

Budget monitoring period 3 2013/14 (June 2013)

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 £11m earmarked reserves and £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.

In a separate paper on this agenda (Item 6) Cabinet carried out a review of the MTFP after the first quarter of 2013/14. The report proposes additional savings that services have identified can realistically be delivered for 2014-18 of £56.0m (£19.5m in 2014/15).

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 services, projects and commitments in 2013/14.

At the end of June 2013, services forecast a total overspend of +£1.7m. This excludes use of the £13m risk contingency held within the 2013/14 budget. Applying the risk contingency brings the forecast position to -£11.3m 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 (ASC) demanding (£46m) savings requirement relies on the success of a new policy to maximise use of social capital. Given the scale of the challenge and that this is the first year of these ambitious plans, some slippage may occur. If that happens, ASC will seek to draw down available funding to offset it on a one-off basis. £7.5m of unused Whole Systems funding carried forward from previous years has been identified as such a contingency.

Summary – Efficiencies

The MTFP 2013-18 is based on achieving planned efficiencies and reductions in ongoing spending totalling £68.3m in 2013/14 (£167m for 2013-18). At the end of June 2013, services forecast achieving £68.3m total savings by year end. However, this balanced position includes £7.5m savings in ASC re-categorised as one-off measures, which add to 2014/15's savings pressures.

Summary - Capital

MTFP 2013-18 set a £699m five year capital programme. Cabinet approved re-profiling of carry forwards and virements and this means the revised 2013/14 capital budget is £187.4m. At the end of June 2013, overall capital spending is forecast to achieve a small underspend by year end mainly due to problems obtaining planning permission for travellers' sites.

Recommendations:

That the Cabinet:

1. notes the:
 - forecast revenue budget underspend for 2013/14 (Annex 1, paragraph 1);
 - forecast ongoing efficiencies & service reductions achieved by year end (Annex 1, paragraph 56);
 - forecast capital budget position for 2013/14 (Annex 1, paragraph 60)
 - management actions to mitigate overspends (throughout Annex 1);

- quarter end balance sheet as at 30 June 2013 and movements in earmarked reserves and debt outstanding (Annex 1, page 18);
2. approves the following adjustments to the revenue budget:
- virement of £0.4m from Customer & Communities' Legacy team to Chief Executive's Office to realign budgets and service responsibilities (Annex 1, paragraph 6);
 - virement of £0.7m from Adult Social Care to Public Health to realign health and well-being budgets (Annex 1, paragraph 7);
 - virement of £0.14m from New Homes Bonus funding to Environment & Infrastructure to support planning applications associated with the schools building programme (Annex 1, paragraph 8);
 - virement of £5.0m from the Severe Weather Reserve to repair damage to roads caused during the last winter (Annex 1, paragraph 9);
3. approves the following adjustments to the capital budget:
- virement of -£0.4m grant reprofiling of Local Sustainable Travel Fund grant in Environment & Infrastructure (Annex 1, paragraph 60);
 - virement of -£0.5m reprofiling of external funding in Environment & Infrastructure (Annex 1, paragraph 60);
 - virement of £0.6m reprofiling of IT Replacement Reserve (Annex 1, paragraph 60);
 - virement of -£0.6m reprofiling of Adult Social Care Infrastructure grant (Annex 1, paragraph 60);
 - virement of the transfer of responsibility for Basingstoke Canal from Business Services (-£0.5m) to Environment & Infrastructure (£0.5m) (Annex 1, paragraph 60); and
 - virement of the addition of £1.8m for Redhill balanced network as a new scheme (Annex 1, paragraph 60).

Revenue budget

- The updated revenue budget for the 2013/14 financial year, including schools, was supported by £23.0m of earmarked and general reserves, plus £7.9m revenue carried forward from 2012/13 to fund committed 2013/14 expenditure. The current projection for the Council funded service net revenue budget is +£1.7m overspend. This excludes use of the £13m risk contingency held within the 2013/14 budget. Applying the risk contingency brings the forecast position to -£11.3m underspend.
- Table 1 below shows the revenue position supported by general balances.

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

	Year to Date Budget	Year to Date Actual	Year to Date Variance	Full Year Budget	Jul – Mar remaining Forecast Spend	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income							
Local taxation	-177.8	-179.7	-1.9	-594.3	-414.6	-594.3	0.0
Government grants	-230.0	-231.3	-1.3	-923.3	-691.9	-923.2	0.1
Other income	-36.4	-35.1	1.3	-147.0	-111.5	-146.6	0.4
Income	-444.2	-446.1	-1.9	-1,664.6	-1,218.0	-1,664.1	0.5
Expenditure							
Staffing	77.8	76.1	-1.7	310.6	232.4	308.5	-2.1
Non staffing	183.8	178.6	-5.2	844.1	655.8	834.4	-9.7
School expenditure	129.3	129.3	0.0	521.8	392.5	521.8	0.0
Expenditure	390.9	384.0	-6.9	1,676.5	1,280.7	1,664.7	-11.8
Funded by:							
General balances	-53.3	-62.1	-8.8	11.9	62.7	0.6	-11.3

- Table 2 below shows the updated net revenue budget for each directorate and schools and the year end variance.
- Each directorate reports service or policy financial information that support the variances as well as a summarised income & expenditure report. Also within the background information is the updated budget with explanations of the budget movements. This can be found at paragraphs App. 10 to App. 13 on page 23.

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

May's projected variance £m	Directorate net position	Directorate net position			Full year (revised) Budget £m	Jul – Mar remaining forecast spend £m	Full year projection £m	Full year variance £m
		YTD budget £m	YTD actual £m	YTD variance £m				
0.0	Adult Social Care	84.5	89.1	4.6	338.0	248.9	338.0	0.0
1.5	Children, Schools & Families	44.5	39.3	-5.2	179.0	141.7	181.0	2.0
0.0	Schools (gross exp £521.8m)	0.0	0.0	0.0	0.1	0.1	0.1	0.0
-0.4	Customer & Communities	15.5	15.1	-0.4	60.4	45.0	60.1	-0.3
0.0	Environment & Infrastructure	29.4	28.2	-1.2	126.5	98.9	127.1	0.5
-0.6	Business Services	19.5	18.0	-1.5	82.9	64.2	82.3	-0.6
-0.1	Chief Executive's Office	5.3	4.7	-0.6	15.6	10.8	15.5	-0.1
0.3	Central Income & Expenditure	-252.0	-256.5	-4.5	-803.6	-546.9	-803.4	0.2
0.7	Service position	-53.3	-62.1	-8.8	-1.1	62.7	0.6	1.7
-13.0	Risk Contingency	0.0	0.0	0.0	13.0	0.0	0.0	-13.0
-12.3	Overall position	-53.3	-62.1	-8.8	11.9	62.7	0.6	-11.3

5. Financial regulations state any virement of over £0.25m and represents a policy or managerial responsibility change should be approved by the relevant Cabinet Member. If the virement crosses portfolios, then the Leader and the relevant Cabinet Members should approve. The virements in paragraphs 6 to 9 below affect the following portfolios: Adult Social Care, Public Health, Community Services, Environment and Infrastructure and Deputy Leader.
6. Following changes in management responsibilities, a virement of £0.4m is requested to realign directorate budgets with their revised areas of service delivery. This virement reflects Customers and Communities' Legacy team's move to the Chief Executive's Office.
7. Now that the transfer of Public Health from the NHS to the Council is complete, there is a virement request to transfer £0.7m from Adult Social Care to Public Health to align health and well-being budgets. This transfer to Public Health is grant funded.
8. E&I has appointed additional staff to provide pre-planning advice on potential sites and proposals and to provide support for planning applications associated with the schools building programme. A virement to transfer £0.14m New Homes Bonus funding to E&I to meet these planning costs is requested.
9. Highways service has highlighted damage to roads caused during the last winter. A virement to transfer £5.0m from the Severe Weather Reserve to meet these repair costs is requested.

Adult Social Care

Table 3: Summary of the revenue position for directorate

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jul - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-17.0	-15.8	1.1	-68.0	-52.3	-68.2	-0.2
Expenditure	101.5	105.0	3.5	406.0	301.3	406.2	0.2
Net position	84.5	89.1	4.6	338.0	248.9	338.0	0.0
Summary by service	£m	£m	£m	£m	£m	£m	£m
Income	-17.0	-15.8	1.2	-68.0	-52.3	-68.1	-0.1
Older People	39.4	43.3	3.9	157.5	123.7	167.0	9.5
Physical Disabilities	12.2	12.3	0.1	48.9	35.2	47.5	-1.4
Learning Disabilities	32.4	32.0	-0.4	129.6	99.0	131.0	1.6
Mental Health	2.3	2.3	0.0	9.2	6.9	9.2	0.0
Other Expenditure	15.2	15.0	-0.2	60.9	36.4	51.4	-9.5
Total by service	84.5	89.1	4.6	338.0	248.9	338.0	0.0

10. June's projected outturn for Adult Social Care (ASC) is a balanced budget. The ASC budget faces considerable pressures and demanding savings targets. It is indicative of those pressures that the year to date position as at the end of June shows an overspend of +£4.6m. The Directorate plans to improve this position and offset future demand pressures in the rest of the year by implementing £24.6m of management action savings plans.
11. Planned management actions have increased by £1.2m from May, as additional pressures have emerged, mainly within Older People nursing care and Learning Disabilities services. At this stage ASC anticipates savings plans will control and reduce these pressures. Changes in service volumes and unit costs will continue to be closely monitored and scrutinised at locality level to assess their overall impact better.
12. The most significant element of these future savings plans is the social capital agenda. The savings target for social capital this year is £15.5m, against which £12.2m of savings are currently projected. This projection is made up of £4.9m of demand related savings identified in current projections and £7.3m of savings that the Directorate plans to achieve in the remainder of 2013/14. Social capital is also expected to help contribute towards a further £7.5m of savings. It is still too early in the year to evaluate the success of the use of social capital properly, but given the scale of the challenge and the fact that this is the first year of implementing these ambitious plans, some slippage may occur. If that happens, ASC will seek to draw down available balance sheet funding to help offset any slippage. Currently £7.5m of unused Whole Systems funding carried forward from previous years has been identified as a contingency for this purpose and in view of that, £7.5m of the savings attributable to social capital have been categorised as one-off at this stage.
13. The key driver of the underlying pressures ASC faces is individually commissioned care services. The gross spend to date on spot care, excluding Transition, has been £21.3m per month over April to June. That compares with £21.4m per month at the end of 2012/13, indicating some progress. However if all savings occur as currently forecast or are replaced by other means, then ASC can afford to spend only £20.4m per month in order to achieve an overall balanced budget. Therefore, ASC's management actions

include plans to achieve the 4.7% reduction in expenditure on individually commissioned care services needed.

14. In previous years 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 this year's budget also depends on other management actions included within the MTFP. The most significant of these are:

- application of social capital -£7.3m
- Whole System funding to support service pressure in 2013/14 -£7.5m
- 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 4: Summary of the revenue position for directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jul - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-37.2	-36.2	1.0	-150.6	-114.5	-150.7	-0.1
Expenditure	81.7	75.5	-6.2	329.6	256.2	331.7	2.1
Net position	44.5	39.3	-5.2	179.0	141.7	181.0	2.0
Summary by service	£m	£m	£m	£m	£m	£m	£m
Grant Income	-37.2	-36.2	1.0	-150.6	-114.5	-150.7	-0.1
Strategic Services	1.3	0.9	-0.4	5.1	4.2	5.1	0.0
Children's Services:	22.3	22.1	-0.2	88.3	68.5	90.6	2.3
Schools and Learning:	53.3	47.4	-5.9	214.0	166.4	213.8	-0.2
Services for Young People	4.8	5.1	0.3	22.2	17.1	22.2	0.0
Total by service	44.5	39.3	-5.2	179.0	141.7	181.0	2.0

15. The forecast overall outturn position for the Children Schools & Families directorate (CSF) is an overspend of £2m. This is a £0.5m increase compared to the previous month. The main reasons for the overspend position is due to continuing pressures in Children's Services.
16. The Dedicated Schools Grant (DSG) funded services are forecast to underspend by -£2.1m. The main reason for this is less demand for 2, 3 and 4 year old nursery provision than the grant funding level which underpins the budget.
17. The year to date underspend position of -£5.2m is mainly due to: a credit for schools broadband income received but payments not having yet been made (-£1.6m); some DSG funded budgets won't be delegated to and/or costs recharged from schools until September (-£1.8m); DSG underspend on Early Years (-£1.2m) and the remainder is a net underspend across several budget lines (-£0.6m).

18. The main pressures on the directorates budget are within Children's Services. Some of this pressure arises from delays in achieving efficiencies within services for children with disabilities resulting in a forecast overspend of +£1.1m. This is an ongoing pressure pending completion of the strategic review of services for children with disabilities across the directorate. This is part of the wider CSF Public Value programme which aims to deliver these savings in the medium term.
19. 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 +£0.2m 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 recruitment programme in the north east, although the results of these initiatives will take some time to be realised.
20. There is also increased pressure in Children's Services relating to agency placements where 17 additional placements were made in June with several children transferring from lower cost in-house fostering. This has resulted in a projected overspend of +£0.8m should placements remain at the current level.
21. The pressure on fostering and adoption allowances continues at +£0.4m. Despite the movement of children into agency placements the number remains 20 higher than at the beginning of the year. In addition the number of Special Guardianship Orders continues to increase.
22. Offsetting these overspends in Children's Services is the budget held in anticipation of pressures within the service during the year where a -£0.6m underspend is expected.
23. Schools and Learning is forecasting a very small underspend -£0.2m. The financial position for this service will become clearer with the start of the new academic year in September when the position for SEN demand led budgets (agency placements and transport) together with the impact of 2013/14 DSG funding changes can be forecast based on actual pupil numbers rather than forecasts..
24. Services for Young People and Strategic Services are forecasting a balanced position.

Schools (delegated budget)

Table 5: Summary of the revenue position for the delegated schools budget

	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jul - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Summary by subjective							
Income	-129.3	-129.3	0.0	-521.8	-392.5	-521.8	0.0
Expenditure	129.3	129.3	0.0	521.8	392.6	521.8	0.0
Net position	0.0	0.0	0.0	0.1	0.1	0.1	0.0

25. The position is unchanged since the beginning of the year. The Schools delegated budget will be reviewed in September, after the new school year has commenced.

Customer & Communities**Table 6: Summary of the revenue position for directorate**

Summary	June YTD Budget £m	June YTD Actual £m	June YTD Variance £m	Full Year (Revised) Budget £m	Jul - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-5.9	-6.5	-0.6	-23.4	-17.3	-23.8	-0.4
Expenditure	21.4	21.7	0.2	83.8	62.3	83.9	0.1
Net position	15.5	15.1	-0.4	60.4	45.0	60.1	-0.3
Summary by service	£m	£m	£m	£m	£m	£m	£m
Cultural Services	3.0	3.3	0.3	12.3	9.0	12.3	0.0
Fire & Rescue	9.3	9.2	-0.1	35.6	26.4	35.6	0.0
Customer Services	1.1	1.0	-0.1	4.0	3.0	4.0	0.0
Trading Standards	0.5	0.5	0.0	2.2	1.7	2.2	0.0
Community Partnership & Safety	1.1	0.7	-0.4	4.1	3.4	4.1	0.0
Directorate Support	0.5	0.4	-0.1	2.2	1.5	1.9	-0.3
Total by service	15.5	15.1	-0.4	60.4	45.0	60.1	-0.3

26. The year to date underspend of -£0.4m is mainly due to the timing of Community Improvement Fund grants and member allocation payments within Community Partnership and Safety. Year to date pressures within Libraries are offset by other underspends across the directorate.
27. The directorate is currently projecting a small underspend of -£0.3m. This is predominantly from early achievement of the 2014/15 MTFP efficiency on Directorate Support, due to holding posts vacant and sharing costs (£0.2m). A further underspend is expected from the continued increase in income generated by Registration (£0.1m), which is due in part to the three yearly cycle of venue licensing income. This will be reflected appropriately within future MTFP income targets. The 2013/14 pay award was designed to be more beneficial to staff on lower grades and this has had a particular impact on Cultural Services. This, together with the continuation of staffing to support Community Partnered Libraries, has created a net pressure of £0.1m in Libraries.

Environment & Infrastructure

Table 7: Summary of the revenue position for directorate

Summary	June YTD Budget £m	June YTD Actual £m	June YTD Variance £m	Full Year (Revised) Budget £m	Jul - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-4.4	-3.6	0.8	-17.7	-13.4	-17.0	0.6
Expenditure	33.8	31.8	-2.0	144.2	112.3	144.1	-0.1
Net position	29.4	28.2	-1.2	126.5	98.9	127.1	0.5
Summary by service	£m	£m	£m	£m	£m	£m	£m
Environment	14.1	14.4	0.3	61.4	47.0	61.4	0.0
Highways	9.1	7.9	-1.1	39.6	31.7	39.6	0.0
Economy, Transport & Planning	6.1	5.8	-0.4	25.1	19.8	25.6	0.5
Other Directorate Costs	0.1	0.1	0.0	0.4	0.4	0.4	0.0
Total by service	29.4	28.2	-1.2	126.5	98.9	127.1	0.5

Note: All numbers have been rounded - which might cause a casting error

28. The year to date position is an underspend of -£1.2m. This primarily relates to highway maintenance works (-£1.4m) including local schemes and road maintenance, where some works have been delayed and payments have not yet been made.
29. The forecast outturn for E&I is currently an overspend of +£0.5m. This is mainly due to an expected overspend on local bus support (+£0.6m) as a result of increasing contract costs, plus a number of instances where bus routes are no longer commercially viable and need financial support from the Council. Smaller variations include an expected overspend on employee costs (+£0.2m) which is offset by additional recharge income.
30. E&I faces a number of further risks around costs and income this year. Responsibility for making fuel duty rebate payments to bus operators is due to transfer to local authorities in January 2014. Central government has issued guidance, but funding levels remain unclear and it is currently uncertain whether this will create a cost pressure for the Council.
31. The cost of waste disposal remains dependant on waste volumes and treatments and the contract variation will have cost implications as it progresses. E&I also plans to achieve a number of challenging efficiency savings and cost reductions this financial year, including reducing contract costs and increasing income and recharges. A number of these were given an amber risk rating in the MTFP 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 Local Sustainable Travel Fund grant to evaluate the risk that the recovery of staff costs is not as high as originally anticipated.

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

Summary	YTD Budget	YTD Actual	YTD Variance	Full Year (Revised) Budget	Jul - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-3.5	-3.6	-0.1	-14.7	-11.1	-14.7	0.0
Expenditure	23.0	21.6	-1.4	97.6	75.4	97.0	-0.6
Net position	19.5	18.0	-1.5	82.9	64.2	82.3	-0.6
Summary by service	£m	£m	£m	£m	£m	£m	£m
Property	6.9	6.8	-0.1	32.4	25.1	31.9	-0.5
Information Management & Technology	5.9	5.3	-0.6	23.3	18.1	23.3	0.0
Human Resources and OD	2.1	2.0	-0.1	8.6	6.6	8.6	0.0
Finance	2.1	1.9	-0.2	8.4	6.4	8.3	-0.1
Shared Services	1.0	0.8	-0.2	4.2	3.4	4.2	0.0
Procurement & Commissioning	0.8	0.8	0.0	3.3	2.5	3.3	0.0
Business Improvement	0.7	0.4	-0.3	2.7	2.3	2.7	0.0
Total by service	19.5	18.0	-1.5	82.9	64.2	82.3	-0.6

Note: All numbers have been rounded - which might cause a casting error

32. 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.
33. The Business Services (BS) 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.
34. BS 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, partially because freehold solutions have been pursued, for example in relation to the relocation of Arts to accommodate a School expansion. The other underspend is the Council's anticipated external audit fee, which 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	Jul - Mar Forecast	Full Year Projection	Full Year Variance
	£m	£m	£m	£m	£m	£m	£m
Income	-6.9	-6.8	0.1	-27.6	-20.3	-27.1	0.5
Expenditure	12.2	11.5	-0.7	43.2	31.1	42.6	-0.6
Net position	5.3	4.7	-0.6	15.6	10.8	15.5	-0.1
Summary by service	£m	£m	£m	£m	£m	£m	£m
Strategic Leadership	0.1	0.1	0.0	0.5	0.4	0.5	0.0
Emergency Management	0.1	0.1	0.0	0.5	0.4	0.5	0.0
Communications	0.5	0.5	0.0	2.0	1.5	2.0	0.0
Legal & Democratic Services	3.5	3.5	0.0	9.6	6.1	9.6	0.0
Policy & Performance	1.1	1.1	0.0	3.0	1.8	2.9	-0.1
Public Health	0.0	-0.6	-0.7	0.0	0.6	0.0	0.0
Net Budget	5.3	4.7	-0.6	15.6	10.8	15.5	-0.1
Public Health - expenditure	6.7	6.0	-0.7	27.0	20.5	26.5	-0.5
Public Health – grant income	-6.7	-6.6	0.1	-27.0	-19.9	-26.5	0.5
Public Health – net expenditure	0.0	-0.6	-0.7	0.0	0.6	0.0	0.0

35. The Chief Executive's Office (CXO) is currently projecting a small underspend of -£0.1m against a total revenue budget of £15.6m. 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 created by additional staffing to manage child protection case loads.
36. CXO 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.
37. 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). Positive discussions are ongoing with CCG to agree the mechanism for transferring this funding to the Council. For future years DoH has confirmed this misallocation will be rectified.
38. 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.
39. 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. Recruitment has started and it

is anticipated to have most posts filled before December 2013. This underspend will not be ongoing once a fully staffed structure is in place by the financial year end.

40. One off initiatives are also being put in place to ensure that the ring fenced grant is fully utilised by the year end where there has been a short lag due to the transfer on 1 April 2013.
41. The full year position is forecast to be a small underspending on expenditure, mostly due to staffing.

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	Jul - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-240.1	-244.2	-4.1	-840.8	-596.4	-840.6	0.2
Expenditure	-11.9	-12.3	-0.4	37.2	49.5	37.2	0.0
	-252.0	-2565	-4.5	-803.6	-546.9	-803.4	0.2
Risk contingency				13.0	0.0	0.0	-13.0
Net position				-790.6	-546.9	-803.4	-12.8

42. The year to date variance is primarily caused by additional government grant income in 2013/14 being received that is not included in the MTFP. £1.4m was received as a refund on LACSEG grant on the transfer of schools to academy status, and an additional £0.25m was also received in relation to Surrey's share of the Council Tax Transition Grant (CTTG) from the Boroughs and Districts for having compliant local council tax support schemes plus £0.3m Local Service Support grant. In addition to this £1.2m more was received in PFI grants in June compared to the budget profile.
43. The local taxation income showing is higher due to the council tax collection fund surplus in 2012/13. The budget profiling will be updated to reflect this in future months.
44. The Council no longer expects to receive £2.4m of business rates top up grant that was included in the MTFP. The reduction is due to increased call on the safety net nationally. This results in a full year expected shortfall in income in 2013/14 and will also be a continuing pressure in 2014/15.

Revolving Infrastructure & Investment Fund

Table 11: Summary position

Summary	YTD Actual £m	Full Year Forecast £m
Income	-0.4	-1.5
Expenditure	0.3	1.1
Net Revenue Position	-0.1	-0.4

45. The Revolving Infrastructure & Investment Fund was established in the 2013-18 MTFP to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. This £20m reserve will be enhanced further by adding net returns achieved from investments and projects in the short-term. To enhance the

reserve further, this treatment is also being extended to net income from investments in assets and infrastructure projects that precede the creation of the reserve.

46. Net income, after deducting funding costs, is being delivered this financial year by the Joint Venture project to deliver regeneration in Woking town centre (Bandstand Square) and from property acquisitions that have been made for future service delivery. These are Ranger House (Guildford), High Street Egham and Abbey Moor in Chertsey.
47. The Ranger House (£14.4m) and Egham purchases (£1.8m) completed this financial year and form the majority of the capital spend to date. The remaining capital spend are loans made to the Woking Bandstand Joint Venture company. The forecast capital spend includes an estimate of the expected loans to be made during the remainder of this year. The forecast does not include the purchase of a further property being considered by Cabinet on 23 July 2013.

Staffing Costs

48. The Council employs three categories of staff.
- Contracted staff are employed on a permanent or fixed term basis and 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.
49. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
50. 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 is that approximately 92% of costs are due to contracted staff.
51. 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 includes spending on all three categories of staff and is the key control in managing expenditure on staffing.
52. The Council's total full year budget for staffing is £310.6m based on 8,025 budgeted FTEs. The year to date budget for the end of June 2013 is £77.8m and the expenditure incurred is £76.1m. At the end of June 2013, the Council employed 7,329 FTE contracted staff.
53. Table 12 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 12: Staffing costs and FTEs to end of June 2013

	Staffing Budget to June 2013 £m	Staffing spend by category				Variance £m	Budget FTE	June 2013 occupied contracted FTE
		Contracted £m	Agency £m	Bank & Casual £m	Total £m			
Adult Social Care	18.5	16.2	0.9	0.4	17.5	-1.0	2,187	1,899
Children Schools & Families	26.1	23.2	1.2	1.0	25.4	-0.7	2,690	2,435
Customer and Communities	14.3	12.8	0.2	1.1	14.1	-0.2	1,507	1,453
Environment & Infrastructure	5.4	5.4	0.3	0.1	5.8	0.4	524	498
Business Services and Central Income & Expenditure	10.3	9.7	0.7	0.0	10.4	0.1	892	817
Chief Executive's Office	3.2	2.7	0.1	0.0	2.8	-0.4	225	226
Total	77.8	70.0	3.4	2.6	76.1	-1.7	8,025	7,329

Note: All numbers have been rounded - which might cause a casting error

54. The most material variance is an underspend of -£0.4m in the Chief Executive's Office relating to Public Health. A number of staff did not transfer over from the NHS and the service is currently recruiting.
55. Table 13 shows there are 159 "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.

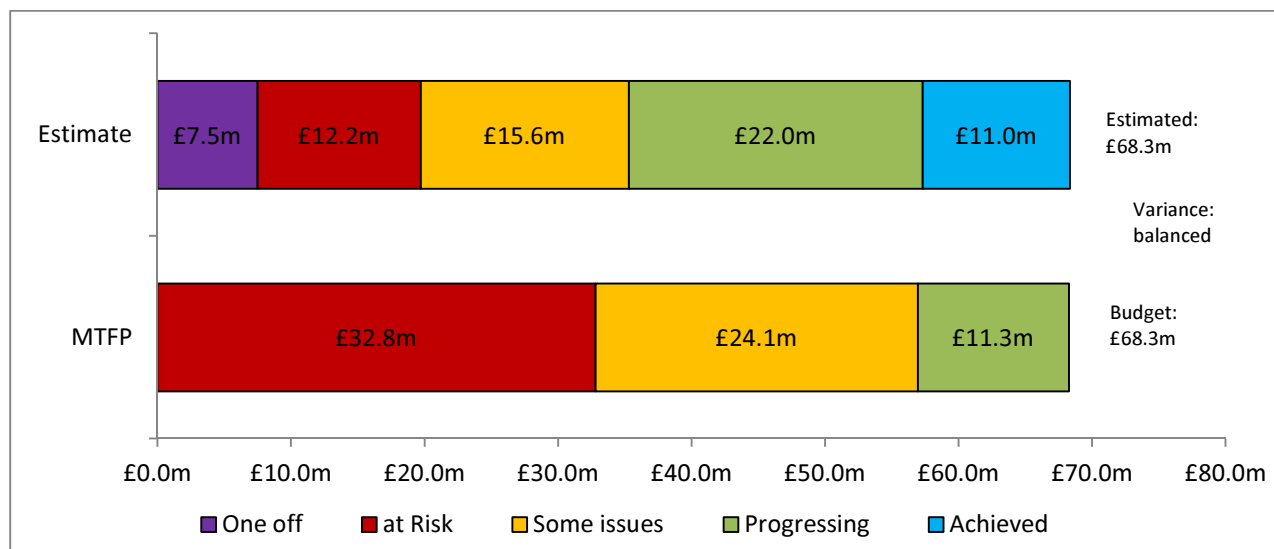
Table 13: full time equivalents in post and vacancies

	June FTE
Budget	8,025
Occupied contracted FTE	7,316
Contracted FTE out sourced (SEEC) and capital funded (Super fast Broadband)	13
“Live” vacancies (ie: actively recruiting)	159
Vacancies not occupied by contracted FTEs	537

Efficiencies

56. The MTFP incorporates £68.3m of expenditure efficiencies. Overall, the Council forecasts achieving a balanced position against this target at year end. The appendix to this document (from page 20) includes each directorate's efficiencies and a brief commentary on progress.

Graph 1: 2013/14 ragged overall efficiencies



57. The current estimate highlights that actions to achieve £11.0m of the £68.3m have been completed. £19.7m of savings face significant barriers to achievement. £7.5m of these have been reclassified as one-off measures, which will add to savings pressures in 2014/15.

58. Within the background appendix to this annex are each directorate's efficiencies as at June 2013. Directorates have evaluated efficiencies 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

59. 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.
60. The 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 decreased 2013/14's capital budget to £184.8m. New schemes (?) approved in May added £1.6m to the capital budget and there are re-profiling requests and new grant funded schemes this month that increase the capital budget to £187.4m. The virements of over £0.25m are for:
- grant reprofiling (Local Sustainable Travel Fund grant -£0.4m in E&I),
 - reprofiling of external funding (E&I - £0.5m), IT Replacement reserve reprofiled (+£0.6m) and ASC Infrastructure grant (-0.6m);
 - Transfer of responsibility of Basingstoke Canal from Business Services (-£0.5m) to Environment & Infrastructure (+£0.5m); and
 - approved new grant funded schemes (Redhill balanced network +£1.8m).
- These changes are summarised in Table App 3 (page 25).
61. The current forecast for the service programme is a small underspend due predominately to the problems in obtaining planning permission for the improvement of a travellers' site.
62. The revised 2013/14 budget is within the appendix to this annex and can be found at page 25.

Table 14: 2013/14 Capital expenditure position

2013/14 Monitoring	Revised Full Year Budget £m	Apr - Jun actual £m	Jul - Mar projection £m	Full year forecast £m	Full year variance £m
Adult Social Care	1.7	0.7	1.0	1.7	0.0
Children, Schools & Families	4.7	1.1	3.6	4.7	0.0
Customer & Communities	5.1	0.6	4.5	5.1	0.0
Environment & Infrastructure	57.6	17.7	40.0	57.7	0.1
School Basic Need	54.3	13.9	40.4	54.3	0.0
Business Services	52.5	5.7	46.2	51.9	-0.6
Chief Executive Office	11.5	0.2	11.3	11.5	0.0
Service programme	187.4	39.9	147.0	186.9	-0.5
Revolving infrastructure and investment fund	0.0	16.8	2.1	18.9	18.9
Overall programme	187.4	56.7	149.1	205.8	18.4

Balance sheet

63. The Council's balance sheet as at 30 June 2013 shows an increase in net assets of £68m. This is due to increases in: assets under construction (including Walton Bridge, which will come into use in quarter 2 of 2013/14); and short term investments and cash & cash equivalents due to receipt of the majority of the annual Revenue Support Grant in quarter 1.
64. Table App 4 on page 26 shows details of the balance sheet at 30 June 2013.

Reserves

65. The Council's earmarked reserves had reduced by £13.8m by 30 June. This was mainly due to drawing £18.9m from the Budget Equalisation Reserve as planned in the MTFP, partly offset by appropriations to the Economic Downturn Reserve of £1.8m and to the Capital Receipts Reserve of £1.5m.
66. Table App 5 on page 27 shows details of the Council's earmarked reserves as at 30 June 2013.

Debt

67. During the first quarter of 2013/14 the Accounts Payable team raised invoices totalling £41.5m.
68. The Council's total debt outstanding at 30 June 2013 is £28.1m, comprising £18.0 care related debt and £10.1m non-care related debt. Table App 6 on page 28 shows details. The average number of debtor days for the period 1 April to 30 June 2013 was 29 days.
69. Of the £28.1m total debt outstanding, £10.5m is overdue. Table App 7 on page 27 shows details. Systems, restructure and overall economic factors may have played a part in this and more specifically during the last quarter of 2012/13 the Council identified new income that was previously uncharged. This generated high value retrospective bills that clients have been reluctant to pay. The Council is addressing the issue using a Rapid Improvement Event.
70. Between 1 April and 30 June 2013 the Chief Finance Officer, under delegated authority, has written off 140 debts with a total value of £277,673. Of these £215,356 is care related and £62,317 is non care related debt.

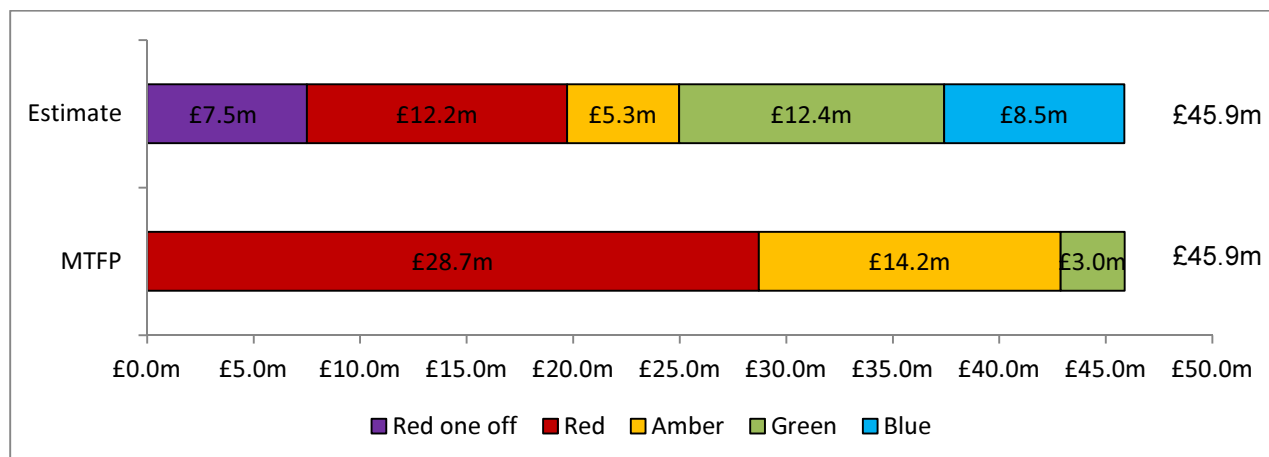
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Efficiencies & service reductions

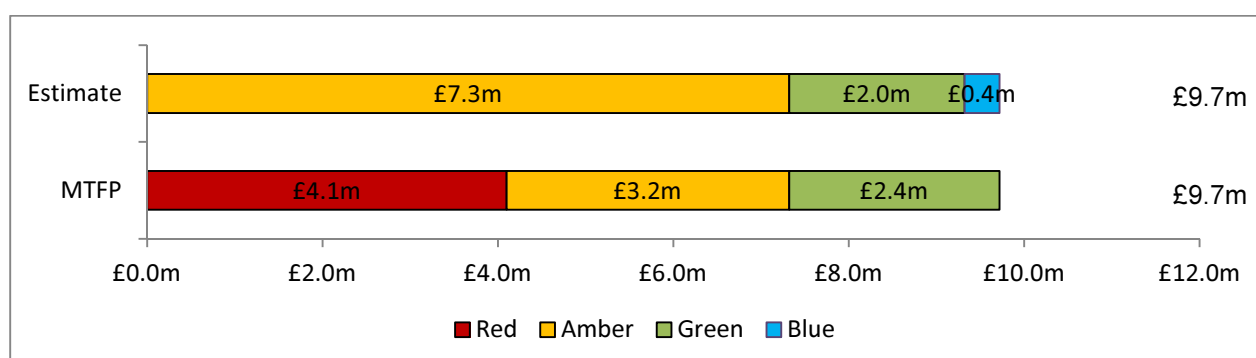
- App. 1. The graphs of directorate efficiencies & service reductions below track progress against directorates' MTFP ragged expenditure efficiencies & service reductions.
- App. 2. All the graphs are operating on the same legend : Red – At risk, Amber – some issues, Green – Progressing and Blue – Achieved. Each graph is based on the appropriate scale and therefore are not directly comparable one against another.

Adult Social Care



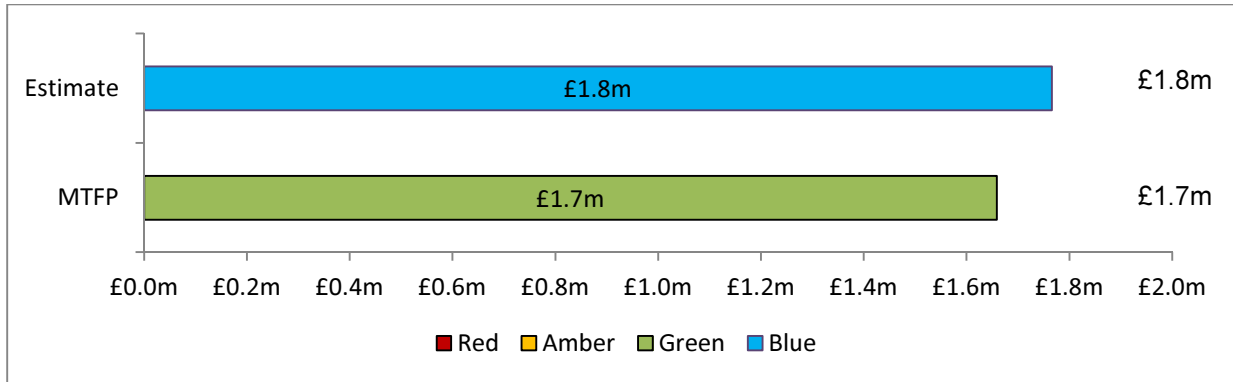
- App. 3. The directorate has already achieved savings of £8.5m this year, including £5.2m of savings to constrain inflation for individually commissioned care services. A further £12.4m is on target to be achieved this year. A significant proportion of ASC's £46m savings rely on the success of the new policy to maximise the use of social capital. It is still too early to evaluate the success of social capital properly. Given the scale of the challenge and that this is the first year of these ambitious plans, some slippage may occur. If that happens, ASC will seek to draw down available funding to offset it. Currently £7.5m of unused 2011/12 Whole Systems funding has been identified as a contingency for this purpose. As such, £7.5m of the savings attributable to social capital have been re-categorised as one-off at this stage, which will add to savings pressures in 2014/15.

Children, Schools & Families



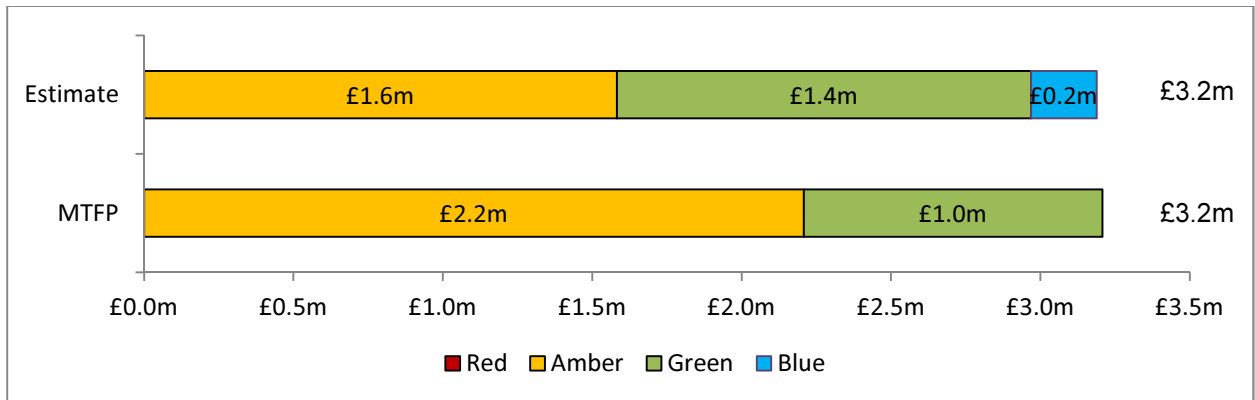
- App. 4. At this early stage in the year CSF efficiencies are largely on track. The main concern is the delay in achieving the efficiencies planned in services children with disabilities in full (paragraph 18). However the service is continuing to review options and this is shown an amber risk at this stage.

Customer & Communities



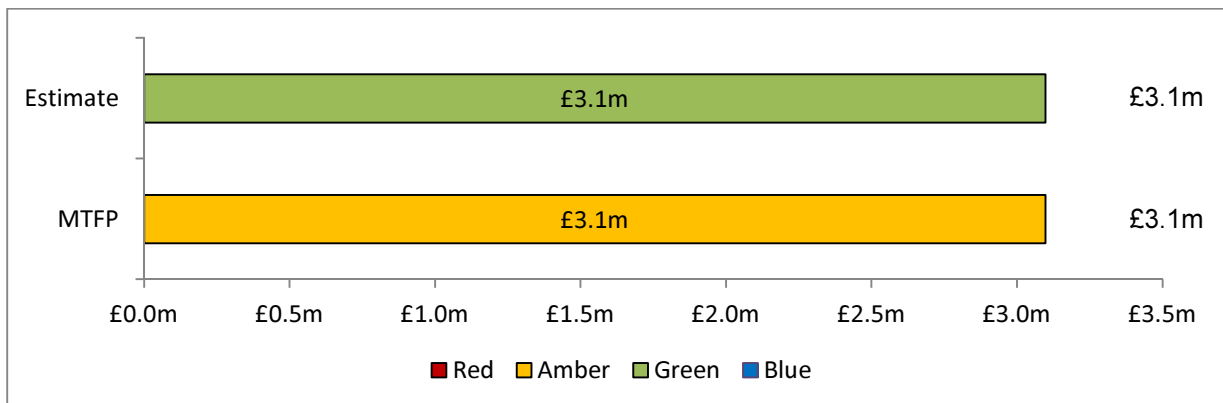
App. 5. The efficiencies summary is showing an over-achievement of +£0.1m against the 2013/14 target of £2.0m. This is due to the early achievement of 2014/15 Directorate Support staff saving. Actions to achieve the 2013/14 efficiencies have already been completed.

Environment & Infrastructure



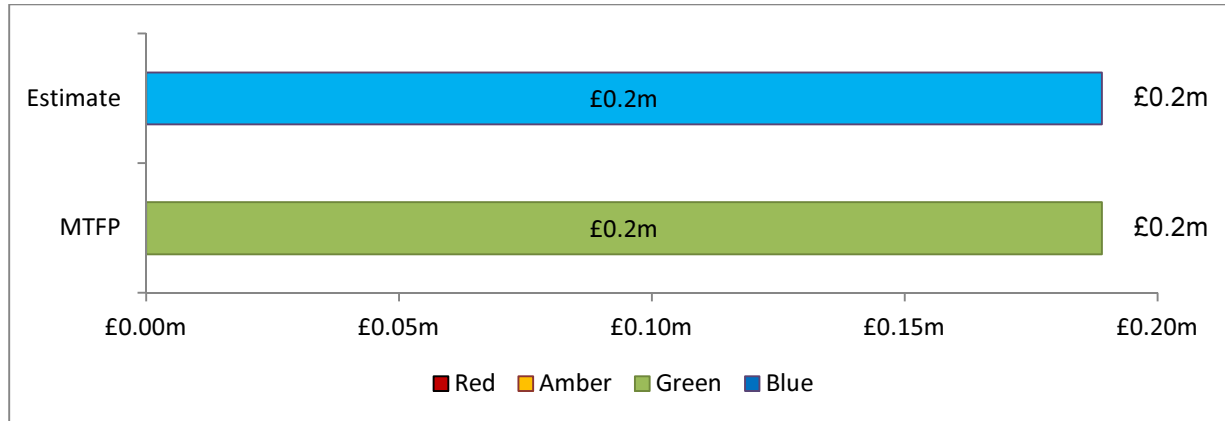
App. 6. The directorate currently expects to deliver all efficiency savings, although a number of risks remain and in some cases detailed plans are still in development. Some savings, including one off savings from parking income, have already been achieved.

Business Services



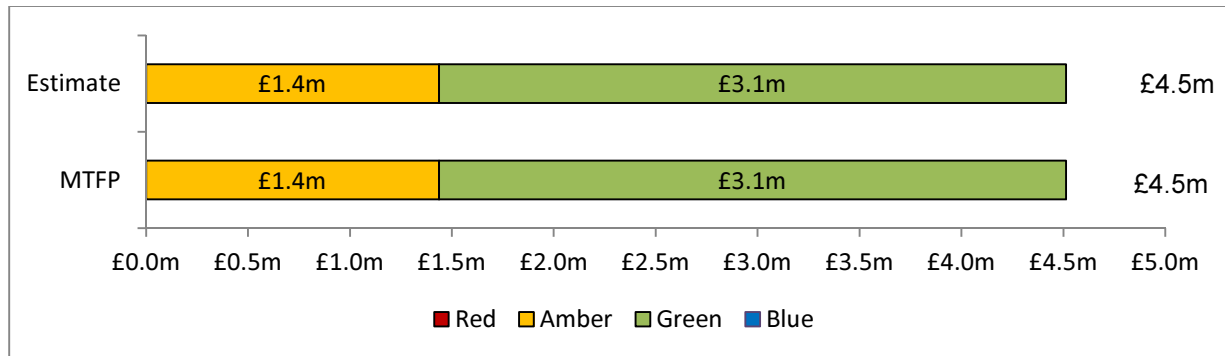
App. 7. The efficiencies identified in the MTFP are on track to be realised, all savings have been reviewed and plans are in place to achieve, and therefore the risk of achievement has been appropriately adjusted.

Chief Executive's Office



App. 8. 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. 9. The efficiencies identified in the MTFP are on track to be realised but the risks attached to them remain.

Updated Budget - Revenue

App. 10. 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 and virement changes in May increased the budget to £1,694.2m. There have been a number of virements this month to re-profile between income & expenditure. 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 funded by reserves and balances	-1,662.3	1,685.2	-11.0	-11.9	0.0	
May changes	-0.1	8.9	-8.8			30
Previous budget	-1,662.4	1,694.1	-19.8	-11.9	0.0	
<u>June changes</u>						
Transfer of income & expenditure	-2.2	2.2			0.0	40
June changes	-2.2	2.2	0.0	0.0	0.0	40
Updated budget - June 2013	-1,664.6	1,696.3	-19.8	-11.9	0.0	70
<u>Earmarked reserves:</u>						
Budget Equalisation Reserve		-18.9	18.9			
Child Protection Reserve		-0.9	0.9			
Revised budget supported only by general balances - June 2013	-1,664.6	1,676.5	0.0	-11.9	0.0	70

App. 11. 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. There were none this month.

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 six virements above this amount in June. 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 six virements approved were:

- Three virements reprofiling non school budget (£2.4m);
- Training budget across most directorates (£0.6m); and
- Two virements transferring between directorates the social work academy funding (£0.5m) and major project expenditure aligning expenditure to funding (£1.4m).

Table App 2: 2013/14 updated revenue budget – June 2013

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-68.0	406.0	338.0
Children, Schools and Families	-150.6	329.6	179.0
Schools	-521.7	521.7	0.0
Customers and Communities	-23.4	83.8	60.4
Environment and Infrastructure	-17.7	144.2	126.5
Business Services	-14.7	97.6	82.9
Chief Executive's Office	-27.6	43.2	15.6
Central Income / Exp	-841.1	57.5	-783.6
Service total	-1,664.8	1,683.6	18.8
Risk Contingency		13.0	13.0
Total	-1,664.8	1,696.6	31.8

Updated Budget - Capital

App. 14. 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 decreased 2013/14's capital budget to £184.8m.

App. 15. New virements approved in May added £1.6m to the capital budget. There are eight changes this month that increase the capital budget to £187.4m. The changes of over £0.25m are for:

- grant reprofiling (Local Sustainable Travel Fund grant -£0.4m in E&I);
- reprofiling of external funding (E&I - £0.5m), IT Replacement reserve reprofiled (+£0.6m) and ASC Infrastructure grant (-0.6m);
- transfer of responsibility of Basingstoke Canal from Business Services (-£0.5m) to Environment & Infrastructure (+£0.5m); and
- approved new grant funded schemes (Redhill balanced network +£1.8m).

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

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

2013/14 Monitoring	MTFP Budget £m	C fwd and reprofiled budget £m	Budget virement £m	Revised full year budget £m
Adult Social Care	1.3	0.4	0.0	1.7
Children, Schools & Families	2.8	1.6	0.3	4.7
Customer & Communities	2.0	3.1	0.0	5.1
Environment & Infrastructure	50.1	3.6	3.9	57.6
Business Services	50.5	0.6	1.4	52.5
School Basic Need	69.2	-14.9	0.0	54.3
Chief Executive Office	11.5	0.0	0.0	11.5
Total Overall	187.4	-5.6	5.6	187.4

Balance sheet

Table App 4: Balance sheet

As at 31.03.2012 £m	As at 31.03.2013 £m		As at 30.06.2013 £m
1,257.8	1,280.0	Property, plant & equipment	1,301.2
0.7	0.7	Heritage assets	0.7
7.1	5.9	Intangible assets	5.3
0.2	0.2	Long term investments	0.2
0.5	8.8	Long term debtors	9.4
1,266.3	1,295.6	LONG TERM ASSETS	1,316.7
		Short term:	
100.0	104.1	Investments	182.6
0.1	0.1	Intangible assets	0.1
4.6	15.3	Assets held for sale	15.3
1.4	1.3	Inventories	0.6
100.8	141.5	Short term debtors	132.1
109.8	114.1	Cash & cash equivalents	207.2
316.6	376.4	CURRENT ASSETS	537.9
		Short term:	
-15.1	-82.1	Borrowing	-82.9
-195.0	-234.3	Creditors	-339.2
-2.6	-3.3	Provisions	-2.0
-0.2	-0.2	Revenue grants - receipts in advance	-0.2
-1.2	-0.6	Capital grants - receipts in advance	-0.6
-214.0	-320.5	CURRENT LIABILITIES	-425.0
		Provisions	-8.2
-7.9	-7.2	Long term borrowing	-238.1
-306.2	-238.1	Other long term liabilities	-1,154.4
-984.5	-1,145.4	LONG TERM LIABILITIES	-1,400.7
-1,298.7	-1,390.7		
70.2	-39.2	NET ASSETS	28.9
		Usable reserves (eg: general balances, earmarked reserves)	-354.2
-269.1	-288.4	Unusable reserves (eg: pension, capital & revaluation reserves)	325.3
198.9	327.6		-28.9
-70.2	39.2		

Earmarked reserves**Table App 5: Earmarked reserves**

	Opening balance 1 April 2013 £m	Actual movement to 30 June 2013 £m	Projected net movement to 31 March 2014 £m	Projected balance at 31 March 2014 £m
Investment renewals reserve	-13.3	-0.3	1.3	-12.3
Equipment replacement reserve	-3.1	-0.2	0.1	-3.2
Vehicle replacement reserve	-5.1	-0.4	1.7	-3.8
Waste sites contingency reserve	-0.3			-0.3
Budget equalisation reserve	-25.0	18.9		-6.1
Financial investments reserve	-1.6			-1.6
Street lighting PFI reserve	-5.8	-0.4		-6.2
Insurance reserve	-7.5	-0.4		-7.9
Severe weather reserve	-5.0			-5.0
Eco park sinking fund	-8.0			-8.0
Investment & infrastructure fund	-19.5			-19.5
Child protection reserve	-3.6	0.4		-3.2
Interest rate reserve	-3.2	-0.5		-3.7
Economic downturn reserve	-4.4	-1.8		-6.2
General capital reserve	-7.6		6.2	-1.4
Capital receipts reserve	-17.3	-1.5	-9.9	-28.7
Total earmarked reserves	-130.3	13.8	-0.6	-117.1

Debt

App. 17. At the end of the first quarter of 2013/14 the Accounts Payable team raised invoices totalling £41.5m.

App. 18. Table App 6 shows the age profile of the Council's care, and non-care related debt.

Table App 6: Further information on debts

Account Group	<1 Month £m	2-12 Months £m	1-2 Years £m	+2 years £m	Total £m	Overdue Debt £m
Care debt - unsecured	3.2	3.4	1.2	2.8	10.6	7.4
Care debt - secured	0.4	2.6	1.6	2.8	7.4	
Total Care	3.6	6.0	2.8	5.6	18.0	7.4
General debt	6.8	2.3	0.3	0.4	9.8	3.0
Property	0.2	0.1	0.0	0.0	0.3	0.1
Total Non-care Debt	7.0	2.4	0.3	0.4	10.1	3.1
Total Debt	10.6	8.4	3.1	6.0	28.1	10.5

App. 19. The amount still outstanding of these invoices was £28.1m of gross debt at 30 June 2013. The gross debt is adjusted to take into account those balances not immediately due (i.e. less than 30 days old), or collectable (i.e. secured on property). This produces the figures for net debt, which is shown in Table App 7.

Table App 7 –Overdue debt summary as at 30 June 2013

	2013/14 Q1 £m	2012/13 Q1 £m	2012/13 Q4 £m	2011/12 Q4 £m	2010/11 Q4 £m	2009/10 Q4 £m
Care Related Debt	7.4	5.9	7.6	6.1	6.8	6.1
Non Care related debt	3.1	3.5	3.8	3.0	3.9	3.6
Total	10.5	9.4	11.4	9.1	10.7	9.7

App. 20. The increase in care debt outstanding was a concern and is being addressed by a Rapid Improvement Event (RIE). Systems, restructure and overall economic factors may have played a part in this, and more specifically during the last quarter of the 2012/13 financial year the SWIFT reconciliation process identified new income for the Council that was previously uncharged. From a debt recovery perspective clients were reluctant to pay high value retrospective bills resulting in an increase in the value of outstanding debt.

App. 21. The Council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April to 30 June 2013 was 29 days.

App. 22. The Chief Finance Officer has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q1 2013/14), 140 such debts have been written off with a total value of £277,673, of which £215,356 is care related and £62,317 is non care related debt.