure	20.2	20.0	-0.2	125.5	105.6	125.5	0.0
Business Services	13.1	11.8	-1.3	83.5	71.1	82.9	-0.6
Chief Executive Office's	3.6	3.2	-0.4	15.5	12.3	15.4	-0.1
Central Income & Expenditure	-152.3	-152.8	-0.5	-803.1	-650.0	-802.8	0.3
<b>Service position</b>	<b>-24.8</b>	<b>-29.8</b>	<b>-5.0</b>	<b>-1.1</b>	<b>29.4</b>	<b>-0.4</b>	<b>0.7</b>
Risk Contingency	0.0	0.0	0.0	13.0	0.0	0.0	-13.0
<b>Overall position</b>	<b>-24.8</b>	<b>-29.8</b>	<b>-5.0</b>	<b>11.9</b>	<b>29.4</b>	<b>-0.4</b>	<b>-12.3</b>

6. There is one virement for the Cabinet to approve. This is an in year virement of £0.8m from the Central HR Training Budget to most services that have service specific training budget allocations for 2013/14. This facilitates co-ordination of training needs at service level. HR will continue to hold the budget and responsibility for providing generic Corporate Training and the Social Care Open programme. Table 3 below shows the training budget virements across six directorates.

**Table 3: Training virement split by Directorate**

	£'000
Adult Social Care	101.0
Children, School & Families	240.0
Customer & Communities	141.9
Environment & Infrastructure	86.9
Business Services	116.7
Chief Executive Office	71.0
<b>Total vired from Business services HR &amp; OD</b>	<b>757.7</b>

## Adult Social Care

Table 4: Summary of the revenue position for directorate

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-10.8	-9.5	1.3	-65.8	-57.4	-66.9	-1.1
Expenditure	67.2	69.2	2.0	403.8	335.7	404.9	1.1
<b>Net position</b>	<b>56.4</b>	<b>59.7</b>	<b>3.3</b>	<b>338.0</b>	<b>278.3</b>	<b>338.0</b>	<b>0.0</b>

7. As at the end of May, the year to date variance for ASC is an overspend of £3.3m. It is indicative of those pressures and demanding savings targets that gross spend to date on spot care (excluding Transition) has been £21.2m per month over April-May, compared to the £19.7m per month the Directorate can afford to spend to balance its budget. Measures to contain and reduce this increased level of expenditure have been included as targets within the MTFP and are described below.
8. The ASC budget faces considerable pressures and demanding savings targets, as highlighted in budget preparation. One third of these savings (£15.5m) are highly reliant on the success of the new policy to maximise the use of social capital. It is taking longer than anticipated to finalise the approach, train staff and implement the new policy. This is likely to mean that there is some slippage. If necessary, up to £7.5m of this slippage could be covered on a one-off basis, by the use of the unused Whole Systems funding from 2011/12. The service will have a clearer view on the likely success of both the timing and extent of the savings generated by this policy in September.
9. On a client group basis, the greatest pressure currently appears mainly in Older People. However, that position precedes any reliable evidence on how best to allocate the effects of using social capital across client groups. It may be that some reallocations between client groups will be indicated as that evidence emerges.
10. In previous year demand has increased during the year and the new approach of using social capital is intended to contain this growth and reduce costs for new cases. The success of achieving the this year's budget is also dependant on other management actions included within the MTFP. The most significant of these are:
- monitoring and reclaiming surplus direct payments balances; -£2.5m
  - maximising Income through partnership arrangements; -£2.0m
  - deliver Learning Difficulties PVR savings in full; -£2.0m
  - manage costs below budget (mainly staffing vacancies) -£1.5m

## Children, Schools & Families

**Table 5: Summary of the revenue position for directorate**

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-24.1	-23.8	0.3	-150.5	-126.7	-150.5	0.0
Expenditure	53.4	49.0	-4.4	329.8	282.3	331.3	1.5
<b>Net position</b>	<b>29.3</b>	<b>25.2</b>	<b>-4.1</b>	<b>179.3</b>	<b>155.6</b>	<b>180.8</b>	<b>1.5</b>

11. The forecast overall outturn position for the Children Schools & Families directorate (CSF) is for a small underspend of -£0.6m. This includes an anticipated underspend of -£2.1m on early years nursery provision due to less demand for places than anticipated. These budgets are fully funded by Dedicated School Grant (DSG). The underspend will help manage demand on DSG funded services in future years. This underspend is offset by an anticipated overspend on county funded areas of £1.5m within Children's Services.
12. This is mainly due to difficulties in achieving efficiencies within services for children with disabilities resulting in a forecast overspend of +£0.9m. The efficiencies are linked to the strategic review of services for children with disabilities across the directorate. This is part of the wider CSF public value review (PVR) programme which is expected to secure these savings in the medium term. The service continues to look at options to take action in advance of the finalisation of the PVR and to explore alternatives.
13. In addition pressures continue in social work services for looked after children and children in need of +£0.6m. These are partly as a result of increases in fees for court proceedings (+£0.1m) but mainly, as in previous years, due to ongoing difficulties permanently recruiting social workers and a resulting reliance on more expensive agency staff (+£0.4m). This has been an ongoing problem and there are plans in place to improve the recruitment and retention of social workers through the career progression framework and the social worker academy in the north east, although the results of these initiatives will take some time to be realised.
14. In contrast the agency budget across both children with disabilities and care services, where there were significant pressures in 2012/13, is expected to be broadly on budget.
15. One other pressure emerging relates to fostering allowances. The fostering budget for 2013/14 was set to reflect the current number of allowances being paid. Since then the number of children fostered has increased by 30, leading to an overspend of +£0.4m should these numbers be maintained throughout the year.
16. Offsetting these overspends in Children's Services is an anticipated underspend of -£0.6m. The service is holding this pending clarification of the detailed cost of implementing the social worker career framework, after which a budget adjustment will be made.
17. In summary, at this early point in the financial year, CSF anticipates an overall underspend of -£0.6m, although this includes a £1.5m overspend on county funded services. The financial position will become clearer with the start of the new academic year in September when CSF can forecast the position for Special Educational Needs demand led budgets (agency placements and transport) and the impact of 2013/14 DSG funding changes with greater certainty.

## Customer & Communities

**Table 6: Summary of the revenue position for directorate**

Summary	May YTD Budget	May YTD Actual	May YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-4.0	-4.3	-0.3	-23.6	-19.6	-23.9	-0.3
Expenditure	14.4	14.9	0.5	83.8	68.8	83.7	-0.1
<b>Net position</b>	<b>10.4</b>	<b>10.6</b>	<b>0.2</b>	<b>60.2</b>	<b>49.2</b>	<b>59.8</b>	<b>-0.4</b>

18. The budget includes carry forwards of £0.9m mainly in relation to members' allocations and the Community Improvement Fund, plus development of systems within Fire, Registration, Trading Standards and the Surrey Website.
19. The year-to-date overspend of +£0.2m includes £0.1m in relation to the Tour of Britain expenditure for which funding of £0.1m is to be confirmed from the Surrey Growth Strategy budget. A decision is expected on this at the end of June. The remainder is largely due to the timing of expenditure incurred on library resources, community safety grants and inquests. In addition there are year to date shortfalls on income streams within Culture and Fire that are currently expected to be recoverable later in the year.
20. The directorate is currently projecting a small underspend of -£0.4m. This is predominantly due to the early achievement of the 2014/15 Directorate Support MTFP efficiency through holding vacant posts and cost sharing (-£0.3m). A further underspend is expected from the continued increase in income generated by Registration (-£0.1m). This is due in part to the three yearly cycle of venue licensing income, which will be reflected appropriately within future MTFP income targets.

## Environment & Infrastructure

**Table 7: Summary of the revenue position for directorate**

Summary	May YTD Budget	May YTD Actual	May YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-2.9	-1.1	1.8	-17.4	-16.0	-17.2	0.3
Expenditure	23.1	21.1	-2.0	142.9	121.5	142.7	-0.3
<b>Net position</b>	<b>20.2</b>	<b>20.0</b>	<b>-0.2</b>	<b>125.5</b>	<b>105.5</b>	<b>125.5</b>	<b>0.0</b>

21. The year-to-date net underspend of -£0.2m is the result of lower expenditure of -£2.0m offset by reduced income of £1.8m. The main variance on the income side is the impact of the phasing of grant income drawdowns against appropriate incurred expenditure. This is primarily due to phasing of project delivery and resulting in cost underspends. Further underspends are the result of the phasing of works commissioned by Local Committees (£0.5m) and the development of the Surrey Growth Strategy programme (£0.2m).
22. The directorate is currently projecting a balanced budget for the year. However there are a number of risks and uncertainties around costs and income. The cost of waste disposal remains dependant on waste volumes and treatments, and the planned contract variation will have cost implications, which have yet to be finalised.
23. Streetworks income (which includes charges to utility companies for undertaking works on the highway) is currently lower than last year. However additional staff have been

employed to strengthen monitoring of utility works in the short term, and the permit based system will be implemented towards the end of the financial year.

24. Responsibility for making fuel duty rebate payments to bus operators is due to transfer to local authorities in October 2013. The guidance is still to be issued from central government and indications of funding levels are awaited and therefore it is currently uncertain whether this will create a cost pressure for the Council.

### Business Services

**Table 8: Summary of the revenue position for directorate**

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-2.4	-2.2	0.2	-14.6	-12.4	-14.6	0.0
Expenditure	15.5	14.0	-1.5	98.1	83.5	97.5	-0.6
<b>Net position</b>	<b>13.1</b>	<b>11.8</b>	<b>-1.3</b>	<b>83.5</b>	<b>71.1</b>	<b>82.9</b>	<b>-0.6</b>

25. The year to date underspend is primarily in relation to the phasing of project delivery within IMT (-£0.6m) and Business Improvement (-£0.3m). The majority of the IMT variation relates to the Modern Worker scheme (-£0.3m), this is expected to be fully spent at year end as new projects commence. The Business Improvement project budget is a multi-year project and includes a carry forward from 2012/13 of £0.6m, which is expected to be fully spent at year end.
26. The Business Services 2013/14 revenue budget includes savings of £2.9m, of these £1m are PVR organisational review savings. Almost all of the new staffing structures are in place and the directorate is on track to achieve all of its savings targets. The budget also includes the new East Sussex County Council partnership and Local Assistance Scheme budgets, processes are in place to closely monitor these new budgets.
27. The directorate is projected to underspend its revenue budget by -£0.6m for the year. This is due to a projected underspend on property rents (-£0.5m), the MTFP assumed that the number of leasehold properties would increase, however this is now unlikely to happen. The other underspend is the Council's anticipated audit fee is likely to be -£0.1m less than the budget. Both of these underspends are likely to continue beyond 2013/14 and will be reflected where appropriate in the forward MTFP.

### Chief Executive's Office

**Table 9: Summary of the revenue position for directorate**

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jun - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-4.6	-4.5	0.1	-27.6	-22.7	-27.3	0.4
Expenditure	8.2	7.7	-0.5	43.1	34.9	42.7	-0.5
<b>Net position</b>	<b>3.6</b>	<b>3.2</b>	<b>-0.4</b>	<b>15.5</b>	<b>12.2</b>	<b>15.4</b>	<b>-0.1</b>

28. The directorate is currently projecting a small underspend of -£0.1m against a total revenue budget of £15.5m. This is predominantly due to holding vacancies within Policy & Performance in preparation for achieving efficiency savings for 2014/15, offset by a small pressure in Legal.

29. The directorate has taken on the Council's new responsibility for Public Health this year. Some uncertainties remain in this first year of Public Health budgets. Nonetheless, it is expected they can be managed to achieve a balanced position.
30. Public Health Income: £3.3m of funding for sexual health services was allocated to the Clinical Commissioning Groups (CCG) in error by the Department of Health (DoH). Discussions are ongoing with CCG finance leads to obtain this income, at this point there are expectations to do so. However, if this is not the case the Public Health budget for 2013/14 will require review. For future years there has been confirmation from the DoH that this misallocation will be rectified.
31. Income was budgeted to be recovered in relation to the provision of drug and alcohol services. However, changed priorities reflecting the transition from police authority to the Police and Crime Commissioner (PCC) mean that this funding is not available as anticipated. The funding gap in the current year will be managed by savings on the staffing budget. The service budget for future years will be reviewed as part of the ongoing MTFP process.
32. Public Health Expenditure: Due to the fact that a number of staff did not transfer to the Council from NHS Surrey as part of the changes to the NHS from 1 April 2013, Public Health currently has a number of senior level vacancies. This will not be ongoing, as when posts are filled the budget will be spent more fully in future years. Public Health has started a recruitment process but does not expect to have all posts filled before December 2013.
33. The year to date underspend relates to Healthchecks that have not yet commenced. It is assumed that it will be fully spent by year end. Across the year service provision will be increased through one off initiatives to ensure that the ring fenced grant is fully utilised. The full year position is an overspend that offsets the underspend on staffing. This will not be an ongoing position as plans are in place to recruit to a fully staffed team by December 2013.
34. The full year position is reliant on receiving the £3.3m from the CCGs mentioned above; if this funding is not forthcoming then the budget would need to be reviewed.

### Central Income & Expenditure

Table 10: Summary of the revenue position for directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jun - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-138.2	-138.8	-0.6	-841.1	-702.0	-840.8	0.3
Expenditure	-14.1	-14.0	0.1	38.0	52.0	38.0	0.0
	<b>-152.3</b>	<b>-152.8</b>	<b>-0.5</b>	<b>-803.1</b>	<b>-650.0</b>	<b>-802.8</b>	<b>0.3</b>
Risk contingency				13.0	0.0	0.0	-13.0
<b>Net position</b>				<b>-790.1</b>	<b>-650.0</b>	<b>-802.8</b>	<b>-12.7</b>

35. The year to date variance is primarily caused by additional government grant income being received. There are many small changes in government grants, but the largest (-£0.3m) is in relation to Surrey's share of the Council Tax Transition Grant (CTTG) received by Boroughs & Districts for having compliant local council tax support schemes. This was not included in the budget due to uncertainty of about eligibility. This grant is for 2013/14 only and will mitigate the impact of other grant losses.



36. The MTFP included a business rates top up grant of £2.4m, which will no longer be received following a change of Government policy in March 2013. The impact of this is there is a shortfall in income in 2013/14 and it will also be a pressure in 2014/15. The shortfall in 2013/14 will be partially offset by some additional grant income which was not included in the MTFP, such as Local Authority Central Spend Equivalent Grant (£1.4m) and CTTG (£0.3m).

## Staffing Costs

37. 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.
38. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
39. A sensible degree of flexibility in the staffing budget is good, as it allows the Council to keep a portion of establishment costs variable. The current level of 92% of costs being due to contracted staff.
40. The Council sets its staffing budget based upon the estimated labour required to deliver its services. This is expressed as budgeted full time equivalent staff (FTEs) and converted to a monetary amount for the budget. This budget will include the spending on all three categories of staff and is the key control in managing expenditure on staffing.
41. The Council's total full year budget for staffing is £312.1m based on 8,025 budgeted FTEs. The year to date budget for the end of May 2013 is £49.6m and the expenditure incurred is £48.7m. At the end of May 2013, the Council employed 7,317 FTE contracted staff.
42. Table 11 shows the staffing expenditure and FTEs for the first two months of the year against budget, analysed among the three staff categories for each directorate.

**Table 11: Staffing costs and FTEs to end of May 2013**

	Staffing Budget to May 2013 £m	Staffing spend by category					Variance £m	Budget FTE	May 2013 occupied contracted FTE
		Contracted £m	Agency £m	Bank & Casual £m	Total £m				
Adult Social Care	12.1	10.8	0.6	0.3	11.7	-0.4	2,187	1,899	
Children Schools & Families	18.1	16.2	0.8	0.6	17.6	-0.5	2,690	2,435	
Customer and Communities	9.6	8.6	0.1	0.8	9.5	-0.1	1,507	1,453	
Environment & Infrastructure	3.7	3.7	0.2	0.1	4.0	0.3	524	498	
Business Services and Central Income & Expenditure	7.0	6.4	0.5	0.0	6.9	-0.1	892	818	
Chief Executive's Office	2.1	1.7	0.1	0.0	1.8	-0.3	225	214	
<b>Total</b>	<b>52.6</b>	<b>47.4</b>	<b>2.3</b>	<b>1.8</b>	<b>51.5</b>	<b>-1.1</b>	<b>8,025</b>	<b>7,317</b>	

43. The most material variance is the Chief Executive Office relating to Public Health underspend of -£0.3m (50% of year to date budget). As already stated in Paragraph 32, a number of staff did not transfer over from the NHS and the service is recruiting.

44. Table 12 shows there are 132 “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.

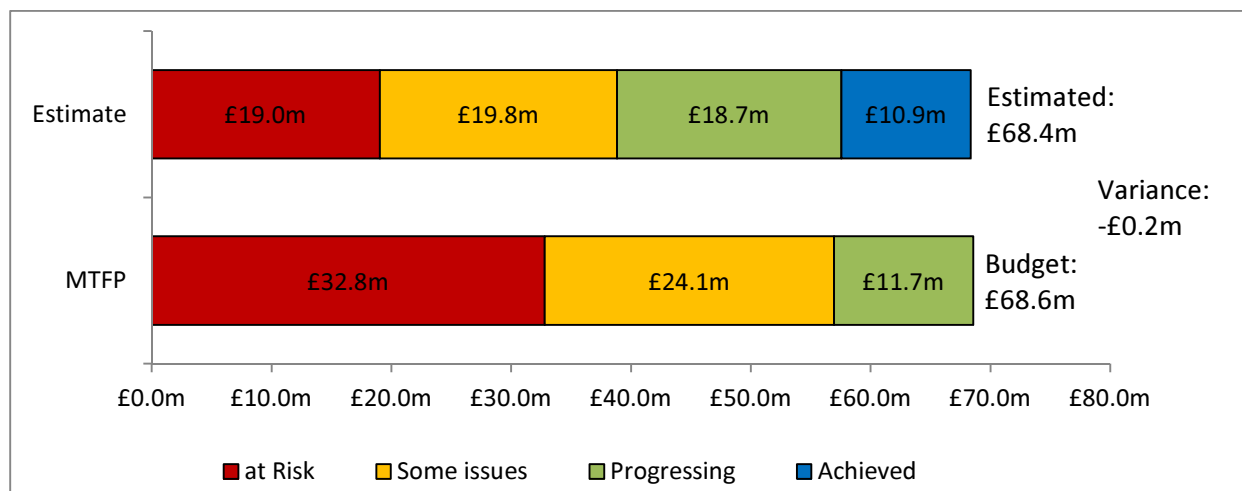
Table 12: full time equivalents in post and vacancies

	<b>May FTE</b>
Budget	8,025
Occupied contracted FTE	7,317
Contracted FTE out sourced (SEEC) and capital funded (Super fast Broadband)	13
“Live” vacancies (ie: actively recruiting)	132
Vacancies not occupied by contracted FTEs	563

## Efficiencies

45. The MTFP incorporates £68.6m of expenditure efficiencies. Within the background to this document (from page 14) are the individual directorate efficiencies and a brief paragraph on the progression.

Graph 1: 2013/14 ragged overall efficiencies



46. There is currently a small under achievement of -£0.2m on expenditure efficiencies of £68.6m in Customer & Communities (+£0.1m) offset by Adults Social Care (-£0.3m).
47. Customer & Communities' over achievement (+£0.1m) is due to the early achievement of 2014/15 efficiency in Directorate Support staff saving. This overachievement is already within the revenue position. While Adult Social Care forecasts a small underachievement of its efficiency requirement, there is a heightened risk that £13.3m of its efficiencies will not be achieved in 2013/14.
48. Within the background appendix of this annex are the directorate expenditure efficiencies as at May 2013. All efficiencies have been evaluated on the following risk rating basis:
- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place.
  - AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place
  - GREEN – Plans in place to take the actions to achieve the saving
  - BLUE – the action has been taken to achieve the saving.

## Capital

49. In agreeing significant capital investment as part of the MTFP for 2013-18 in February 2013, 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.
50. The Council's total capital programme is £699m over the five year MTFP period 2013-18. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Subsequently, Cabinet amended the budget by approving the reprofiling and carry forwards (-£32.6m in total, -£2.5m for 2013/14) from 2012/13. This decreases 2013/14's capital budget to £184.8m. Four virements this month increase the capital budget by £4.1m to £188.9m. The virements are for:
- grant confirmations (Local Sustainable Travel Fund grant £1.8m in E&I),
  - school contributions to schemes (£0.3m) and
  - approved new schemes (£2.0m).
- These changes are summarised in table App 3 (page 21).
51. The current forecast is for the in-year budget to be fully spent. The revised 2013/14 budget is within the background to this document and can be found at page 21.

**Table 13: 2013/14 Capital expenditure position**

<b>2013/14 Monitoring</b>	<b>Revised Full Year Budget</b>	<b>Apr - May actual</b>	<b>June - Mar projection</b>	<b>Full year forecast</b>	<b>Full year variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care	1.7	0.5	1.2	1.7	0.0
Children, Schools & Families	4.7	0.7	4.0	4.7	0.0
Customer & Communities	5.1	0.3	4.8	5.1	0.0
Environment & Infrastructure	56.1	13.8	42.3	56.1	0.0
Business Services	109.8	8.9	100.9	109.7	0.0
Chief Executive's Office	11.5	0.0	11.5	11.5	0.0
<b>Total Overall</b>	<b>188.9</b>	<b>24.2</b>	<b>164.7</b>	<b>188.9</b>	<b>0.0</b>

52. The Council has received a Fire Capital Grant of £1,111,742. The council has the flexibility to decide when and how this grant is spent provided that it is spent on capital projects. The Customer & Communities are requesting that, as in previous years, this grant is used towards the funding of the Fire Vehicle & Equipment Replacement programme, as factored into the programme's funding assumptions.

**Appendix to Annex**

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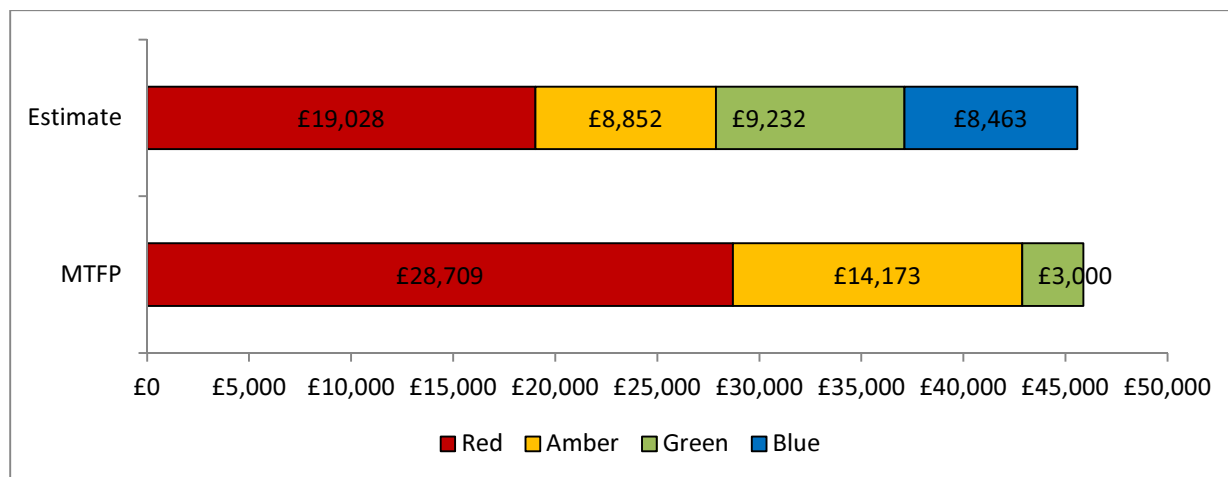
**Directorates by service / policy summary at the end of May 2013**

Summary by service	Full Year (Revised) Budget £m	Full Year Projection £m	Full Year Variance £m
<b>Adult Social Care</b>			
Income	-65.8	-74.4	-8.6
Older People	157.1	164.4	7.3
Physical Disabilities	48.9	49.2	0.3
Learning Disabilities	129.9	132.0	2.1
Mental Health	7.4	8.1	0.7
Other Expenditure	60.5	58.7	-1.8
<b>Adult Social Care</b>	<b>338.0</b>	<b>338.0</b>	<b>0.0</b>
<b>Children, Schools &amp; Families</b>			
Grant Income	-114.1	-114.1	0.0
Strategic Services	5.0	5.0	0.0
Children's Services:	85.9	87.4	1.5
Schools and Learning:	183.2	183.2	0.0
Services for Young People	19.4	19.4	0.0
<b>Children, Schools &amp; Families</b>	<b>179.3</b>	<b>180.8</b>	<b>1.5</b>
<b>Schools</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Customers &amp; Communities</b>			
Cultural Services	12.3	12.1	-0.2
Fire & Rescue	35.6	35.6	0.0
Customer Services	4.0	4.0	0.0
Trading Standards	2.1	2.1	0.0
Community Partnership & Safety	4.1	4.1	0.0
Directorate Support	2.1	1.9	-0.2
<b>Customers &amp; Communities</b>	<b>60.2</b>	<b>59.8</b>	<b>-0.4</b>
<b>Environment &amp; Infrastructure</b>			
Environment	61.3	61.3	0.0
Highways	39.6	39.6	0.0
Economy, Transport & Planning	24.2	24.2	0.0
Other Directorate Costs	0.4	0.4	0.0
<b>Environment &amp; Infrastructure</b>	<b>125.5</b>	<b>125.5</b>	<b>0.0</b>
<b>Business Services</b>			
Property	32.4	31.9	-0.5
Information Management & Technology	23.3	23.3	0.0
Human Resources and OD	9.3	9.3	0.0
Finance	8.4	8.3	-0.1
Shared Services	4.2	4.2	0.0
Procurement & Commissioning	3.3	3.3	0.0
Business Improvement	2.6	2.6	0.0
<b>Business Services</b>	<b>83.5</b>	<b>82.9</b>	<b>-0.6</b>
<b>Chief Executive's Office</b>			
Strategic Leadership	0.5	0.5	0.0
Emergency Management	0.5	0.5	0.0
Communications	1.9	1.9	0.0
Legal & Democratic Services	9.7	9.7	0.0
Policy & Performance	2.9	2.8	-0.1
Public Health (£27.0m fully funded by Govt and other grants)	0.0	0.0	0.0
<b>Chief Executive's Office</b>	<b>15.5</b>	<b>15.4</b>	<b>-0.1</b>
<b>Central Income &amp; Expenditure</b>	<b>-803.0</b>	<b>-802.7</b>	<b>0.3</b>
<b>Risk Contingency</b>	<b>13.0</b>	<b>13.0</b>	<b>0.0</b>
<b>Overall position</b>	<b>11.9</b>	<b>12.6</b>	<b>0.7</b>

### Efficiencies & Service Reductions

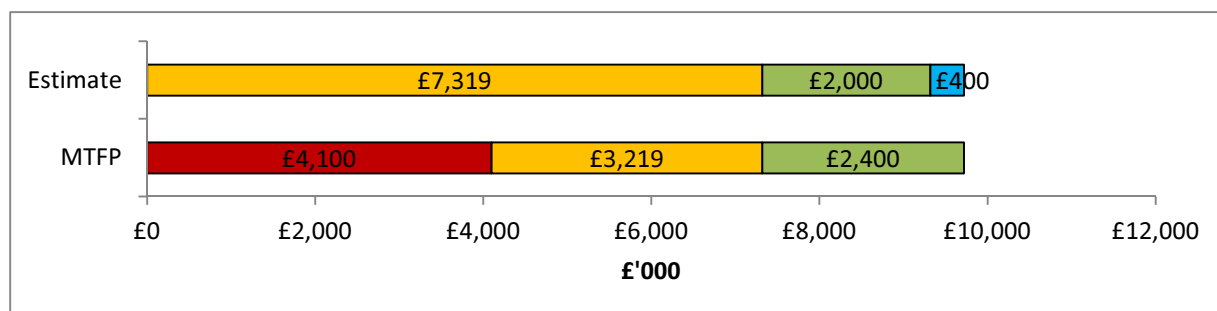
- App. 1. The below graphs of directorate efficiencies & service reductions are tracking the MTFP ragged expenditure efficiencies & service reductions. There are some income efficiencies of increased income that the directorate may collate within their monitoring.
- App. 2. All the graphs are operating on the same legend – Red – At risk, Amber – some issues, Green – Progressing and Blue – Achieved. Each graph is based on the appropriate gauge and therefore not comparable.

### Adult Social Care



53. The directorate has achieved savings of £8.5m already this year, mainly through the procurement such as the optimisation of spot care rates. There is a further £9m that is on target to be achieved this year. However £15.5m of the total £46m savings are highly reliant on the success of the new policy to maximise the use of social capital. It is taking longer than anticipated to finalise the approach, train staff and implement the new policy. At this stage of the year the achievement of these savings remains a red risk, given the untried nature of this approach.

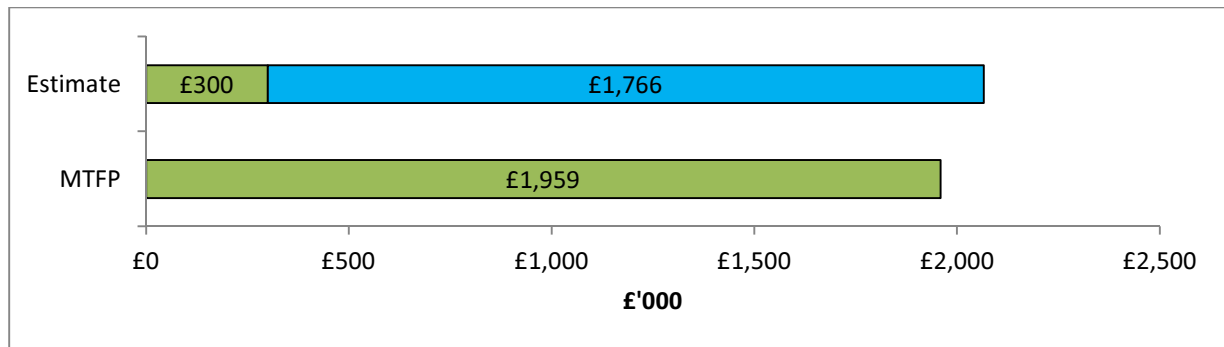
### Children, Schools & Families



- App. 3. At this early stage in the year CSF efficiencies are largely on track. The main concern is the delay in achieving the efficiencies planned in services children with disabilities in full (paragraph 12). However the service is continuing to review options and this is shown an amber risk at this stage.

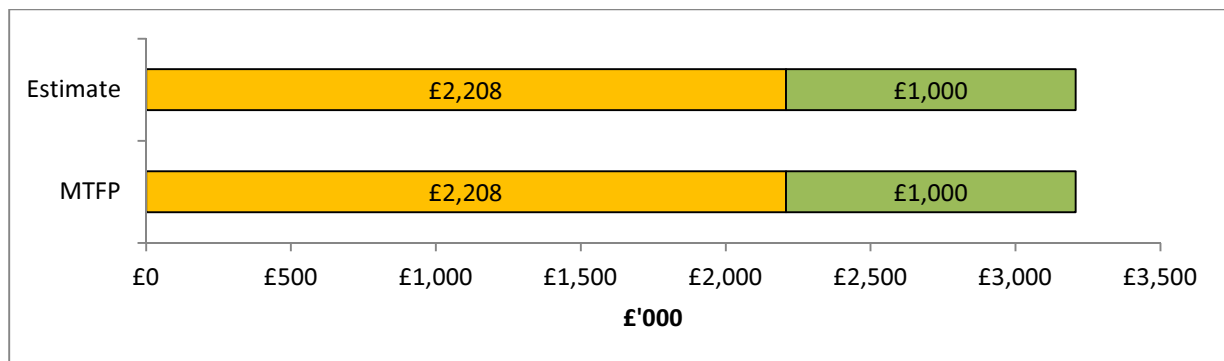


### Customer & Communities



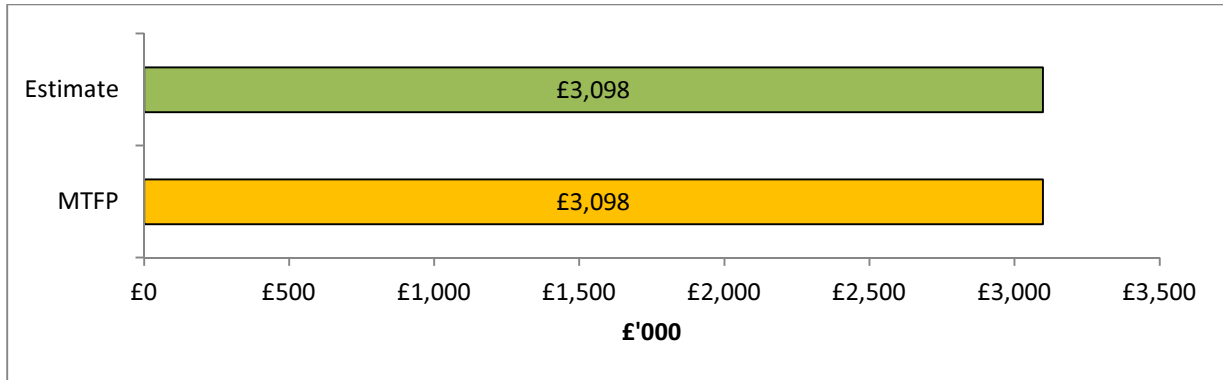
App. 4. The efficiencies summary is showing an over-achievement of £107,000 against the 2013/14 target of £1.959m. This is due to the early achievement of 2014/15 Directorate Support staff saving. The majority of the 2013/14 efficiencies have already been achieved, with the exception of the Cultural Services income increase. This is expected to be achieved as Registration are currently over-achieving their target however there are some risks associated with Libraries and Heritage income that may have an impact on this.

### Environment & Infrastructure



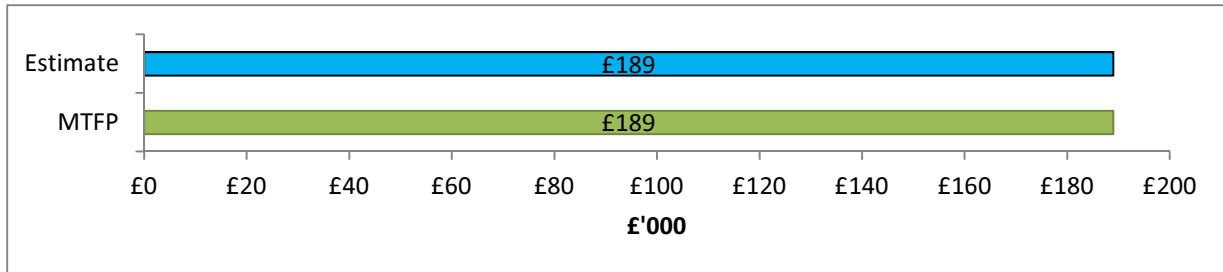
App. 5. The Directorate plans to achieve a number of challenging efficiency savings and cost reductions this financial year, including reducing contract costs and increasing income/recharges. A number of these were given an “Amber” risk rating in the Medium Term Financial Plan reflecting uncertainties around amounts and deliverability. A project team is in place to ensure savings are achieved, however at this stage firm plans are not in place to deliver all savings required. In particular, further analysis is being undertaken in respect of the LSTF grant to evaluate the risk that the recovery of staff costs is not as high as originally anticipated.

**Business Services**



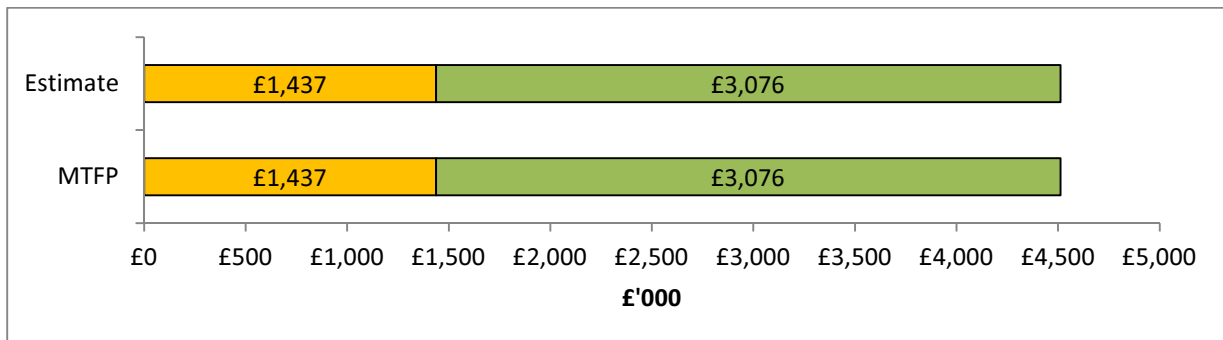
App. 6. The efficiencies identified in the MTFP are on track to be realised, all savings have been reviewed and plans are in place to achieve, and therefore the risk of achievement has been appropriately adjusted.

**Chief Executive's Office**



App. 7. The planned 2013/14 efficiencies have been achieved. The Directorate is currently holding vacancies within Policy & Performance in preparation for achieving efficiency savings for 2014/15 and will review these during the year to establish the on-going effect.

**Central Income & Expenditure**



App. 8. The efficiencies identified in the MTFP are on track to be realised but the risks attached to them remain.

**Updated Budget - Revenue**

App. 9. The Council's 2013/14 revenue expenditure budget was initially approved at £1,685.3m. Subsequently the Cabinet approved the use of reserves built up in 2012/13 to augment this. This approval increased the budget to £1,694.2m. There have been a number of virement this month to correct the initial profiles of the MTFP budget and a small increase in income for the Graduate Teachers Programme (£0.1m). These changes are summarised in table App 1.

**Table App 1: Movement of 2013/14 revenue expenditure budget**

	Income £m	Expenditure £m	Earmarked Reserves £m	General Balances £m	Total £m	Number of Virements
Original MTFP	-1,662.3	1,685.2		-22.9	0.0	
Funded by Budget Equalisation reserve			-11.0	11.0	0.0	
<b>Original MTFP funded by general reserves</b>	<b>-1,662.3</b>	<b>1,685.2</b>	<b>-11.0</b>	<b>-11.9</b>	<b>0.0</b>	
<u>May changes</u>						
Carry forwards		7.9	-7.9		0.0	3
Graduate Teacher Programme grant					0.0	2
Transfer of income & expenditure					0.0	5
Child Protection reserve drawdown		0.9	-0.9		0.0	1
Intra directorate reprofiling					0.0	18
May changes	<b>0.0</b>	<b>8.8</b>	<b>-8.8</b>	<b>0.0</b>	<b>0.0</b>	<b>29</b>
<b>Updated Budget - May 2013</b>	<b>-1,662.3</b>	<b>1,694.0</b>	<b>-19.8</b>	<b>-11.9</b>	<b>0.0</b>	<b>29</b>
<u>Earmarked reserves:</u>						
Budget Equalisation reserve		-18.9	18.9			
Child Protection reserve		-0.9	0.9			
<b>Revised budget supported only by general balances - May 2013</b>	<b>-1,662.3</b>	<b>1,674.2</b>	<b>0.0</b>	<b>-11.9</b>	<b>0.0</b>	<b>29</b>

App. 10. When the Council agreed the 2013-2018 MTFP in February 2013, some 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 income and expenditure budget. Currently the only government grant movement is for graduate Teacher programme (-£0.1m).

App. 11. The Cabinet is asked to note this grant change and approve that it is allocated to the relevant services.

App. 12. 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 nine virements above this amount in May. Table App 2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year:

App. 13. The nine virement were:

- a. Three virements (£568m) reprofiling school budget, and five virements reprofiling non school budget (£26m);
- b. Surrey Growth Fund transferred from Environment & Infrastructure to Children, School & Families (£750,000);

**Table App 2: 2013/14 updated revenue budget – May 2013**

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-65.8	403.8	338.0
Children, Schools and Families	-150.5	329.8	179.3
Schools	-521.7	521.7	0.0
Customers and Communities	-23.6	83.8	60.2
Environment and Infrastructure	-17.4	142.9	125.5
Change and Efficiency	-14.6	98.1	83.5
Chief Executive's Office	-27.6	43.1	15.5
Central Income / Exp	-841.1	38.0	-803.1
<b>Service total</b>	<b>-1,662.3</b>	<b>1,661.2</b>	<b>-1.1</b>
Risk Contingency		13.0	13.0
<b>Total position funded by general reserves</b>	<b>-1,662.3</b>	<b>1,674.2</b>	<b>11.9</b>

**Updated Budget - Capital**

App. 14. The Council's 2013/14 capital expenditure budget was initially approved at £187.3m. Subsequently the Cabinet approved the reprofiling (£30m)..... and carry forwards (-£2.5m) in 2012/13 to amend this. This approval decreased the budget to £184.8m.

App. 15. There have been a four virements this month to increase (£4.1m) the budget for:

- grant confirmations (Local Sustainable Travel Fund grant £1.7m in E&I),
- School contributions to schemes (£0.3m) and
- approved new schemes (£2.1m).

App. 16. These changes are summarised in table App 3.

**Table App 3: Movement of 2013/14 capital expenditure budget**

<b>2013/14 Budget</b>	<b>MTFP Budget £m</b>	<b>C. Fwd and Reprofiled budget £m</b>	<b>Budget Virement £m</b>	<b>Revised Full Year Budget £m</b>
Adult Social Care	1.3	0.4	0.0	<b>1.7</b>
Children, Schools & Families	2.8	1.6	0.3	<b>4.7</b>
Customer & Communities	2.0	3.1	0.0	<b>5.1</b>
Environment & Infrastructure	50.1	4.3	1.7	<b>56.1</b>
Business Services	119.6	-11.9	2.1	<b>109.8</b>
Chief Executive's Office	11.5	0.0	0.0	<b>11.5</b>
<b>Total overall</b>	<b>187.3</b>	<b>-2.5</b>	<b>4.1</b>	<b>188.9</b>