

Budget monitoring period 5 2013/14 (August 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. Cabinet carried out a review of the MTFP after the first quarter of 2013/14. The review identified additional savings services can realistically deliver for 2014-18 of £56.0m (£19.5m in 2014/15).

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

At the end of August 2013, services forecast a total overspend of +£0.6m (+£1.7m at the end of June). This excludes use of the 2013/14 budget's £13m risk contingency and -£0.8m net income on the Revolving Infrastructure and Investment Fund, which will be re-invested in the fund.

The overall forecast position is -£12.4m underspend.

The slight net forecast overspend on services is a result of: Children's Services' delays in achieving efficiencies (+£1.5m) and net additional pressures (+£0.2m); plus support for local bus routes (+£0.6m); offset by underspends within Business Services, Customer & Communities and Central Income & Expenditure (-£1.4m refund on the Local Authority Central Spend Equivalent Grant (LACSEG)).

One third of Adult Social Care's (ASC) demanding (£46m) savings requirement relies on the success of the policy to maximise use of social capital. Given the scale of the challenge for the first year of these ambitious plans, there is a risk of slippage. If that happens, ASC will seek to draw down available funding to offset it on a one-off basis. £7.5m Whole Systems funding carried forward from previous years has been identified for this 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 August 2013, services forecast to achieve £66.2m efficiencies by year end. The -£2.1m underachievement is due the delays within Children Services and bus issues outlined above. This position also includes £10.6m ASC savings re-categorised as one-off measures. These delayed savings from 2013/14 will need to be made in 2014/15.

Summary - Capital

MTFP 2013-18 set a £699m five year capital programme. Cabinet approved re-profiling of carry forwards and virements means the revised 2013/14 capital budget is £188.3m. At the end of August 2013, services' overall capital spending is forecast to achieve a small underspend (-£2.4m) by year end (-£0.5m at the end of June). This is mainly due to the delays: experienced at Guildford Fire Station from archaeological finds (-£3.0m); in obtaining planning permission for the improvement of a travellers' site (-£0.5m); and the local area network (LAN) element of the Unicorn project (-£0.4m). These are offset by projects bringing expenditure forward, particularly school modular building (+£1.4m) and SEN strategy (+£0.1m).

Cabinet is asked to note the:

1. forecast revenue budget underspend for 2013/14 (paragraph 1);
2. forecast ongoing efficiencies & service reductions achieved by year end (paragraph 62);
3. forecast capital budget position for 2013/14 (paragraph 67);
4. management actions to mitigate overspends (throughout this report).

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 +£0.6m overspend. This excludes use of the £13m risk contingency in the 2013/14 budget and the -£0.8m net income on the Revolving Infrastructure and Investment Fund, which the Council will re-invest in the fund. The overall forecast year end position for the Council is -£12.4m underspend (-£11.3m at the end of June).
- Table 1 below shows the revenue position supported by general balances.

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

	Year to Date Budget £m	Year to Date Actual £m	Year to Date Variance £m	Full Year Budget £m	Sep – Mar remaining Forecast £m	Full Year Projection £m	Full Year Variance £m
Income							
Local taxation	-244.1	-244.7	-0.6	-599.3	-354.6	-599.3	0.0
Government grants	-471.0	-473.0	-2.0	-924.7	-453.6	-926.6	-1.9
Other income	-59.5	-60.3	-0.8	-148.1	-97.5	-157.8	-9.7
Income	-774.6	-778.0	-3.4	-1,672.1	-905.7	-1,683.7	-11.6
Expenditure							
Staffing	130.5	126.9	-3.6	314.4	185.2	312.1	-2.3
Non staffing	309.3	305.9	-3.4	848.0	543.6	849.5	1.5
School expenditure	215.8	214.8	-1.0	521.6	306.8	521.6	0.0
Expenditure	655.6	647.6	-8.0	1,684.0	1,035.6	1,683.2	-0.8
Funded by:							
General balances	-119.0	-130.4	-11.4	11.9	129.9	-0.5	-12.4

- Table 2 below 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

June's projected variance £m	Directorate	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) Budget £m	Sep – Mar remaining forecast £m	Full year projection £m	Full year variance £m
0.0	Adult Social Care	140.9	146.6	5.7	338.1	191.5	338.1	0.0
2.0	Children, Schools & Families	73.0	70.3	-2.7	179.1	110.5	180.8	1.7
0.0	Schools (gross exp £521.8m)	0.1	-0.9	-1.0	0.1	1.0	0.1	0.0
-0.3	Customer & Communities	25.2	24.5	-0.7	60.0	35.3	59.8	-0.2
0.5	Environment & Infrastructure	50.6	48.5	-2.1	131.9	84.5	133.0	1.1
-0.6	Business Services	32.2	30.4	-1.8	83.0	52.2	82.6	-0.4
-0.1	Chief Executive's Office	7.8	3.6	-4.2	16.0	12.2	15.8	-0.2
0.2	Central Income & Expenditure	-204.7	-208.4	-3.7	-210.0	-3.0	-211.4	-1.4
1.7	Service position	125.1	114.6	-10.5	598.2	484.2	598.8	0.6
0.0	Local taxation	-244.1	-244.7	-0.6	-599.3	-354.6	-599.3	0.0
0.0	Revolving Infrastructure & Investment Fund	0.0	-0.3	-0.3	0.0	0.3	0.0	0.0
-13.0	Risk Contingency	0.0	0.0	0.0	13.0	0.0	0.0	-13.0
-11.3	Overall position	-119.0	-130.4	-11.4	11.9	129.9	-0.5	-12.4

4. Below, each directorate reports a summarised income & expenditure statement and service and policy financial information that explain any variances, their impact and services' actions to mitigate any adverse variances.
5. The background information appendix gives the updated budget with explanations of the budget movements.

Dashboard and Forecasting tool update

6. Over the summer, the new reporting and forecasting tools were successfully implemented. The tools are being used by Business Services, Chief Executive Office and Public Health managers at the moment with Finance supporting the rest of the organisation. There is a phased implementation plan to wider usage over the financial year.

Adult Social Care

Table 3: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-28.3	-28.6	-0.3	-67.9	-48.3	-76.9	-9.0
Expenditure	169.2	175.2	6.0	406.0	239.8	415.0	9.0
Net position	140.9	146.6	5.7	338.1	191.5	338.1	0.0
Summary by service	£m	£m	£m	£m	£m	£m	£m
Income	-28.3	-28.6	-0.3	-67.9	-48.3	-76.9	-9.0
Older people	65.7	73.2	7.5	157.6	93.8	167.0	9.4
Physical disabilities	20.3	20.8	0.5	48.8	27.4	48.2	-0.6
Learning disabilities	54.1	53.9	-0.2	129.7	78.1	132.0	2.3
Mental health	3.8	3.9	0.1	9.2	5.5	9.4	0.2
Other expenditure	25.3	23.4	-1.9	60.7	35.0	58.4	-2.3
Total by service	140.9	146.6	5.7	338.1	191.5	338.1	0.0

7. The August projected outturn for Adult Social Care is a balanced budget (as reported at the end of June) but with a significant risk of an overspend occurring.
8. As highlighted in the MTFP preparation, the ASC budget faces considerable pressures and equally demanding savings targets, even after the addition of £11m during budget preparation to the previously-planned MTFP cash limit for 2013/14. Good progress has been made in many of the savings actions, and it is judged that £21.4m of savings have either been achieved or will be achieved without further action being required. It is indicative of the pressures that the year to date position at the end of August is a +£5.7m overspend. The Directorate plans to improve this position and offset future demand pressures in the rest of the year by implementing the remaining £24.4m management action savings plans.
9. Planned management actions have decreased by £0.2m since June month end, mainly due to savings achieved through the renegotiation of block contracts. However, they remain challenging as the majority of the planned savings relate to individually commissioned care where costs increased by £1.4m in August due to additional service volumes.
10. The savings target for social capital this year is £15.5m, against which £8.8m of savings are currently being projected. This projection is made up of £0.8m of savings relating specifically to forecast over projection of Older People home care costs based on previous years trends and £8.0m of savings that the Directorate plans to achieve in the remainder of 2013/14. The August position suggests that slippage of £6.7m is likely against the social capital savings target. Some slippage was recognised as a risk in budget planning and the Directorate is likely to seek to draw down £7.5m of unused 2011/12 Whole Systems funding to offset this and other slippage.
11. The key driver of the underlying pressures that the service faces is individually commissioned care services. The gross spend to date on spot care excluding Transition has been £21.6m per month over April - August. That compares with £21.4m per month at the end of 2012/13, indicating that while new in year demand pressures due are largely being contained, expenditure has not yet decreased as planned. Assuming that all savings occur as currently forecast or are replaced by other means, then the Directorate can afford to spend only £19.4m per month in order to achieve an overall balanced budget. Therefore, a 10.2% reduction in expenditure on individually commissioned care services is needed.

12. Overall whilst a balanced budget remains a feasible outcome and one which every effort will be made to achieve, there is a significant risk of an overspend occurring. That remains consistent with the judgment of risk when setting the budget, when it was stated that 'realistically, some overspend is judged possible, as has been recognised corporately by the increase in the centrally-held risk contingency'.
13. Summary of Adult Social Care forecast
- ASC MTFP efficiency target -£45.8m
 - Demand related savings identified in current projections -£3.0m
 - Other savings identified in current projections -£18.4m
 - Total within current projections -£21.4m
 - Savings in remainder of the year through the use of social capital -£8.0m
 - Other savings plans forecast in the remainder of the year and included as management actions. -£8.9m
 - Total forecast savings before draw downs -£38.3m
 - Contingent drawdown of 2011/12 Whole Systems funding -£7.5m
 - Total forecast spending reductions 2013/14 -£45.8m

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	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-56.6	-57.0	-0.4	-150.7	-94.3	-151.3	-0.6
Expenditure	129.6	127.3	-2.3	329.8	204.8	332.1	2.3
Net position	73.0	70.3	-2.7	179.1	110.5	180.8	1.7
Summary by service	£m	£m	£m	£m	£m	£m	£m
Income	-56.6	-57.0	-0.4	-151.2	-94.3	-151.3	-0.1
Strategic Services	2.2	2.0	-0.2	5.3	2.9	4.9	-0.4
Children's Services	36.7	37.9	1.2	88.5	53.6	91.5	3.0
Schools and Learning	82.6	78.9	-3.7	214.2	134.5	213.4	-0.8
Services for Young People	8.1	8.5	0.4	22.3	13.8	22.3	0.0
Total by service	73.0	70.3	-2.7	179.1	110.5	180.8	1.7

14. The forecast outturn position for the Children Schools and Families directorate (CSF) is for an overspend of +£1.7m. This is £0.3m less than forecast at June month end. The main reasons for the overspend is continuing pressures in Children's services and increasing demand for transport in relation to children with special education needs (SEN). The Directorate Leadership Team is currently reviewing the overall position with an aim to balancing the overall 2013/14 budget.
15. The year to date underspend of -£2.7m is mainly due to Dedicated School Grant underspends on nursery provision (-£1.8m) which are not reflected in the forecast as they are Dedicated School Grant funded services. The remainder is staffing across the directorate (-£1.0m) that are reflected in the forecast.

Children's Services

16. In Children's Services the projected overspend increased from June month end by +£0.7m to +£3.0m. The main reasons for the forecast overspend in Children's Services are:
- The budgets for services for children with disabilities are overspending by +£2.1m, of which +£1.5m is the budget reduction for the proposed MTFP efficiency in this service area. This is not going to be achieved this financial year and alternative savings are being looked at as a key management action for CSF heads of service. The remaining element of the overspend +£0.6m is because of increasing agency placements.
 - Area care services are forecasting an overspend of +£0.5m due to increase in the instances of court proceedings together with an increase in the fees. There are currently 144 proceedings cases compared to 169 for the whole of 2012/13.
 - A +£0.5m overspend is anticipated due to ongoing difficulties recruiting permanent social workers and a resulting reliance on more expensive agency staff. The market for good quality agency staff is increasingly competitive which is pushing agency costs even higher. This has been an ongoing problem and plans are in place to improve recruitment and retention of social workers through the career progression framework and the recruitment programme in the north east area of Surrey to grow our own skilled workforce, though the results of these initiatives will take time to be realised.
 - The budgets for leaving care and asylum seekers are expected to overspend by +£0.4m as the number of cases continues at similar level as experienced in 2012/13 when a similar overspend occurred.
 - The pressure on fostering and adoption allowances continues at +£0.3m. The number of foster placements is 17 higher than at the beginning of the year. In addition the number of Special Guardianship Orders (SGO) continues to increase, the projection assumes that an additional 65 SGOs will be made this year compared to 45 in 2012/13.
 - Offsetting these overspends are net underspends of -£0.5m across Children's Services and these are planned to continue in order to help alleviate the cost pressures.

Schools and Learning

17. The Schools and Learning forecast position is an underspend of -£0.8m on county funded services.
18. The main pressure on the Schools and Learning budget is a -£2.1m overspend on transport. This is mainly in relation to SEN (£1.9m overspend). The school transport service already had a budget pressure of £0.7m which was reported as an overspend in the 2012/13 outturn report. In addition to this pupil numbers and costs have continued to rise, particularly around SEN, with total SEN pupil numbers being transported at 2,500, which is 78 higher than the same period last year and therefore causing an additional cost of £0.8m, plus there are four extra academic days this financial year which adds an additional funding pressure of £0.8m.
19. The Head of Service is working to confirm the position on demand-related SEN service budgets, in particular transport. As in previous years, the start of the new academic year will provide the more detailed information around actual pupils and the forecasts from October will reflect this more accurate service information.
20. Off-setting the transport overspend is a -£2.5m underspend on the centrally held budget. This budget consists of the additional funding for demographics and some of the inflation and is intended to cover budget pressures arising from the demand led budgets for the new academic year as referred to in the previous paragraph. For this reason and the fact that the service is having to make £7.0m savings and there have been significant funding changes to pre and post 16 SEN, a prudent decision was taken at the start of the financial year to retain a central budget until the start of the new academic year.

Services for Young People and Strategic Services

21. Services for Young People and Strategic Services forecast a balanced position at this stage. Within Strategic Services an underspend of -£0.4m is anticipated mainly due to recognition that resources set aside for one off service initiatives are unlikely to be required this financial year.

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	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Summary							
Income	-215.7	-215.7	0.0	-521.5	-305.8	-521.5	0.0
Expenditure	215.8	214.8	-1.0	521.6	306.8	521.6	0.0
Net position	0.1	-0.9	-1.0	0.1	1.0	0.1	0.0

22. The position is unchanged since the beginning of the year. The schools delegated budget will be reviewed in October, after the new school year has commenced.

Customer & Communities

Table 6: Summary of the revenue position for directorate

Summary	Aug YTD Budget £m	Aug YTD Actual £m	Aug YTD Variance £m	Full Year (Revised) Budget £m	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-9.8	-10.1	-0.3	-24.0	-14.2	-24.3	-0.3
Expenditure	35.0	34.6	-0.4	84.0	49.5	84.1	0.1
Net position	25.2	24.5	-0.7	60.0	35.3	59.8	-0.2
Summary by service	£m	£m	£m	£m	£m	£m	£m
Cultural Services	4.5	4.7	0.2	10.8	6.0	10.7	-0.1
Fire & Rescue	15.2	15.1	-0.1	35.6	20.5	35.6	0.0
Customer Services	1.7	1.5	-0.2	4.0	2.5	4.0	0.0
Trading Standards	0.9	0.8	-0.1	2.2	1.4	2.2	0.0
Community Partnership & Safety	1.5	1.0	-0.5	4.1	3.1	4.1	0.0
County Coroner	0.5	0.7	0.2	1.1	0.5	1.2	0.1
Directorate Support	0.9	0.7	-0.2	2.2	1.3	2.0	-0.2
Total by service	25.2	24.5	-0.7	60.0	35.3	59.8	-0.2

23. The year to date underspend is -£0.7m, mainly due to the timing of expenditure on third party grants and member allocations within Community Partnership and Safety.
24. The directorate is currently projecting a small underspend of -£0.2m (-£0.3m at the end of June). This is predominantly from early achievement of the 2014/15 MTFP efficiency on Directorate Support costs, 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. There are legislative changes that are affecting the directorate within the Coroners service (+£0.1m).

The full year pressure that will affect 2014/15 is expected to create an ongoing annual pressure in the region of £0.2m.

Environment & Infrastructure

Table 7: Summary of the revenue position for directorate

Summary	Aug YTD Budget £m	Aug YTD Actual £m	Aug YTD Variance £m	Full Year (Revised) Budget £m	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-7.8	-7.0	0.8	-18.7	-12.2	-19.2	-0.5
Expenditure	58.4	55.5	-2.9	150.6	96.7	152.2	1.6
Net position	50.6	48.5	-2.1	131.9	84.5	133.0	1.1
Summary by service	£m	£m	£m	£m	£m	£m	£m
Environment	23.5	23.6	0.1	61.5	38.2	61.8	0.3
Highways	16.0	14.1	-1.9	44.7	30.9	45.0	0.3
Economy, Transport & Planning	11.0	10.7	-0.3	25.5	15.3	26.0	0.5
Other Directorate Costs	0.1	0.1	0.0	0.2	0.1	0.2	0.0
Total by service	50.6	48.5	-2.1	131.9	84.5	133.0	1.1

25. The year to date position is an underspend of -£2.1m. This primarily relates to highway maintenance works (-£1.9m) including road maintenance for some project delays on winter damage, local schemes and street lighting works.
26. The forecast outturn for Environment & Infrastructure is currently an overspend of +£1.1m (+£0.5m forecast at the end of June).
27. There is an expected +£0.6m overspend on local bus support as a result of difficulty achieving planned savings and instances where bus routes are no longer commercially viable and need financial support from the Council.
28. A +£0.4m overspend is also expected on waste management budgets due to costs of external specialist advisors associated with the contract variation.
29. Additional employee costs of +£0.3m are expected to be largely offset by additional income later in the year. Additional Highway costs associated with the Tour of Britain are anticipated (+£0.2m including road closures and diversions) is partly offset by other small underspends totalling -£0.4m across the directorate.
30. The directorate is looking at ways for bringing expenditure back in line with its budget.
31. The Directorate 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. The Government has issued guidance, but funding remains unclear and it is uncertain if this will create a cost pressure for the Council.
32. The cost of waste disposal remains dependant on waste volumes and treatments, and the contract variation will have cost implications as it progresses.
33. The Directorate 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.

Business Services

Table 8: Summary of the revenue position for directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-5.8	-6.3	-0.5	-14.8	-8.5	-14.8	0.0
Expenditure	38.0	36.7	-1.3	97.8	60.7	97.4	-0.4
Net position	32.2	30.4	-1.8	83.0	52.2	82.6	-0.4
Summary by service	£m	£m	£m	£m	£m	£m	£m
Property	11.5	11.1	-0.4	32.4	20.8	31.9	-0.5
Information Management & Technology	9.3	9.0	-0.3	23.3	14.3	23.3	0.0
Human Resources & OD	3.5	3.3	-0.2	8.4	5.5	8.8	0.4
Finance	3.6	3.4	-0.2	8.6	4.9	8.3	-0.3
Shared Services	1.8	1.6	-0.2	4.2	2.6	4.2	0.0
Procurement & Commissioning	1.4	1.4	0.0	3.3	1.9	3.3	0.0
Business Improvement	1.1	0.6	-0.5	2.8	2.2	2.8	0.0
Total by service	32.2	30.4	-1.8	83.0	52.2	82.6	-0.4

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

34. The year to date underspend of -£1.8m relates primarily to Business Improvement (-£0.5m), Property (-£0.4m) and the phasing of project delivery within IMT (-£0.3m). The Business Improvement project budget is a multi-year project and includes a £0.6m carry forward from 2012/13, the Property position is due to an underspend in the rent budget. The IMT budget is expected to be fully spent at year end as new projects commence.
35. There is no change to the revenue forecast this month. However, IMT has identified several pressures. The number of IT users across the Council has increased from 7,700 in 2011/12 to just under 10,000 this year, with associated equipment, licence and support costs. This pressure is being addressed through the 2013/14 budget planning process and will be managed within this year's budget.
36. The directorate is projected to underspend by -£0.4m this year (-£0.6m forecast at the end of June). The main items are a projected underspend on property rents (-£0.5m), the 2013/14 audit fee (-£0.2m) and Business Services staffing (-£0.2m). This underspend is offset by an expected overspend on corporate training and recruitment (+£0.5m).
37. Property is projecting an underspend of -£0.5m. The 2013-18 MTFP assumed the number of leasehold properties would increase. The number of properties has not increased but if it does then this underspend will not occur. The July MTFP re-refresh includes a saving of £0.3m on the assumption that there will be more staff moving into District and Boroughs.
38. The HR budget is expected to overspend by +£0.4m. This is mainly due to pressures on corporate training (+£0.3m) and corporate recruitment (+£0.2m). The training budget within the HR service funds the ASC social workers' training, including their salaries, and this area of the budget is expected to overspend by +£0.2m. The service is in discussion with ASC to manage this pressure in 2014/15 onwards. The corporate recruitment overspend is due to the cost of more specialist recruitment. Numbers have remained stable however the specialist nature of the recruitment means the cost per recruitment is rising by about 5%. These overspends are offset by a -£0.1m underspend on staffing.

39. The Finance Service is forecasting an underspend of -£0.3m. The Council's audit is complete and cost -£0.2m less than the budget. This cost saving will continue and hence is delivering the 2014/15 MTFP savings early. Further savings in Finance relate to a -£0.1m staffing underspend due to in year vacancies, partly to meet the MTFP saving required in 2014/15.
40. Business Services' 2013/14 revenue budget includes savings of £2.9m. Of these, £1.0m are PVR organisational review savings. Almost all of the new staffing structures are in place and the directorate is on track to achieve the savings target for the year. The budget also includes the new East Sussex County Council partnership and Local Assistance Scheme budgets. Processes are in place to monitor these new budgets closely.

Chief Executive's Office

Table 9: Summary of the revenue position for directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-11.8	-10.4	1.4	-28.4	-17.6	-28.0	0.4
Expenditure	19.6	14.0	-5.6	44.4	29.8	43.8	-0.6
Net position	7.8	3.6	-4.2	16.0	12.2	15.8	-0.2
Summary by service	£m	£m	£m	£m	£m	£m	£m
Strategic Leadership	0.2	0.2	0.0	0.5	0.3	0.5	0.0
Legacy	0.2	0.2	0.0	0.4	0.2	0.4	0.0
Emergency Management	0.2	0.2	0.0	0.5	0.3	0.5	0.0
Communications	0.8	0.8	0.0	2.0	1.2	2.0	0.0
Legal & Democratic Services	4.9	5.0	0.1	9.6	4.6	9.6	0.0
Policy & Performance	1.5	1.4	-0.1	3.0	1.4	2.8	-0.2
Public Health	0.0	-4.2	-4.2	0.0	4.2	0.0	0.0
Net Budget	7.8	3.6	-4.2	16.0	12.2	15.8	-0.2
Public Health – grant income	-11.2	-9.8	1.4	-27.0	-16.7	-26.5	0.5
Public Health – expenditure	11.2	5.6	-5.6	27.0	20.9	26.5	-0.5
Public Health – net expenditure	0.0	-4.2	-4.2	0.0	4.2	0.0	0.0

41. The Chief Executive's Office (CXO) is currently projecting a small underspend of -£0.2m against a total revenue budget of £15.9m (-£0.1m forecast at the end of June). This is predominantly due to holding vacancies within Policy & Performance in preparation for achieving 2014/15 efficiency savings, offset by pressures in Legal due to the cost and volume of child protection cases.
42. 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.
43. 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 CCGs to recover this funding. For future years, DoH has confirmed this misallocation will be rectified.
44. In addition a further £0.5m was budgeted to be recovered from the Police and Crime Commissioner (PCC) in relation to Drug and Alcohol services. The PCC's priorities have

changed from those of the Police Authority and they have confirmed that this funding will not be provided in 2013/14. As part of the forward budget process this service will be reviewed and a decision made on how this will continue in the future. In the current year the under recovery will be offset against the under spend on staffing, explained below.

45. A new budget issue which is being investigated is the cost of prescribing drugs related to the Public Health (PH) programme. It has come to light nationally in the last month that local authorities may be recharged for such costs by the NHS Business Services Authority and that this amount had not been included in the Council's baseline allocation. The Surrey PH team are gathering information on the potential size of these charges to assess the extent of the impact and the current estimate is that it will be in the region of £3m. As this is a country wide issue the Director of Public Health is linking into other PH teams to progress this matter nationally.
46. Public Health Expenditure: Because some staff did not transfer to the Council from NHS Surrey as part of the changes to the NHS from 1 April 2013, PH currently has a number of vacancies throughout its team, including many at senior level. Progress is continuing with the recruitment to these posts and some new staff have already been appointed, including three public health consultants. The majority of these staff are not expected to be in post before November 2013.
47. One off initiatives are being put in place to ensure 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.
48. The full year position is forecast to be balanced.

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	Sep - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-194.5	-197.8	-3.3	-246.8	-50.4	-248.2	-1.4
Expenditure	-10.2	-10.6	-0.4	36.8	47.4	36.8	0.0
	-204.7	-208.4	-3.7	-210.0	-3.0	-211.4	-1.4
Local taxation	-244.1	-244.7	-0.6	-599.3	-354.6	-599.3	0.0
Risk contingency				13.0	0.0	0.0	-13.0
Net position	-448.8	-453.1	-4.3	-796.3	-357.6	-810.7	-14.4

49. 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 Local Authority Central Spend Equivalent Grant (LACSEG) grant on the transfer of schools to academy status; £0.25m was received as Surrey's share of the Council Tax Transition Grant due to the Boroughs and Districts having compliant local council tax support schemes; £1.0m as an Adoption Reform Grant; £0.5m Local Services Support Grant; and £0.1m for HM Courts Service Grant. In addition to this £1.2m more has been received in PFI grants compared to the budget profile. These additional grants are partially off-set by £1.5m DSG budgeted for, but not received.
50. 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 resulted in a full year expected shortfall in income in 2013/14 and will also be a continuing pressure in 2014/15. However in 2013/14 the additional grant income which was not included in the MTFP will now be greater than the shortfall.

Revolving Infrastructure & Investment Fund

Table 11: Summary position

Summary	YTD Actual £m	Full Year Forecast £m
Income	-1.0	-2.2
Expenditure	0.7	1.4
Net revenue position	-0.3	-0.8
Capital spend	26.7	28.2

51. 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 reserve will be enhanced further by adding net returns achieved from investments and projects in the short-term.
52. 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, Abbey Moor in Chertsey, and the latest purchase being Parkside House, Epsom.
53. The Ranger House (£14.4m) and Egham purchases (£1.8m) completed early this financial year. Following the approval of Cabinet the purchase of Parkside House (£10m) completed in early August and is now included in the year to date spend figures. The remainder of the forecast capital spend includes an estimate of the expected loans to be made during the remainder of the year to the Woking Bandstand joint venture company.

Staffing Costs

54. 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.
55. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
56. 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.
57. 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.
58. The Council's total full year budget for staffing is £314.4m based on 8,025 budgeted FTEs. The year to date budget for the end of August 2013 is £130.5m and the expenditure incurred is £126.9m. At the end of August 2013, the Council employed 7,342 FTE contracted staff.
59. Table 12 shows the staffing expenditure and FTEs for the period to August against budget, analysed among the three staff categories for each directorate. The table includes staff costs and FTEs that are recharged to other public services for example: Districts and Boroughs, NHS Trusts, outsourced to South East of England Councils or capital funded (Super Fast Broadband). The funding for the recharges is within other income.

Table 12: Staffing costs and FTEs to end of August 2013

	Staffing Budget to Aug 2013 £m	Staffing spend by category					Variance £m	Budget FTE	Aug 2013 occupied contracted FTE
		Contracted £m	Agency £m	Bank & Casual £m	Total £m				
Adult Social Care	30.5	26.7	1.4	0.6	28.7	-1.8	2,187	1,908	
Children Schools & Families	43.6	38.9	2.0	1.7	42.6	-1.0	2,690	2,430	
Customer and Communities	23.7	21.4	0.4	1.8	23.6	-0.1	1,507	1,454	
Environment & Infrastructure	9.6	9.1	0.4	0.2	9.7	0.1	524	495	
Business Services and Central Income & Expenditure	17.5	16.0	1.2	0.0	17.2	-0.3	892	825	
Chief Executive's Office	5.6	4.8	0.2	0.1	5.1	-0.5	225	230	
Total	130.5	116.9	5.6	4.4	126.9	-3.6	8,025	7,342	

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

60. The most material variance is an underspend of -£0.5m in the Chief Executive's Office relating to Public Health. A number of staff did not transfer over from NHS Surrey and the service is currently recruiting.

61. Table 13 shows there are 196 “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.

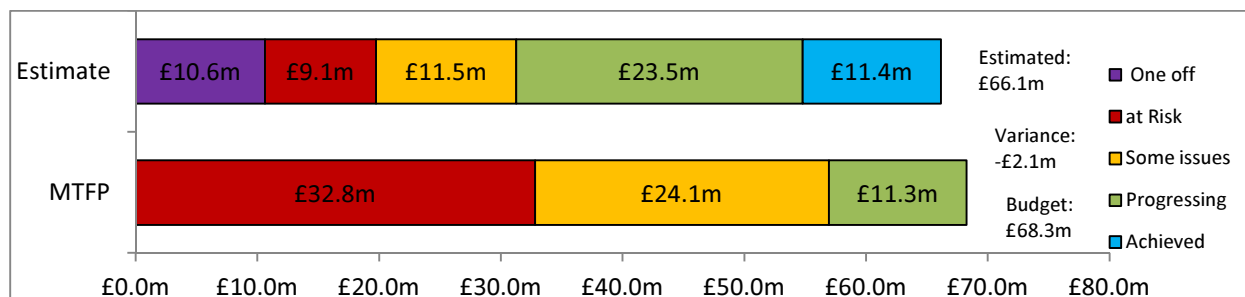
Table 13: full time equivalents in post and vacancies

	<u>Aug FTE</u>
Budget	8,025
Occupied contracted FTE	7,342
“Live” vacancies (i.e. actively recruiting)	196
Vacancies not occupied by contracted FTEs	487

Efficiencies

62. The MTFP incorporates £68.3m of expenditure efficiencies. Overall, the Council forecasts achieving £66.2m by year end, a small under achievement of -£2.1m (balanced position forecast at the end of June). The appendix to this document (from page 18) includes each directorate's efficiencies and a brief commentary on progress.

Graph 1: 2013/14 ragged overall efficiencies



63. The current estimate highlights that actions to achieve £11.4m of the £68.3m planned efficiencies have been completed. A further £2.9m savings from one off measures have also been achieved. £9.1m of efficiencies face significant barriers to achievement and an additional £7.7m of these have been reclassified as one-off measures due to slippage. The £10.6m of one-off savings in 2013/14 add to the efficiencies needed in 2014/15.
64. The under achievements on efficiencies are within CSF (-£1.8m) and E&I (-£0.4m). CSF is experiencing delays in achieving the efficiencies planned in services for children with disabilities together with increasing demand for care packages. This means the planned saving in that area of £1.5m is unlikely to be achieved in 2013/14. Given the pressure on the transport budget, it is also unlikely that the planned efficiency of £0.3m will be achieved. E&I forecasts -£0.4m underachievement on the bus service contract savings.
65. Within the background appendix to this annex are each directorate's efficiencies as at August 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

66. 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.
67. 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 reprofiling and carry forwards from the 2012/13 financial year of -£32.6m in total, including -£2.5m for 2013/14. This decreased 2013/14's capital budget to £184.8m. The capital budget up to 30 June 2013 was updated for new approved schemes, re-profiling requests and new grant funded schemes totalling +£3.2m. July and August budget changes are for: drawing down capital grants for Walton Bridge (£0.6m); wellbeing centres (£0.1m); and external funding from sources such as schools' parent teacher associations of £0.2m. The revised capital budget for 2013/14 is £188.3m. There are no virements over £0.25m. The budget changes are summarised in Table App 3 (page 24).
68. The current forecast for the service programme is a small underspend of -£2.4m (-£0.5m forecast at the end of June) due predominately to delays :
- experienced at Guildford Fire Station from archaeological finds (-£3.0m),
 - in obtaining planning permission for the improvement of a travellers' site (-£0.5m), and
 - in the local area network (LAN) element of the Unicorn project (-£0.4m)
69. These are offset by:
- projects being brought forward especially school modular building (+£1.4m), and
 - SEN strategy which is expected to bring forward +£0.1m expenditure.
70. The underspend relates to project duration rather than spending savings. Therefore the overall capital programme will spend the same and funding is unaltered.
71. The revised 2013/14 budget is in the appendix to this annex on page 24.

Table 14: 2013/14 Capital expenditure position

2013/14 Monitoring	Revised Full Year Budget	Apr - Aug actual	Sept - Mar projection	Full year forecast	Full year variance
	£m	£m	£m	£m	£m
Adult Social Care	1.9	0.8	1.0	1.8	-0.1
Children, Schools & Families	4.8	2.8	2.0	4.8	0.0
Customer & Communities	5.1	1.2	3.9	5.1	0.0
Environment & Infrastructure	58.2	34.8	23.5	58.3	0.1
School Basic Need	54.3	23.2	31.1	54.3	0.0
Business Services	52.5	14.9	35.2	50.1	-2.4
Chief Executive Office	11.5	0.3	11.2	11.5	0.0
Service programme	188.3	78.0	107.9	185.9	-2.4
Long term investments	0.0	26.8	1.4	28.2	28.2
Overall programme	188.3	104.8	109.3	214.1	25.8

Appendix to Annex

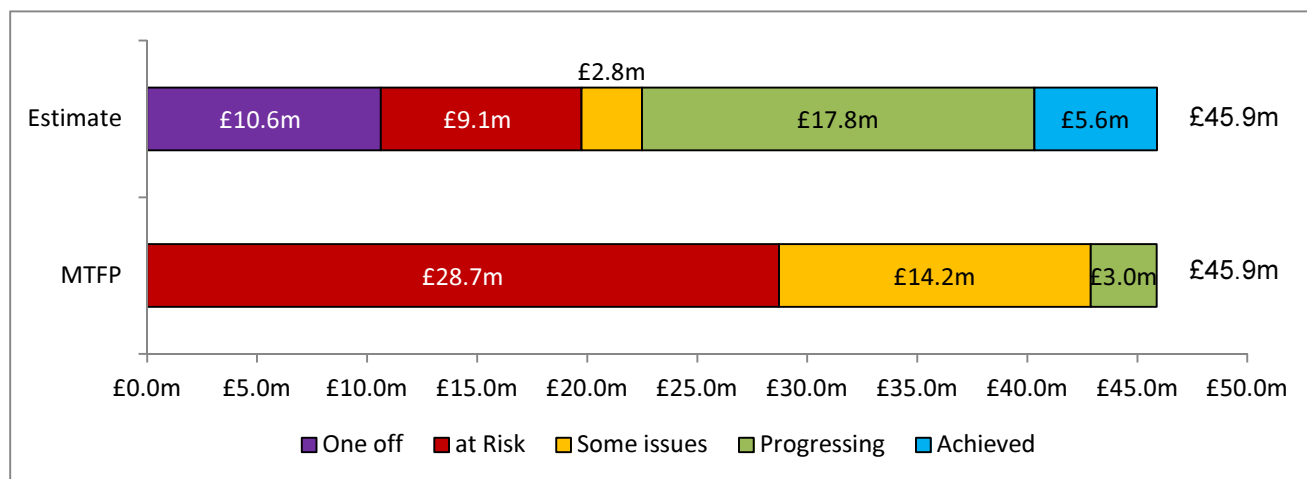
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Efficiencies & service reductions

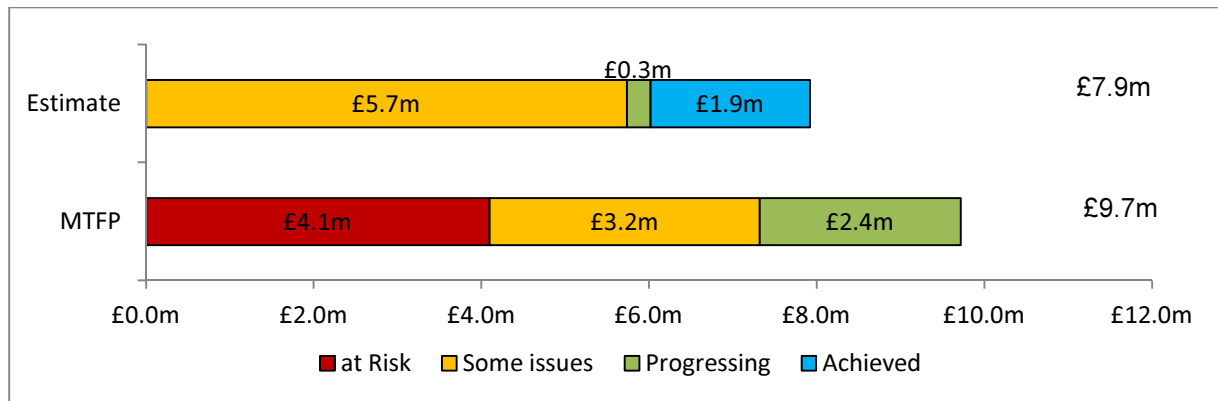
- App. 1. The graphs of directorate efficiencies & service reductions below track progress against directorates' MTFP ragged expenditure efficiencies & service reductions.
- App. 2. All the graphs use the same legend:
 Red – At risk, Amber – some issues, Green – Progressing and Blue – Achieved.
 Each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

Adult Social Care



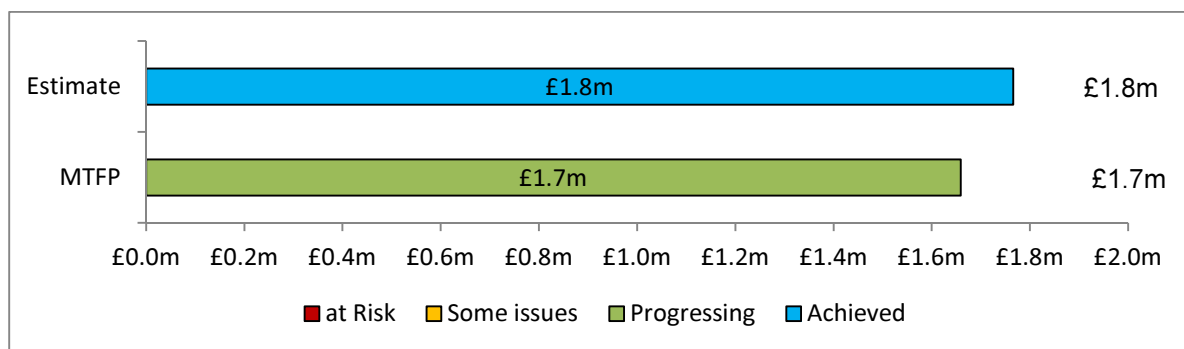
- App. 3. The directorate has already achieved savings of £8.5m this year, including £5.2m of savings to constrain inflation for individually commissioned care services. A further £17.8m is on target to be achieved. The most significant element of ASC's savings plans in 2013/14 is the social capital strategy, which has a £15.5m savings target. Given the scale of the challenge and that this is the first year of these ambitious plans, slippage was highlighted as a risk and the August position indicates some slippage has occurred, with £8.8m of social capital currently forecast against the £15.5m target. The projected social capital slippage combined with minor slippage against other savings plans is being offset by £7.7m of one-off savings. The main one-off savings measure is the contingent draw down of £7.5m of unused 2011/12 Whole Systems funding set aside by the directorate as a contingency for this year's budget. This draw down is pending Cabinet approval, which will not be sought until a fuller assessment of the likely financial success of the social capital strategy this year can be made in the September monitoring cycle.
- App. 4. The directorate has already achieved £2.9m one-off savings in 2013/14 and along with the £7.7 delayed savings from 2013/14, the whole £10.6m savings will need to be made in 2014/15.

Children, Schools & Families



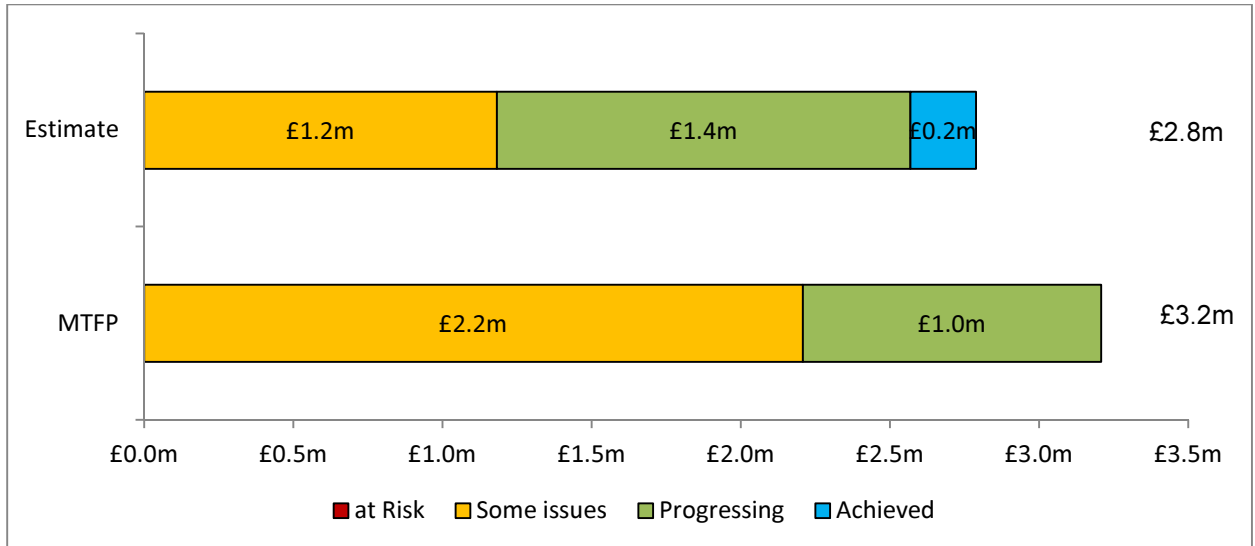
App. 5. The forecast budget position for CSF means that two of the planned efficiencies are unlikely to be achieved. Delays in achieving the efficiencies planned in services for children with disabilities together with increasing demand for care packages mean that the planned saving of £1.5m is unlikely to be achieved in 2013/14. Also, given the pressure on the transport budget, it is now unlikely that the planned efficiency of £0.3m will be achieved.

Customer & Communities



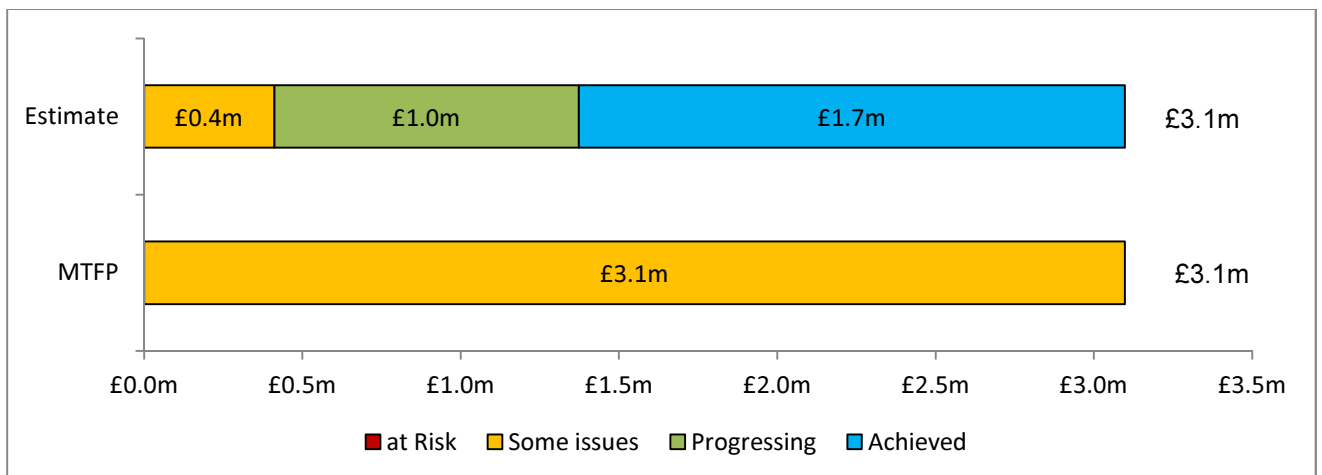
App. 6. The efficiencies summary shows an over-achievement of +£0.1m against the 2013/14 target of £1.7m. This is due to the early achievement of the 2014/15 Directorate Support staff saving. Actions to achieve the 2013/14 efficiencies have already been completed.

Environment & Infrastructure



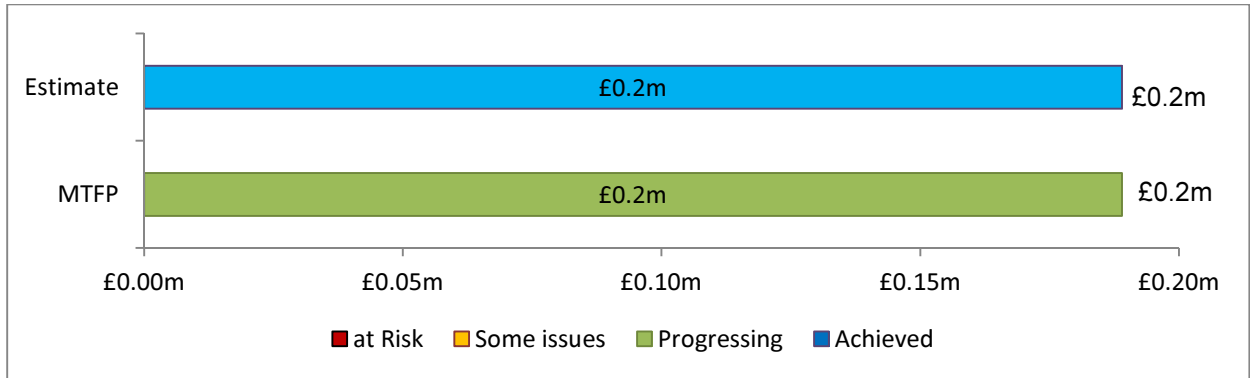
App. 7. The directorate currently expects to deliver all efficiency savings, except bus service contract savings (£0.4m). A number of risks remain and in some cases detailed plans are still in development. Some savings, including one off savings from parking income, have already been achieved.

Business Services



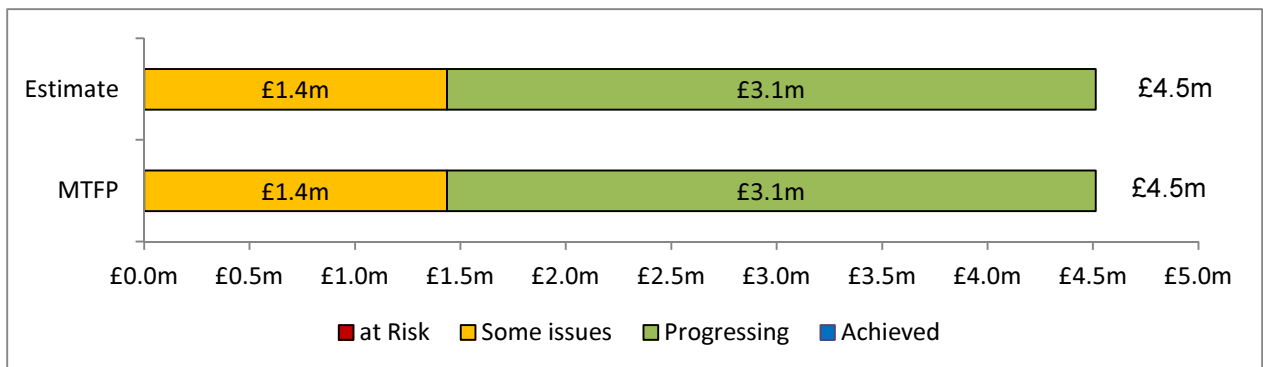
App. 8. The efficiencies identified in the MTFP are on track to be realised, all savings have been reviewed and plans are in place to achieve them and the risk of achievement has been appropriately adjusted. The efficiency in corporate training of £0.4m may not be fully realised, however the service is working to achieve its target.

Chief Executive's Office



App. 9. 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. 10. The efficiencies identified in the MTFP are on track to be realised but the risks attached to them remain.

Updated Budget - Revenue

App. 11. 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 to June increased the budget to £1,696.3m. There have been a number of virements in July and August that re-profile the income & expenditure budgets. Table App 1 summarises these changes.

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	
Q1 changes	2.3	11.1	-8.8		0.0	72
Previous budget	-1,664.6	1,696.3	-19.8	-11.9	0.0	72
<u>July & August changes</u>						
Capital funding and creating the Revolving Infrastructure and Investment Fund	-5.2	5.2			0.0	1
Transfer from the severe weather reserve		5.0	-5.0		0.0	1
Transfer of income & expenditure	-2.3	2.3			0.0	80
July & August changes	-7.5	7.5	0.0	0.0	0.0	82
Updated budget - August 2013	-1,672.1	1,708.8	-24.8	-11.9	0.0	154
<u>Earmarked reserves:</u>						
Severe weather reserve		-5.0	5.0			
Budget Equalisation Reserve		-18.9	18.9			
Child Protection Reserve		-0.9	0.9			
Revised budget supported only by general balances - August 2013	-1,672.1	1,684.0	0.0	-11.9	0.0	154

App. 12. 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 estimated their likely 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 no changes for July and August.

App. 13. 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 three virements above this amount in July and August.

App. 14. Virements above £250,000, to:

- a) transfer of £5.0m from the severe weather reserve to Highways;
- b) create an income and expenditure budget for an Operation, Policy and Procedure grant of £603,000 for the Fire Service; and
- c) transfer of £5.0m to create the Revolving Infrastructure and Investment Fund.

App. 15. Table App 2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year:

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

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-67.9	406.0	338.1
Children, Schools and Families	-150.7	329.8	179.1
Schools	-521.5	521.6	0.1
Customers and Communities	-24.0	84.0	60.0
Environment and Infrastructure	-18.7	150.6	131.9
Business Services	-14.8	97.8	83.0
Chief Executive's Office	-28.4	44.4	16.0
Central Income / Exp	-846.1	36.8	-809.3
Service total	-1,672.1	1,671.0	-1.1
Risk Contingency		13.0	13.0
Total	-1,672.1	1,684.0	11.9

Updated Budget - Capital

- App. 16. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Subsequently, Cabinet amended the budget by approving 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. 17. New virements and reprofiling in May - June added £2.6m to the capital budget. There are small changes to the capital budget totalling £0.9m, increasing the capital budget to £188.3m. There was one change over £0.25m; grant drawdown (Walton Bridge – Department for Transport grant) £0.6m. The residual £0.3m amasses in small changes for capital grant drawdown for wellbeing centres and external funding for schools (i.e. parent teacher associations).
- App. 18. These changes are summarised in table App 3.

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

	MTFP Budget £m	C fwd and reprofiled budget £m	Budget virement £m	Revised full year budget £m
2013/14 Monitoring				
Adult Social Care	1.3	0.4	0.2	1.9
Children, Schools & Families	2.8	1.6	0.4	4.8
Customer & Communities	2.0	3.1	0.0	5.1
Environment & Infrastructure	50.1	4.3	3.8	58.2
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	-4.9	5.8	188.3