

Budget Outturn 2012/13

Summary - Revenue

The council set its budget for the 2012/13 financial year in the context of the government's austerity programme with the reduction in public sector budgets and expenditure, and rising demand for its services. As a part of the budget, the county council's services developed plans for efficiencies and reductions in expenditure totalling £71m. If the Cabinet approves the proposed transfer of £2.5m budget to fund future years' budgets, the council will have a net underspending of -£3.1m excluding schools and DSG funded services. In developing the Medium Term Financial Plan (MTFP) for the five years to 2018, the council took a multi-year approach to its budget setting. Within this, the council approved the use of £11m to support the 2013/14 financial year when it set the budget in February 2013, and a further £1m in March 2013. The Cabinet have also approved £7.9m of service budgets to be rolled forward to ensure funding is available for schemes, projects and commitments that need to be funded in the new financial year.

Summary - Capital

MTFP 2012-17 set a £683m five year capital programme, with the in-year updated capital budget for 2012/13 being £155.9m. The council has brought forward some schemes and purchases where it has made financial sense to do so. This has resulted in the council spending or committing £158.6m by 31 March 2013, leading to an in-year overspend, which is funded from future year's budgets. Within the capital budgets there are schemes and projects that require their funding to be used in future years to complete. These total £32.5m, including funding brought forward from the 2011/12 financial year.

Summary – Balance Sheet

As part of the on-going strategy to improve transparency and timing of financial reporting, the Council produces quarterly key financial statements (e.g. Balance sheet) and to inform Members of key treasury management indicators. These are all included in this report.

Recommendations:

That Cabinet:

1. notes the revenue budget underspending; (Annex 1, Section A paragraph 4)
2. approves the transfer of £2.5m in respect of the write down of prior accruals to the Budget Equalisation Reserve; (Annex 1, Section A paragraph 4 and 68)
3. approves the transfer of £2.7m of higher than expected government grants to the Budget Equalisation Reserve; (Annex 1, Section A, paragraph 7)
4. notes the in-year capital budget outturn; (Annex 1, Section B,)
5. note grant and reserves movements changes and approve that they are allocated to the relevant services (Annex 1, Section C)
6. approves the transfer of capital funding into future years (Annex 1, Section E)

Revenue Budget

1. The updated revenue budget for the 2012/13 financial year, including schools, was £1,535.6 million and at its meeting in April 2013, the Cabinet approved to carry forward £7.9m of service revenue budgets to fund committed expenditure in the new 2013/14 financial year. The final outturn for the council funded net revenue budget was an underspending of £5.6m. In addition there was an underspending on the Dedicated Schools Grant funded services of £12.5m, of which £9.3m related to schools' delegated budgets.
2. Section C of this annex provides more details on the total revenue budgets with in-year changes to government grants and inter-directorate virements.
3. Table A1 shows the updated net revenue budget for each directorate and schools and the year end variance.

Table A1 – Directorate net revenue budgets, actual expenditure and variances

	Full year budget £m	Actual Income & Spend £m	Approved Carry Forward £m	Council variance £m	DSG Variance £m
Adult Social Care	337.4	339.3		1.9	
Children, Schools & Families	274.7	265.4	3.1	-3.0	-3.2
Schools	540.7	531.4		0.0	-9.3
Customers & Communities	73.8	72.4	0.9	-0.5	
Environment & Infrastructure	130.3	131.0	0.9	1.6	
Change & Efficiency	88.4	83.4	1.3	-3.7	
Chief Executive's Office	14.0	13.9	0.1	0.0	
Central Income & Expenditure	67.3	60.8	1.6	-4.9	
Net service expenditure	1,526.6	1,497.6	7.9	-8.6	-12.5
Budget equalisation reserve	9.0	12.0		3.0	
Net revenue expenditure	1,535.6	1,509.6	7.9	-5.6	-12.5

4. The final revenue budget outturn variance of £5.6m was an increase of £1.8m from the Provisional Outturn that the Cabinet considered at its meeting in April. The most significant element of this was the write down of prior year creditor accruals on the balance sheets of £2.5m. This is explained in paragraph 68 below and it is proposed to transfer this to the Budget Equalisation Reserve (BER). This would reduce the net underspending from -£5.6m to -£3.1m and result in an increase in general balances of £3.1m to £31.9m
5. The council's formula grant was 'top-sliced', or reduced, at the start of the financial year in respect of the estimated transfer of central council funding to academy schools. The final amount of this 'top-slice' was less than the Department of Communities and Local Government (CLG) estimated and the department has refunded the council £1m Formula grant. Service budgets were not amended in-year for this late increase in grant and was held on the balance sheet.

6. The council was permitted to charge defined areas of central support costs it has incurred in providing services to schools to the Dedicated Schools Grant (DSG). In setting the 2012/13 budget the council took a prudent view of the amount of expenditure that could legitimately be charged to the DSG, due to the risk of schools achieving academy status. The actual legitimate charge to the DSG was higher than estimated by £1.7m due to loss of grant due to academy transfers being less than feared and the council providing a greater level of service to schools.
7. These two grant adjustments demonstrate the risk and uncertainty associated with the transfer of schools to academy status. To assist in mitigating these risks in future years, it is proposed to transfer the £2.7m of grants, described in paragraphs 5 and 6 above, to the BER.
8. The following paragraphs provide a commentary of the revenue budget outturn for each directorate

Adults Social Care: (an overspend of +£1.9m or +0.6%)

9. The final 2012/13 outturn for Adult Social Care was an overspend of +£2.0m, no change on the February position
10. The ASC budget faced considerable pressures in 2012/13 that contributed to the overspend of £2.0m (0.6% of the budget) at year end. The main reasons for this were as follows:
 - there are growing demand pressures within the main client groups, including transition from children's services
 - staff recruitment difficulties and the need for complex partnership working have slowed delivery of some savings
11. As a result of these pressures, all of the £3.8m underspend carried forward from 2011/12 was used in year either to fund new pressures or as a contribution to the net bottom line position.
12. The Whole Systems funding programme was in the second of its four years, with £10.2m allocation received in 2012/13. Joint plans were agreed with NHS Surrey to spend this money on new projects which should help in the longer term to reduce pressures on care and health budgets through preventative mechanisms such as telecare and telehealth. As at the 31st March 2013, £2.7m of the £10.2m allocation had been spent: that reflected some slippage, but given the funding available in 2013/14 those amounts are not being carried forward, and the remaining £7.5m is being retained on the balance sheet so it can be used as necessary in the coming financial year. A further £14.3m Whole Systems allocation is expected to be received in 2013/14.
13. In addition to the Whole Systems funding, £2.4m of Dept of Health 'Winter Pressures' funding allocated to the County Council via the PCT was received late in 2011/12 and so remained unspent at year-end and was carried forward into 2012/13. A further £2.2m allocation was received in 2012/13. In light of the reduction in the amount of savings achieved in 2012/13, the full £2.2m 2012/13 allocation and £0.7m of the 2011/12 allocation were drawn down as contributions towards ASC's wider budget pressures. £1.7m of funding has been retained on the balance sheet and will serve as contingency against any pressures that emerge during 2013/14.

14. The financial outturn position for the directorate does not include a £1m contribution from the corporate centre to fund additional temporary staff to support more rapid progress with personalisation, which is to be matched by a £1m contribution from ASC. The recruitment of these staff is now due to take place next year, so hence the £1m corporate contribution has been included in the 2013/14 budget as part of the forward budget setting process.
15. However, the final outturn does include the £1m corporate contribution towards partnership working with the districts and borough councils, which was matched by £1m from ASC. In 2012/13 £1.4m of this total £2m allocation was spent and the remaining £0.6m ASC element to be funded from Whole Systems has been retained on the balance sheet and will be drawn down against matching expenditure in the new financial year.

Older People: +£5.3m overspend, an increase of +£0.5m from February

16. The key variances within Older People services were:

- +£4.5m - Overspend on Nursing and Residential placements mainly due to demand pressures that it was not been possible to absorb within the budget and underachievement against the Continuing Health Care (CHC) savings against these policy lines.
- +£1.2m - Overspend in relation to Other Community Services, including respite, day care and transport due to strategic shift as part of the personalisation agenda.
- + £0.8m - Overspend within In-House residential homes including Day Care, due to MTFP efficiencies ascribed to this budget area being achieved within other areas in Service Delivery.
- +£0.4m - Unbudgeted expenditure on Surrey Safer Homes programme was offset by unbudgeted Department of Health funding.
- +£0.3m - Spot Home Based Care pressures primarily due to MTFP efficiencies in relation to preventative savings not expected to be fully achieved within the current financial year.
- £1.4m - Underspend within the Reablement service due to a high level of vacancies and a freeze on recruitment in the later part of the year whilst the service is reviewed.
- -£0.5m - Underspend on Direct Payments primarily due to a reduction in the actual start position and an overachievement against the demography and inflation efficiencies.

17. The main changes from February were:

- +£0.4m - Unbudgeted expenditure on Surrey Safer Homes programme within offset by unbudgeted Department of Health funding.
- +£0.3m - Increase across Older People spot care packages mainly in Nursing due to changes in future forecasts to reflect current demand and back-dated packages.
- +£0.2m - Direct payments due to the over projection of surplus reclaims identified as part of end of year closure.
- -£0.2m - Reduction in Home Based Care projections resulting from 103 backdated ceased packages (41% of all reported ceased in month) releasing more funds than the cost of new placements in month plus over projections due to the reporting of breaks and variations.
- -£0.2m - Reduction in Other Community Care Services due to previous year accrual write backs no longer required and reporting adjustments.

Physical Disabilities: +£1.3m overspend, a decrease of -£0.2m from February

18. The key variances within Physical Disability services were:

- +£1.4m - Overspend on Direct Payments due to the start position in spot care being higher than budgeted and a net increase of 123 DP services from April to March 2013.
- + £0.6m - Overspend on Nursing spot care, mainly due a net increase of 12 spot nursing care packages so far this year plus some MTFP savings being achieved against other policy lines.
- +£0.3m - Overspend on Supported Living due to the start position in spot care being higher than budgeted, together with the under-achievement against preventative and strategic shift efficiencies.
- -£0.3m - Underspend on Residential care, primarily due to lower than anticipated volumes of PSD transition clients.
- -£0.6m - Underspend on Community services mainly due to a reduction in PSD commissioned contracts.

19. The main changes from February were:

- +£0.1m - Increase in Nursing spot care due to a net increase of 2 service users in March.
- - £0.1m - Decrease in Supported Living costs due to over projections in the AIS computer system because ceases and breaks in service had not previously been fully entered into the system.
- -£0.2m - Reduction in Other Community Care services due to reduced County Equipment Pooled budget and other commissioned contracts costs.

Learning Disabilities: +£8.1m overspend, a decrease of £0.4m from February

20. The key variances within People with Learning Disabilities services were:

- +£3.0m - Overspend on Residential spot care mainly due to forecast under-achievement against strategic supplier review, preventative efficiencies, Learning Disability Public Value Review and strategic shift saving targets.
- +£2.5m - Overspend for PLD Transition clients due to growing demand pressures and increased volumes above those previously anticipated, forecast non-achievement of the £1m Optimisation of Transition Pathways efficiency and a number of high cost packages that the department has had to pick up during 2012/13.
- +£2.3m - Overspend on Supported Living spot care excluding S256 and Transition clients primarily because the start position was £1m higher than budgeted due to increased volumes in late 2011/12 (in line with the focus on community based provisions as part of personalisation), a net increase of 54 Supported Living services between April and December 2012 and under-achievement against preventative savings.
- +£1.0m - Overspend on former S256 PLD clients due to anticipated under-achievement against MTFP efficiencies.
- +£0.2m - Overspend on Nursing spot care due to a net increase of 4 services since the start of the financial year.
- £(0.6)m - Underspend across other community services, particularly on Other Community Care and Respite Care, due to a lower start of year position than originally forecast and a higher proportion of savings expected to be achieved against these service areas than was budgeted.

- -£0.2m - Underspend on In-house Supported Living, Day Services and Residential care.
- - £0.7m - Underspend across other community services excluding Transition and former S256 clients due to DP reclaims and reduction of Other Community services projections.

21. The main changes from February were:

- +£0.5m - Increase in Residential care costs excluding Transition and S256 due to backdated costs paid for individuals determined as no longer eligible for health funding and where funding pick up by SCC was delayed and 1 to 1 support costs for in-house clients that had not previously been projected within Personal Care & Support.
- + £0.2m - Increase in Supported Living costs due to increases in service volumes in March.
- - £(0.2)m - Reduction in PLD Transition costs primarily as a result of recharges for Learners with Learning Difficulties and/or Disabilities and Special Educational Needs recharges from Children's Services being lower than previously expected and decreases in some DP services.
- - £0.1m - Other minor changes that largely netted each other off.

Mental Health: -£0.3m underspend, a decrease of -£0.1m from February

22. The -£0.3m underspend on Mental Health was due to an underspend on Substance Misuse within Residential Care offset by an overspend within Supported Living/Home Based care services

23. The decrease of -£0.1m from February was due to a delay with Mental Health Grant expenditure offset by a corresponding reduction within Other Income.

Other expenditure: -£6.7m underspend, an increased underspend of -£0.1m from February

24. The key reasons for the underspend on Other Expenditure were:

- - £2.6m - Underspend on core establishment including on-costs due to ongoing workforce reconfiguration and delays in recruitment. This had a direct impact on the underachievement of many of the savings streams, which rely on a full staff complement to push forward actions such as reviews, maximising use of social capital and strategic shift.
- -£2.5m - Funds brought forward from 2011/12 being used to offset pressures within the main client group budgets.
- -£0.7m - Underspend on Supporting People - this was due to achievement of the Supporting People efficiency through the renegotiation of contracts in respect of volume and unit costs ahead of the 4 year plan.

25. The main changes from February were:

- -£0.2m - Underspend on estimated car user lump costs relating to 2011/12 accrued for at the end of the previous financial year. This had not previously been projected.

Income: -£5.7m surplus, an increased surplus of -£0.5m from February

26. The key variances that made up the overall surplus forecast on income were:

- -£5.5m - Surplus on Other Income due to -£3.5m of draw downs of additional Department of Health funding, Whole Systems and other historic balance sheet funding to help offset wider pressure, -£2.6m of unbudgeted refunds for clients who were determined as CHC with a backdated effective date, -£0.4m unbudgeted DH funding for the Surrey Safer Homes programme, -£0.2m of contributions towards Adults posts that were not budgeted for, -£0.3m of unbudgeted income within Service Delivery, offset by +£1.3m pressure due to increases in the bad debt provision and +£0.4m shortfall of income against budgets set for the County Equipment Pooled budget and other commissioned contracts, largely offset by corresponding reductions in expenditure and -£0.2m of other unbudgeted income.
- -£1.5m - Potential surplus on Fees & Charges based on the year to date position. Further work is underway to validate this potential surplus.
- +£1.1m - Shortfall on Joint Funded care package income, mainly caused by a reduction in the number of joint funded clients due to ongoing reviews of historical joint funding arrangements which usually result in clients being determined as either 100% Continuing Healthcare (CHC) or 100% social care.
- +£0.2m - Shortfall on Section 256 fees & charges and Section 256 Mental Health income caused by reductions in S256 user numbers and offset by reductions in expenditure as a result.

27. The key changes from February were:

- -£1.1m - Increase in Other Income due to £(0.2)m changes to Management Actions in respect of Continuing Healthcare (CHC), increase of £(0.1)m in Q3 bad debt provision, reimbursement of £(0.1)m against Carer break vouchers not previously projected plus a £(0.1)m increase in income projected within Service Delivery
- - £0.4m - Additional Fees & Charges surplus above what had previously been projected.
- - £0.4m - Increased Joint Funded Care Packages income due to the inclusion of invoices raised for services that were not previously projected in the AIS computer system.
- - £0.4m - Unbudgeted Department of Health income for the Surrey Safer Homes programme, which was not previously projected for.
- + £0.3m - Changes to bad debt provisions, namely a +£0.5m increase in the PCT bad debt provision recognising the risk of debts not being paid as a result of the changes in the health structure partially offset by a -£0.2m decrease in the care bad debt provision due to a reduction in unsecured debt.
- + £0.4m - Commissioned grants and contracts income reduction offset by corresponding reductions in expenditure reported above.
- + £1.1m - reduced draw downs (+£0.8m Whole Systems and +£0.6m Department of Health Winter Pressures funding) as a result of less funding being required to contribute to wider ASC pressures mainly due to the increased Continuing Health Care income outlined above.

Children, Schools & Families: Net underspend by -£3.0m or -1.1%, plus an approved carry forward of £3.1m).

28. The final 2012/13 revenue position for Children Schools and Families was a gross underspend of -£9.3m of which -£3.2m related to Dedicated Schools Grant (DSG) funded expenditure and -£6.1m to council funded services. Cabinet has also approved a carry forward of £3.1m. Details are in Annex 1 – Section E

29. This represented an increase in the Directorate's underspend of -£2.6m of which -£1.5m related to county funded expenditure and -£1.1m to DSG. The increase was mainly due to an increase in the Schools and Learning underspend.

Budget Movements

30. The revised budget for the directorate (£274.7m) has reduced significantly(-£21.8m) due to final year end grant related adjustments but most significantly the transfer of £20.5m, allocated for support to children with Special education needs (SEN) - Independently Stated Pupil Support Budget (ISPSB), to the Schools Budget.

Children's Services

31. Overall the Children's Services outturn position was an overspend of+£1.8m which represented a small, -£0.2m reduction compared to the position reported in February. Of the overspend +£0.2m related to DSG funded services. As previously reported the main reason for the overspend was an increase in the number of children receiving services despite the service largely meeting its efficiency targets. The main variations giving rise to the overspend were:

- Looked After Children (LAC) and Children in Need, both staffing and care costs. These budgets have been under pressure due to the impact of increased referral rates (+£0.8m) with the number of children overseen by the child protection teams rising to 908 from 845 over the year. This was in addition to the increase in numbers experienced towards the end of 2011/12. Further pressures arose due to the need to cover statutory work with agency staff in vacant positions (+£0.7m). Measures have been taken to mitigate this for next year, including developing the social worker career progression framework and the social worker academy which are aimed at improving the recruitment and retention of social workers.
- Agency Placements - the overspend for the year, +£1.7m, was slightly lower than projected in February -£0.3m due to a slightly lower level of demand, but overall, the overspend was due to a 10% increase in placements for both children with disabilities and care. This reflects the increasing number of placements being made compared to the situation when the budget was set. Management action to avoid high cost placements continues, placements are scrutinised to ensure they meet the needs of the child and offer value for money.
- Fostering and Adoption Allowances - The overspend on this budget +£0.7m reflects an increase in the number of allowances and Special Guardianship orders.
- Leaving Care and Asylum Seekers - the overspend on these services of +£0.4m was due to increasing numbers of asylum cases where costs cannot be fully recovered from the UK Border Agency and those cases that are no longer funded by the asylum seeker grant, but where the council has a statutory duty to provide a service. In addition there was an increase in the number of young people moving on to the leaving care service.

32. Overall service pressures have been offset by underspent staffing budgets across the service (-£1.2m) mainly due to posts being held vacant prior to restructures taking place and including delays in establishing the Emergency Duty Team. In addition unallocated resources of -£0.7m have been held within central budgets against budget risks and there have been underspends against contracts for specialist care services for children with disabilities

Schools & Learning

33. The underspend for schools and learning was -£7.8m, an increase of -£1.6m compared to the position reported in February. Of the overall underspend -£3.4m related to DSG funded areas and -£4.4m to county funded services.

34. The underspend in the early years service was -£4.8m for 2012/13, -£ 0.3m compared to the February projection. The main reasons for this underspend relate to:

- Demand led budgets for nursery provision: three and four year old DSG provision (-£1.9m) and two year olds (-£0.7m). These budgets were difficult to predict being dependent of take up of nursery places by parents. Additional government grant funding for two year olds was provided in year and the service is working towards meeting targets for placements.
- Children's Centres which underspent by-£0.8m, partly due to one off use of grant , delayed implementation of a new staffing model at some centres and some additional income generation.
- Staffing, a restructure led to an underspend of -£0.7m as well as an underspend on the workforce development budget of -£0.3m.

35. In relation to DSG funded SEN services agency placement costs were virtually on budget compared to a predicted overspend of +£0.5 m in February. The reduction mainly being due to greater than anticipated contributions from health and adults. The Independently Stated Pupil Support Budget (ISPSB) was underspent by -£0.4m slightly more than anticipated. In addition central SEN costs underspent by -£0.4m across a number of areas including vacancies, slippage on adaptations and reduced SEN CPD activity in advance of a reduced 2013/14 budget.

36. The transport budget overspent by +£0.7m. This was due to increased demand and routes for SEN transport of £0.8m offset by a -£0.2m underspend for mainstream home to school provision.

37. Commercial Services achieved a positive outturn of -£1.1m mainly due to increased activity and the fact that schools were not closed due to snow this winter. It should be noted this outturn does not include the full costs of the service as overheads and capital charges are not included in service management accounts.

38. In addition to the above there are staffing underspends across the directorate of- £1.5m largely arising from the implementation of the service restructure and decisions to hold vacant posts pending clarifications of future funding arrangements and delegation.

Services for Young People

39. The final position here was an underspend of -£0.5m. This was in part due to some projects planned within centrally managed services not going ahead as planned of -£0.1m.
40. Within Commissioning and Development (-£0.2m) there were staffing savings as youth centres have not been fully staffed. In addition the skill centres project was delayed, carry forward funding has been agreed to allow this scheme to complete.
41. A small overspend had been predicted for Youth Support Services although the outturn position is a small -£0.1m under spend. Overspends against Gypsy Skills, Duke of Edinburgh and Surrey Outdoor Learning and Development (SOLD) services were offset by slippage on planned projects that had not been anticipated in February.

Strategic Services

42. The main budget item under the Strategic Director's control is the residual balance of the carried forward underspend from 2011/12, which was always intended to fund two years' worth of projects. The remaining balance was £1.9m formed part of the approved carry forward.
43. In addition there were staffing underspends of £0.8m particularly in teams supporting the troubled families and change programme due to vacancies prior to recruitment. This underspend increased by -£0.5m mainly due to EIG grant funding needing to be treated as general funding as opposed to a ring fenced grant and included as a carry forward.

Schools (Balanced, including a School Forum underspend of £9.3m)

44. The outturn position for schools was an underspend of -£9.3m. This was made up of an underspend on DSG funded budgets of -£11.1m which was offset by +£1.8m of additional expenditure incurred by schools where they had attracted extra grant.
45. The underspend on DSG funded school budgets included:
- the carried forward 2011/12 underspend of £7.5m, of which £7.0m had been used to support the 2013/14 schools budget.
 - the unused balance of the schools contingency for 2012/13 of £2.9m. This was held to meet commitments under the funding formula, e.g. additional classes established to meet the demand for places, and had not been required in full.
 - Other unallocated sums (£0.7m) due to late grant adjustments and a £0.2m underspending against the funding topsliced to support the implementation of the schools broadband network.
46. The use of the schools underspend was governed by the Schools Forum and provided added flexibility to manage schools budget pressures although as noted above £7m was already committed to support in schools budgets in 2013/14.

Customer & Communities (-£0.5m net underspend or -0.7%, including an approved carry forward of £0.9m)

47. The directorate's gross underspend was £1.4m. This was partly due to the early achievement of planned efficiencies (£0.5m) built into the 2013/14 MTFP. This included -£0.3m from increased Registration income and -£0.2m for Directorate Support staff savings. There were also committed underspends on member allocations (-£0.4m) and community improvement fund (-£0.2m) where payments were unable to be made during 2012/13 and for which Cabinet had approved carry-forward requests.. The remainder was

due to underspends on directorate projects and miscellaneous savings across the directorate.

48. The reduced underspend from February month end was primarily due to the transfer of the uncommitted £1m Olympic contingency to E&I.
49. The directorate budget reduced by £0.6m since the February month end. This was due to the transfer of the £1m Olympic contingency budget to E&I to fund highway repairs offset by an adjustment to reflect £0.4m grant funded expenditure within Fire.

Environment & Infrastructure (+£1.6m net overspend or +1.2%, including an approved carry forward of £0.9m)

50. Overall Environment & Infrastructure revenue budgets overspent by £0.7m (0.5%, before carry forwards) at the end of 2012/13, an increase of +£0.4m compared to the previous month, and in line with the interim outturn position reported in April. Significant variations are explained below. Cabinet had also approved a carry forward of £0.9m. Details are in Annex 1 – Section E.
51. Employees budgets across the directorate were underspent by -£1.0m last year. This underspend arose in the first half of the financial year, mainly due to vacancies held in advance of phase 2 of the Directorate's restructuring. During the second half of the year monthly spend increased as vacant posts were successfully recruited to.
52. Highways maintenance budgets were overspent by +£1.0m primarily due to the cost of road repairs, including immediate response repairs where specialists were required to attend emergencies, and winter maintenance costs resulting from adverse weather in March. A carry forward of £0.1m was approved in April relating to additional funding transferred from the Olympics contingency in March and allocated to road repairs, which was not fully spent.
53. A number of economic growth projects were delayed resulting in an underspend of -£0.4m; carry forward of this amount (which includes New Homes Bonus funding) was approved in April.
54. Local bus services overspent by +£0.4m, due to additional costs of replacing services previously operated by Countryliner, other services becoming supported by the Council as they were no longer commercially viable, and income from student fare cards and season tickets being lower than forecast.
55. Road safety initiatives, which were approved by the joint Road Safety Board, were underspent by -£0.2m. Carry forward of this underspend was approved in April. In addition the Safety Camera Partnership funding arrangements resulted in a further £0.1m underspend.
56. The concessionary fares scheme was overspent by +£0.3m. This primarily related to reimbursements to bus service operators, and a large number of travel card renewals at the end of the year.
57. Other smaller variations across the directorate combined to a net overspend of +£0.7m.
58. The overall position represents a movement of + £0.4m (increased overspend) since February, which was the net total of a number of increases and reductions. Key increases include highway maintenance which increased by £0.2m between February and March due to better than expected delivery of local schemes; and concessionary fares costs which increased by £0.2m due to higher than expected numbers of travel card renewals.

Change & Efficiency (-£3.6m net underspend or -4.2%, including an approved carry forward of £1.2m)

59. Full year expenditure for the year ended 31st March 2013 was £3.6m under budget following agreed carry-forwards of £1.3m. Significant savings have been delivered in year, including achievement of £7.1m planned efficiencies and the early delivery of savings to contribute to the achievement of the target of £3.4m in 2013/14.
60. Savings have been made of £2.0m in relation to energy costs; the cost of the Carbon Commitment scheme was lower than originally anticipated with greater confidence regarding the quality of data and reducing energy consumption levels as a result of the capital investment made in, for example, new boilers and smart metering which facilitate greater control over consumption. In addition energy prices achieved through procurement activity and the Laser contract were lower than expected.
61. Savings (£1.4m) have been delivered from the reconfiguration of the office portfolio, where some moves have happened in advance of the original plan, reducing the rent liability and as a result of rent-free periods negotiated on new leases such as the main data centre site. These savings were offset by a shortfall in rental income of £0.5m as a result of a tenant going into administration and lower occupancy.
62. Planned maintenance delivery has been lower than targeted (£0.9m) following the implementation of new contracts mid way through the year which delayed works but in the longer term deliver procurement saving of 11%. These savings were partly offset by an increase in responsive repairs and maintenance (£0.4m) as a result of the heavy rainfall earlier in the year.
63. An underspend of £0.8m within Human Resources and Finance on staffing costs was the result of the prudent holding of vacancies prior to restructure implementation, in order to reduce redundancy costs. A further underspend of £0.1m was achieved as a result of sharing of resources with East Sussex. Human Resources and Shared Services have delivered new income generation of £0.4m in year and a saving against the Finance budget of £0.2m was made following the reduction in external audit fees.
64. All of the above savings help to offset an overspend in IMT of £1.5m. In particular there was an increased spend of £0.3m for dual running costs in the final quarter to ensure the new Unicorn contract with BT went live on 1 April. In addition, efficiency savings of £0.5m have not been met with regard to the Cable & Wireless contract as negotiations in the final year of contract were not successful. In addition, in order to escalate the delivery of a step-change in IT capability across the organisation, some investment planned for next year has been brought-forward. These initiatives include an improved and more resilient scanning solution and upgrade to the Citrix hardware.

Chief Executive's Office (Balanced, including an approved carry forward of £0.1m)

65. The directorate had a small underspend of £0.1m against a total revenue budget of £14.0m. The directorate managed a large pressure within Legal (£0.4m) through the careful management of staff vacancies and early achievement of efficiencies within Policy and Performance. Cabinet has also approved a carry forward of £0.1m. Details are in Annex 1 – Section E.

66. Legal Services received additional funding of £0.2m from the Children, Schools and Families carry forward to provide additional staffing to deal with a caseload increase of more than 30% in child protection work. However, a further overspend of -£0.4m was also incurred due to the increased cost of external legal and expert expenses for the continued high level of cases referred during the year. The Legal overspend was partly offset by an underspend of -£0.2m within Democratic Services. This was due to staff changes, only one election occurring in 2012/13, an underspend against Members allowances & expenses, plus confirmation of approximately £33,000 funding from the Home Office towards the Police & Crime Panel.

Central Income & Expenditure (-£4.9m net underspend or -7.4%, including an approved carry forward of £1.6m)

67. The Central Income & Expenditure (CIE) budget has underspend by -£6.6m, which is an increase in underspending on the Provisional Outturn forecast of £1.7m. Following the Cabinet's approval of the carry forward requests for the New Homes Bonus and redundancy & compensation budgets in April 2013, the CIE budget had a net underspending of -£4.9m. The increased underspending was due to the write down of prior year accruals of £2.5m, offset by the reversal of the draw down from the Child Protection Reserve of £0.9m.
68. As a part of the audit of the 2011/12 financial accounts, the external auditors reported on prior year creditor accruals on the balance sheet that were a number of years old. Following an investigation, £2.5m were no longer liabilities faced by the council and have been written back to the revenue budget. It was proposed that this amount would be transferred to the Budget Equalisation Reserve to support future years' budgets.
69. The Minimum Revenue Provision (MRP) charge is -£1.2m under the budget. This was due to underspends in the 11/12 capital programme resulting in less capital expenditure being funded from borrowing than anticipated. The budget for 2013/14 reflected this underspending.
70. The budget for interest on short term investments over-recovered by -£0.8m. Although interest rates have not risen, average cash balances were higher than forecast due to the earlier timing of government grant receipts.
71. Expenditure on Redundancy and Compensation was lower than forecast, resulting in an underspending of -£0.5m. There were 131 new cases approved this year against 138 assumed in the budget and the average cost was lower. There were 6 redundancies approved in early April totalling £0.1m and a request to carry this budget forward to meet these known costs in the new financial year was approved by the Cabinet in April 2013.
72. The Central Income and Expenditure budget included £2m in relation to the New Homes Bonus funding, of which £0.5m was transferred to Economic Development earlier in the year for committed schemes. The April meeting of the Cabinet approved that the remaining £1.5m was to be carried-forward, as schemes had been identified to be funded from this during 2013/14.
73. There were a series of minor adjustments, or general re-imburements to the financial accounts such as the travel VAT adjustment, rebates and the write back of old cheques that are part of the year end process. This led to £0.2m being written back to the revenue account as a favourable balance. In addition, a review of debts led to a reduction in the bad debt provision of £0.3m, which was written back to the revenue budget.

Budget Equalisation Reserve

74. The budget equalisation reserve (BER) was created to enable the council to smooth out budget variations between financial years. In setting the 2013/14 budget, the council looked to support that year's revenue budget through a transfer from the 2012/13 financial year. This totalled £11m and was transferred to the BER.
75. At its meeting in March 2013, and following the confirmation that the £1m contingency set aside for hosting Olympic events in the county was not required, the Cabinet approved this to be transferred to the BER.

Staffing Costs

76. The Council's total full year budget for staffing was £307.9m. Expenditure to the end of March 2013 was £297.4m.
77. The Council employs three categories of paid staff.
- Contracted staff are employed on a permanent or fixed term basis and are paid through the Council's payroll. These staff are contracted to work full time, or part time.
 - Bank staff are contracted to the Council and paid through the payroll but have no guaranteed hours.
 - Agency staff are employed through an agency with which the Council has a contract.
78. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff.
79. A degree of flexibility in the staffing budget is good, as is some staff turnover, which allows new ideas and thinking into the workforce from other organisations. The Council aims to incur between 88% and 95% of its staffing costs from contracted staff, depending on the particular Directorate service needs. The current level of 92% was stable for most of the current year.
80. Table A3 shows the staffing expenditure for the year against budget, analysed among the three staff categories.

Table A3 – Staffing costs to end of March 2013.

	Budget £m	Actual £m	%	Variance £m
Contracted		272.1	92	
Agency		14.8	5	
Bank		10.5	3	
Total Staffing Cost	307.9	297.4		-10.6

81. The favourable current variance of £10.6m was due to a combination of vacancies in the process of being filled, vacancies being held unfilled prior to restructures and a more economical mix of staffing grades being employed than budgeted.
82. In setting the budget, the Council based the staffing cost estimate on 7,700 full time equivalent (FTE) staff. Table A4 shows that there are 7,361 contracted FTEs in post at the end of March 2013.

Table A4: Full Time Equivalent by directorate

Directorate	Mar FTE	Feb FTE
Adult Social Care	1,915	1,901
Children Schools & Families	2,549	2,569
Customer and Communities	1,455	1,469
Environment & Infrastructure	501	507
Change & Efficiency	766	785
Chief Executive Office	176	177
Total	7,361	7,408

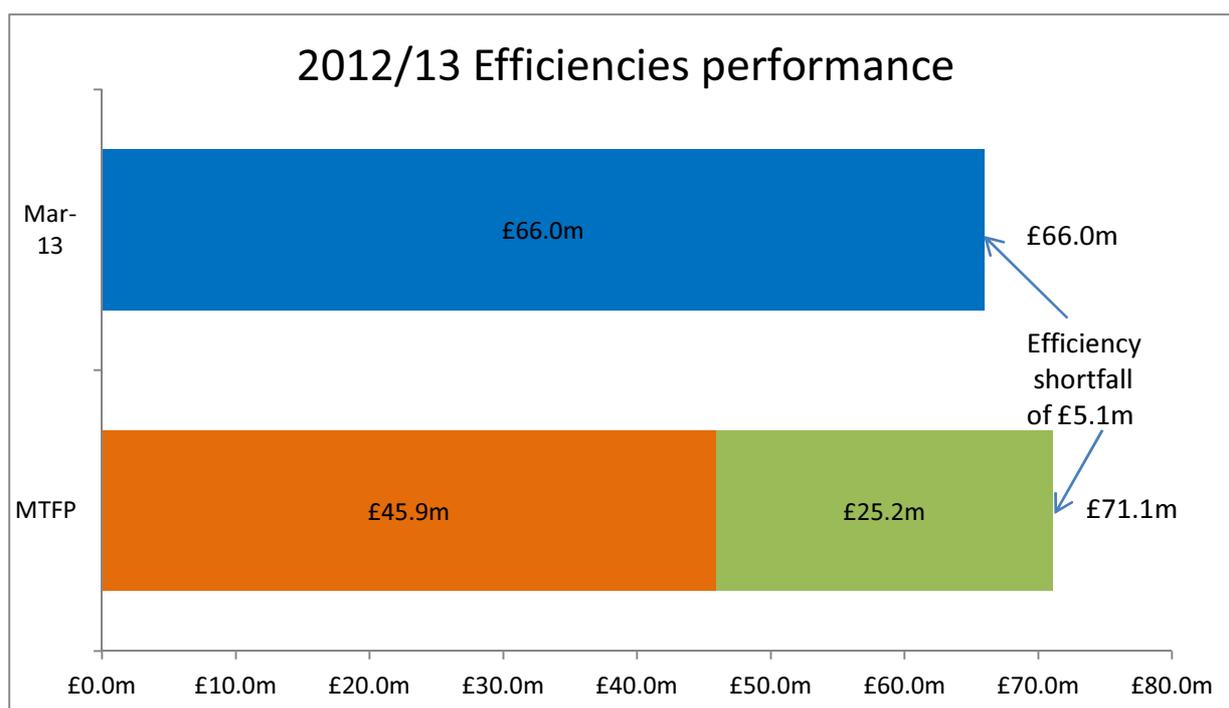
83. There are 205 “live” vacancies, for which active recruitment is currently taking place. The remaining vacancies are either filled by agency and bank staff on a short term basis or not being actively recruited to at present.

Table A5- full time equivalents in post and vacancies

	Mar FTE	Feb FTE
Budget	7,700	7,700
Occupied contracted FTE	7,361	7,408
“Live” vacancies (ie: actively recruiting)	205	229
Vacancies not occupied by contracted FTEs	134	63

Efficiencies

84. For the current year the Council has a savings target of £71.1m, which was set out in the MTFP. At the end of 2012/13 £66.0m of these were achieved leaving a shortfall of £5.1m. The MTFP 2012-17 savings are long term savings but directorates are supporting long term saving shortfalls with one-off savings or expenditure under spends.



85. The shortfall in efficiencies was made up of under achievements by ASC (£4.4m), E & I (£1.7m), C & E (£0.8m) and CSF (£0.4m), offset by an over achievement by C & I of £1.9m.

Adult Social Care

86. ASC had ambitious efficiency plans. There is always some slippage and replacement by in-year measures, but it was not possible to keep these in balance in 2012/13 due to four main factors:

- * difficulties in recruiting the additional staff in order to carry out review work expected to lead to efficiency gains. This did allow for some offsetting savings on staffing budgets, but the overall effect was negative.
- * although targets were hit for additional income from people reclassified from social care support to health under Continuing Health Care arrangements, there were more people than expected who moved in the opposite direction
- * additional demand pressures made it impossible to deliver on measures designed to offset increased numbers
- * there was a policy change in the application of telecare, in line with Government announcements, which led to a different and delayed approach with no savings in 2012/13 (against a particularly large target of £3.6m). These savings will start to be achieved in 2013/14.

Children Schools & Families

87. A number of challenging savings targets in 2012/13 were not achieved for a variety of reasons. These included the savings through restructuring of the Schools and Learning Service of £0.5m due to the need to create a structure to meet increasing demand from demographic growth; the £0.8m saving by outsourcing some preventative services was delayed; savings by managing transport contracts of £0.4m.

88. However, during the year the Schools and Learning Service substituted alternative savings around managing demand and at the year-end had achieved the full £8.7m savings target.

89. The Children's Service had a saving target of £0.4m on safeguarding, which because of the increasing child protection cases, was not achieved.

Environment & Infrastructure

90. E&I delivered efficiency savings of £9.3m last year against a target of £10.9m. Significant savings were made, including from reviewing staffing structures, reducing contract costs, costs of bus services and concessionary fares. The main shortfalls were in relation to contract savings which were only partially achieved (a shortfall of £0.9m), and reduced use of specialist advisors where savings were delayed due to the need to progress the waste contract variation (a shortfall of £0.7m).

Change & Efficiency

91. Efficiency savings of £7.1m were delivered in year, against a target of £7.9m. The shortfall was in relation to one-off network savings from Cable and Wireless (£0.5m) targeted to be delivered from contract renegotiations which could not be achieved, and lower than expected income from partner contributions to the Data Centre. However, the ongoing network savings from 2013-14 through the new Unicorn contract are on course to be delivered and partners are expected to begin to take space in the Data Centre in the new

financial year, following the implementation of the shared network (Unicorn), which will significantly reduce the implementation cost for participation.

92. The shortfall has been covered by additional savings and efficiencies delivered by the Directorate as noted previously in this report.

Central Income & Expenditure

93. The budget included a savings target of £0.2m on the Minimum Revenue Provision for the current year. However, following the final audit of the 2011/12 accounts, capital expenditure and borrowing was lower than forecast and this led to an ongoing saving of £1.2m more than anticipated. The budget also included an increase in income from short term investments of £0.3m. Due to higher cash balances, the council earned an additional £0.7m in addition to the target budget.

Capital Budget – Outturn 2012/13

94. In agreeing significant capital investment as part of the MTFP for 2012-17 in February 2012, the Council demonstrated its firm long term commitment to stimulating economic recovery in Surrey. The increase in investment and capital expenditure during this year has stimulated economic activity in the county. The total capital programme is £685m over the 5 year MTFP (2012/17) period, with £152.8m planned in 2012/13.
95. On a scheme by scheme basis the budgets include the funding carried forward for projects continuing from 2011/12. With all large capital programmes there will inevitably be some in-year variation through changes to the timing of some spend and through successful delivery of efficiencies. Due to these risks a corporate adjustment to the forecast of £9.5m was made earlier in the year.
96. Table B1 shows the capital budget outturn, including the £16.3m committed expenditure, on a directorate basis and shows the in-year capital budget was overspent by £2.8m.

Table B1- 2012/13 Capital budget

	Final Full Year Budget £000s	Actual £000s	Committed £000s	Full Year £000s	Full Year Variance £000s	Re-profile to future years £000s	Net Full Year Variance £000s
Adult Social Care	1,687	1,255	0	1,255	-432	425	-7
Children, Schools & Families	13,162	12,486	0	12,486	-676	1,594	934
Customers & Communities	5,389	2,326	0	2,326	-3,063	3,063	0
Environment & Infrastructure	52,127	49,960	0	49,960	-2,167	2,218	119
Schools Basic Need	31,992	27,543	0	27,543	-4,449	4,449	0
Change & Efficiency	50,866	48,433	16,255	64,688	13,822	11,016	11,364
Chief Executive's Office	10,173	381	0	381	-9,792	9,792	0
Corporate adjustment	-9,525	0	0	0	9,525	0	9,525
Total	155,871	142,384	16,255	158,639	2,768	32,577	21,934

97. The £16.3m committed expenditure related to the purchase of a number of properties and was expected to be incurred in 2012/13. Following a short delay around the Easter bank holiday the Council completed these purchases at the beginning of April and the Cabinet approved their carry forward at its meeting on 23 April 2013. These schemes are funded in future years.
98. The services have proposed to re-profile capital budgets into future years, including budget allocations brought forward from 2011/12. These total £32.5m are listed in Section E of this annex. The Cabinet were asked to approve the re-profile of these budgets.

Adult Social Care

99. Overall ASC shows an underspend in year of £432,000. Major adaptations of £774,000 had been approved by year end, but - as is to be expected - there were some delays in carrying out the work, leading to an underspend of £155,000, which is requested as a carry forward to meet those existing commitments.

100. £0.2m of capital works have been approved for Well-Being Centres, but the roll-over of one centre into 2013-14 led to a reduction in the projection of £69,000, which was requested as a carry forward to meet existing commitments.
101. £733,000 has been approved as spend on in-house improvements, but here too there was some slippage, and a carry forward of £116,000 is requested to meet existing schemes.
102. There was also some delay on the projects for User-Led Hubs, leading to spend of £65,000 and a carry forward request of £85,000 to cover the slipped programme.

Children, Schools & Families

103. The final 2012/13 capital position for CSF is an underspend of £0.7m against a revised budget of £13.2m.
104. Schools overspent by £2.3m against their Devolved Formula Capital allocations where regulations allow them to spend in advance. This was offset by an underspend of £0.6m on the programme of schemes managed by schools where a carry forward has been identified to allow the schemes to be completed.
105. There was an underspend of £0.7m on early years related schemes largely due to adjustments relating to prior years. A small carry forwarded of £29,000 is requested following slippage on the programme of works to nursery play areas in extended schools.
106. There were also underspends of £0.7m against the demand led budgets to provide grants for foster carers and for adaptations for Children with Disabilities. The grant funded budget to facilitate short breaks for disabled children also underspent by £0.8m, the programme is expected to complete by August 2013 and a carry forward has been requested. There has also been a delay in installation of a demountable for the HOPE service and a carry forward of £0.1m is requested to allow this to be completed in 2013/14.
107. Lastly there have been delays implementing the IMT strategy for Services for Young People partly due to dependencies on external providers and partly due to the need to confirm the approach to case management across CSF. A carry forward of £0.1m is requested to enable these projects to complete in the new year.

School Basic Need

108. The Schools Basic Need programme delivered all the necessary places for the start of the school year. Capital spend was £4.5m under budget, which consisted of £1.2m in relation to an asset purchase which completed on 2 April 2013; together with changes in timescales for a number of projects that are dependent upon planning; changes in the programme where specific schemes are no longer required, and as a result of procurement savings made on the demountables programme.

Customer & Communities

109. An underspend of £3.1m was primarily due to changes in the delivery schedule of replacement vehicles and as a result of planned changes to the mobilising control programme. The remainder was due to delays in receiving signed funding agreements for member allocations.
110. The directorate budget did not change from February month end.

111. The Fire & Rescue Service vehicle and equipment replacement scheme was underspent by -£1.3m. There is a significant programme of purchases underway for the next financial year. A carry forward (£1.3m) for the significant programme is required to fulfil the projects requirements.
112. The Fire Service Mobilising Control scheme was -£1.2m underspent. This is a complex two year project and the service are working hard to ensure that they maximise the benefits from the resulting acquisitions. The proposal was to reprofile the underspend as expenditure that will be incurred over the two year grant life.
113. Community Partnerships - Member Allocations is underspent by -£0.1m. The underspend was for agreed projects, where expenditure had not been incurred due to delay in approving and receiving signed funding agreements preventing payments being made before 31st March.
114. It is proposed to carry forward £0.1m for committed projects to allow these agreements to be honoured during 2013/14.

Environment & Infrastructure

115. Overall, Environment & Infrastructure capital budgets underspent by £2.2m (4%) at the end of 2012/13, which represented an increase in spend of £0.3m compared to the previous month, and was in line with the interim outturn position reported in April. Significant variations are as follows.
116. Travel & Transport developer funded schemes underspent by -£1.1m. These included schemes funded from S106 developer contributions, which form part of the Local Sustainable Transport Fund (LSTF) project. Following re-profiling of LSTF grant agreed with the Department for Transport this will be spent in future years.
117. The 2012/13 Highway local schemes budget represented a significant increase on the previous year's funding level, and efforts were made to ensure that the increased programme could be completed. The final position was an overspend of +£0.5m which resulted from additional schemes being delivered together with higher than expected costs in some areas.
118. The remaining underspend was comprised of a number of smaller variations, including the following. Fewer parking schemes were progressed than originally planned, resulting in a -£0.4m underspend. The bridge strengthening programme underspent by -£0.4m primarily due to the Albany bridge scheme being deferred until 2013/14. Also, maintenance at closed landfill sites was delayed at some sites leading to a -£0.3m underspend. Works will proceed in 2013/14.
119. The final outturn position represents a movement of +£0.3m (i.e. a reduced underspend) since February. Significant movements include an increased (reprofiled) cost of +£1m on the Walton bridge scheme due to earlier than forecast utility company costs; a reduction of -£1m on highway maintenance schemes due to poor weather and additional funding allocated from the Olympics contingency late in the financial year; and increased spend on local highways schemes of +£0.6m due to additional costs and delivery of additional schemes.
120. Carry forwards – the full net underspend is required to complete schemes in 2013/14.

Change & Efficiency

121. The directorate's capital budget has overspent this financial year if we take into consideration total spend and commitments for projects, which formed part of the council's strategy for encouraging economic growth and will be self financing in future years. These are Phase 1 of the Woking Bandstand Project and two town centre projects in Guildford and Egham which completed on 2 April 2013.
122. The recurring programmes have been delivered to budget with a small overall underspend of £0.3m primarily in relation to adjustments required for disability access where the spend is demand-led.
123. Schools projects have underspent by £2.1m. This related to capital expenditure requested by schools and not a part of the school places, or schools basic need programme. The tender process for the replacement of aged demountables has delivered a saving of £0.4m and this means that some work is now expected to start in the new financial year.
124. Non-schools projects were £6.6m below the budget and were the result of a number of issues primarily on the larger projects, and include £2.1m in relation to the Waste site overage payment at Charlton Lane which was unable to proceed this year. Other significant variances are primarily as a result of planning issues particularly in relation to Gypsy sites (£1.7m), Guildford Fire Station (£0.5m) and Cobham Library re-provision. The Fire Station reconfiguration project (of which £0.5m was expected to be incurred this year) has been delayed on request by the Fire Service.
125. Spend against the IT Equipment Renewal Reserve was higher than originally anticipated with additional spend of £0.8m to deliver more mobile and remote working being funded from increased revenue contributions. The Adult Social Care Infrastructure Grant has not been utilised needs to be carried forward to fund systems improvements in the future.
126. The award of a contract to replace the SWAN network with a Surrey wide Public Sector network is proceeding following approval from Cabinet. In order for the network to be ready there is significant up-front investment of £4m, of which £2.1m has been delivered this year, with the remainder spread over the following five years to provide equipment refresh. An options appraisal was completed which determined that the most cost effective methodology would be for the council to purchase equipment required rather than paying over the life of the contract. Savings of £0.5m will be achieved in revenue expenditure in future years.
127. Carry-forwards of £15.5m were requested in order to complete agreed projects and are shown in more detail in Section E. Subject to approval, these carry-forward budgets will be combined with agreed carry-forwards from 2011/12 with the profile of spend updated in line with current expected delivery timeframes.

Chief Executive Office

128. The Chief Executive Office has responsibility for delivering the superfast broadband initiative. The Cabinet has committed to ensuring that access to superfast broadband is available to all business and residential premises in Surrey. In addition to this the Surrey Public Sector Network project will focus on broadband access for Public Sector and third sector bodies.

129. Cabinet approved the preferred bidder in July and the contract was awarded in September. Following State aid approval the actual spend this year is £0.2m, with the remaining £11.3m spent over 2013/14 & the remaining balance in 2014/15. Cabinet have approved the establishment of a Joint Operation Centre (JOC), based at County Hall, to implement the contract. The costs of the JOC (approx. £0.6m for 2 years) will be funded from the £1.3m grant provided by Broadband Delivery UK (BDUK).

Government grants and budget revenue budget virements

Updated Budget

130. The Council's 2012/13 revenue expenditure budget was initially approved at £1,512.7 million. Subsequently the Cabinet approved the use of reserves built up in 2011/12 to augment this. This approval increased the budget to £1,527.3m. In addition to grant changes, Dedicated Schools Grant carry forwards, academy conversions and other minor movements in quarters 1-3, there was a school adjustment and minor movements December, and reprofiling of the Local Sustainable Transport Fund grant in January, also some of the central government grants have been adjusted for year end. These changes are summarised in table C1.

Table C1: Movement of 2012/13 revenue expenditure budget

	Council Tax	Formula Grant	Government Grants	Reserves	Total
	£m	£m	£m	£m	£m
Original MTFP	580.0	148.6	767.3	16.8	1,512.7
<u>Previous changes</u>					
Q1 changes			0.9	11.6	12.6
Q2 changes			16.6		16.6
Q3 changes			-7.1		-7.1
Q4 changes			2.8		2.8
Previous changes		1.0	12.2	11.6	24.9
<u>Period 13 changes</u>					
AONB* , Bikebility, LSTF*			0.3		0.3
Fire			0.2		0.2
Rights to control			0.2		0.2
Schools grants			-2.5		-2.5
Pupil premium			0.1		0.1
Correction of reserve transfer			-0.3		-0.3
Period 13 changes	0.0	0.0	-2.0		-2.0
Updated Budget - Outturn	580.0	148.6	778.5	28.5	1,535.6

131. When the Council agreed the 2012-2017 MTFP in February 2012, government departments had not determined the final amount for a number of grants. Services therefore made an estimate of the likely level of grant. The general principle agreed by Cabinet was that any changes in the final amounts, whether higher or lower, would be represented in the service's expenditure budget.

132. The final Government grant adjustments totalled -£1,971,386. This comprised:

- school adjustments including academy adjustments (-£2,356,480);and
- final settlement of grants that could only drawdown actual expenditure like right to control, bikebility, *Area of outstanding natural beauty (AONB), * Local sustainable travel fund (LSTF) and Fire. This comes to +£385,094.

133. On reconciling the budget, the drawdown of reserves was greater than expected by £0.3m, which has now been adjusted.
134. The Cabinet is asked to note these grant and reserves movements changes and approve that they are allocated to the relevant services.
135. 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. In December there was a virement of £1,000,000 from Central Income and Expenditure to Adult Social Care being the interest payable on capital financing. Table C2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year
136. There were five virements above this amount after year end. Table C2 below shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year:
137. The seven virement were:
- five virements (£0.6m) transferring revenue spend to capital as the actual spend relates the capital programme or will be capitalised at year end.
 - two virements offset each other (-£0.1m) to transfer to and from Change & Efficiency from Central Income & Expenditure for an Investment to Save projects.

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

	Original MTFP Budget £m	2011/12 Carry Forwards & Other reserves £m	Gov't Grants £m	Virements £m	Full Year Updated Budget £m
Adult Social Care	331.5	3.8	0.2	1.9	337.4
Children, Schools and Families	289.3	2.6	-16.8	-0.4	274.7
Schools	518.9	0.0	22.8	-1.0	540.7
Customers and Communities	70.6	1.8	1.4	0.0	73.8
Environment and Infrastructure	125.6	0.9	2.9	0.9	130.3
Change and Efficiency	84.7	2.3	0.3	1.1	88.4
Chief Executive's Office	13.6	0.1	0.0	0.3	14.0
Corporate Projects	1.5	0.0	0.0	-1.5	0.0
Central Income / Exp	68.1	0.1	0.4	-1.3	67.3
Service revenue expenditure	1503.8	11.6	11.2	0.0	1526.6
Risk Contingency	9.0	0.0	0.0	0.0	9.0
Total revenue expenditure	1512.8	11.6	11.2	0.0	1,535.6

Balance Sheet as at 31 March 2013

138. This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net liabilities of the authority totalling £39m are matched by the reserves held by the council.

	Note	As at 31.03.2012 £m	As at 31.03.13 £m
Property, plant & equipment	1	1,257.8	1,280.0
Heritage assets (historical collections and notable paintings)		0.7	0.7
Intangible assets (IT software & licences)		7.1	5.9
Long term investments		0.3	0.2
Long term debtors		0.5	8.8
Long term assets		1,266.4	1,295.6
Short term investments	2	99.9	104.1
Assets held for sale		4.6	15.3
Inventories (eg: salt and grit store)		1.4	1.4
Short term debtors		100.8	141.7
Cash & cash equivalents	2	109.8	114.1
Current assets		316.5	376.6
Short term borrowing		-15.1	-82.1
Short term creditors (including revenue grants in advance)	3	-195.1	-234.2
Short term provisions (eg: staff cost relating to untaken leave)		-2.6	-2.3
Grants & receipts in advance		-1.2	-0.8
Current liabilities		-214.0	-319.4
Long term provisions (eg: insurance)		-8.0	-8.2
Long term borrowing (eg: capital loans)		-306.2	-238.1
Other long term liabilities (eg: pension fund)	4	-984.5	-1,145.4
Long term liabilities		-1,298.7	-1,391.7
Net (liabilities) / assets		70.2	(38.9)
<u>Funded by:</u>			
Usable reserves (eg: general balances, earmarked reserves)	5	-269.1	-288.5
Unusable reserves (eg: pension, capital & revaluation reserves)	5	198.9	327.4
Net reserves		-70.2	38.9

Note 1: **Property, plant and equipment.** This item includes the value of the council's assets, which include capital expenditure, revaluations and depreciation.

Note 2: **Short term investments and cash equivalents:** The timing of the council tax receipts and government grants is towards the start of the year. Cash balances are invested on a short term basis. Cash equivalents are convertible to cash without penalty on demand.

Note 3: **Revenue grants receipts in advance:** Government grants with conditions are shown as a liability on the council's balance sheet. Those without conditions are treated as earmarked reserves (see note 4). Government grants are paid earlier in the year and so balances build up to be used later in the year, as described in Note 2.

Note 4: **Other long term liabilities:** The council is required to value its pension fund liabilities in line with International Financial Reporting Standards for the balance sheet. This has no direct impact on the council's reserves, balances or council tax level. The latest actuarial valuation has shows an increase in the liability over the last twelve months, which is due to falling bond yields. The Pension Fund's contribution levels are currently being assessed in the triennial actuarial valuation.

Note 5: **Net reserves:** The below table D1 summarises the usable reserves and are shown in more detail in Appendix 1. The increase in usable reserves is due to a net increase in capital receipts from the sale of assets (£5.6m) and the planned contributions to reserves in the Medium Term Financial Plan.

Table D1: Further details of the net reserves

	Balance 31 March 2012 £m	Movement £m	Balance 31 March 2013 £m
General fund balance	-28.8	-3.1	-31.9
Earmarked reserves	-161.9	-19.2	-181.1
Capital receipts reserve	-11.7	-5.6	-17.3
Capital grants and contributions unapplied	-66.7	8.5	-58.2
Total usable reserves	-269.1	-19.4	-288.5
Total unusable reserves	198.9	128.2	327.2
Net reserves	-70.2	108.8	38.7

Debt

139. At the end of 2012/13 the Accounts Payable team had raised invoices totalling £184.0m.

140. Table D3 shows the age profile of the council's care, and non-care related debt.

Table D2: Further information on debts

Account Group	<1 Month £m	2-12 Mnth £m	1-2 Yr £m	+2 yr £m	Total £m	Overdue Debt £m
Care debt - unsecured	3.0	3.5	1.1	3.0	10.6	7.6
Care debt - secured	0.5	2.8	1.6	2.7	7.6	
Total Care	3.5	6.3	2.7	5.7	18.2	7.6
General debt	10.5	2.9	0.4	0.4	14.2	3.7
Property	0.2	0.1	0.0	0.0	0.3	0.1
Total Non-care Debt	10.7	3.0	0.4	0.4	14.5	3.8
Total Debt	14.2	9.3	3.1	6.1	32.7	11.4

141. The amount still outstanding of these invoices was £32.7m of gross debt at 31 March 2013, which was an increase of £7.7m from the same point in 2012. The gross debt was 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 produced the figures for net debt, which are shown in table D4.

Table D3 –Overdue debt summary as at 31 March 2013

	2012/13 Q4 £m	2011/12 Q4 £m	2010/11 Q4 £m	2009/10 Q4 £m
Care Related Debt	7.6	6.1	6.8	6.1
Non Care related debt	3.8	3.0	3.9	3.6
Total	11.4	9.1	10.7	9.7

142. 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 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. The top 20 high value backdated bills for the last six months raised £1.73m worth of debt.

143. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for March was 28 days.

144. The Chief Finance Officer has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q4 2012/13), 149 such debts have been written off with a total value of £162,056, of which £105,348 was care related and £56,708 was non care debt related.

TREASURY MANAGEMENT

Borrowing

145. The Council borrows money to finance the amount of our capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The Council must also demonstrate that the costs of borrowing are affordable, prudent and sustainable under the Prudential Code.

Long-term Borrowing	£m
Debt outstanding as at 1 April 2012	305.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 31 March 2013	305.2
Borrowing requirement for the year	N/a

146. Due to low interest rates earned on cash balances held until spent (referred to as the “cost of carry”), there was no borrowing to meet the Capital Financing Requirement (CFR) during the 2012/13 financial year. Any unsupported capital expenditure was met from cash reserves.
147. The Council is able to undertake temporary borrowing for cash flow purposes, but has not required any during this financial year. The Council also manages cash on behalf of Surrey Police Authority (£8.6m as at 31 March 2013) which is classed as temporary borrowing.

Authorised Limit / Operational Boundary

148. The following prudential indicators control the overall level of borrowing:

The **Authorised Limit** represents the limit beyond which borrowing is prohibited. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with headroom for unexpected cash flow. This is a statutory limit determined under section 3(1) of the Local Government Act 2003.

The **Operational Boundary** is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an indicator to ensure the authorised limit is not breached.

149. Borrowing against the authorised limit and operational boundary is shown below.

	Authorised Limit £m	Operational Boundary £m
Gross Borrowing	313	313
Limit / Boundary	662	602
Headroom	349	289

Capital Financing Requirement

150. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purpose. The Council must ensure that, in any one year, net external borrowing does not, except in the short-term exceed the estimated CFR for the next three years. The Council's position against the estimated CFR, as reported to the County Council in March 2013 is shown below. The current borrowing position shows a net position of £73.5m more in borrowing than we hold in short term deposits. This is due to the low cash balances held at the end of the financial year.

	CFR £m			Net Borrowing £m
	2012/13	2013/14	2014/15	
	572.0	629.4	653.2	73.5

Maturity Profile

151. The Council has reduced its exposure to large fixed rate loans falling due for refinancing in any one year by setting gross limits for its maturity structure of borrowing in accordance with the Prudential Code, as shown in the table below:

	Upper Limit	Lower Limit	Actual
Repayable in 2013/14 (1year)	50%	0%	24.5%
Repayable in 2014/15 (1-2 years)	50%	0%	0.0%
Repayable from 2015/16 to 2017/18 (2-5 years)	50%	0%	0.0%
Repayable from 2018/19 to 2022/23 (5-10 years)	75%	0%	3.0%
Repayable from 2023/24 to 2027/28(10-15 years)	75%	0%	0.0%
Repayable from 2028/29 to 2037/38(15-25 years)	75%	0%	2.2%
Repayable from 2038/39 onwards (25-50 years)	100%	25%	70.3%

Early Debt Repayment and Rescheduling

152. There was no early repayment or rescheduling in 2012/13.

Investments

153. The Council had an average daily level of investments of £307m throughout 2012/13 (compared with £282m in 2011/12). The balance of funds managed on behalf of schools within this figure stood at £42.5m at the end of March 2013.
154. Cash is invested on the money markets through one of the Council's four brokers, or directly with counterparties through the use of call accounts, money market funds or direct deal facilities. A breakdown of activity during the year to 31 March 2013 is given below:

Timed Deposits	Number	Average Value £m
Deals using a Broker	84	5.1
Direct deal facilities	0	0
Deals with DMO	150	43.7
Call		Limits £m
- Active call accounts	2	80.0
- Active money market funds	5	100.0

155. The weighted average return on all investments received in 2012/13 is 0.55%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.39% for the equivalent period. The comparison is shown in the following table:

	Average 7-day LIBID	Weighted Return on Investments
Quarter 1	0.45%	0.68%
Quarter 2	0.40%	0.53%
Quarter 3	0.36%	0.52%
Quarter 4	0.36%	0.50%
2012/13 total	0.39%	0.55%
2011/12 total	0.48%	0.73%

Iceland

156. The key local issue of concern in relation to the treasury strategy is the Council's £20m deposits with two failed Icelandic banks, Glitnir and Landsbanki. Of this £20m, the Council's exposure is £18.5m with the balance attributable to Surrey Police Authority. The Audit & Governance Committee receives regular reports on the prospects for recovery of the deposits that are at risk and the efforts being made by the Local Government Association (LGA) and its legal advisors in this regard.
157. On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment in favour of local authority depositors, deciding by a 6-1 majority that local authorities' claims are deposits that qualify in full for priority in the bank administrations. These decisions are now final with no further right of appeal.

Counterparty	Period of loan (days)	Principal £000	Rate	Principal Repaid £000	Principal Outstanding £000
Glitnir	364	5,000	6.25%	4,192	808
Glitnir	366	5,000	6.20%	4,193	807
Landsbanki	732	10,000	5.90%	4,992	5,008

158. As at the 31 March 2013 £13.4m had been returned to the Council. A review of the balances held on the balance sheet in relation to these investments was carried out, based on the latest accounting guidance. The latest guidance is more optimistic about the amounts that are due to be returned to the council in light of Icelandic Supreme Court rulings. In the light of this new guidance the council had over provided for the impairment of these investments and as a result the carrying amounts of the assets on the balance sheet have been increased by £1.6m with the adjustment being transferred to the Financial Investment Reserve

Revenue Budget Carry Forward

5

159. This section highlights the approved carry forwards for revenue and proposed revenue reserve movements. These are summarised in Table E1. Table E2 presents the revenue carry forward budgets that the Cabinet approved on 23 April .

Table E.1: Summary of revenue approved carry forwards and proposed reserve movements

	Gross county variance	Approved carry forward	Proposed reserve movements	Net county variance
	£m	£m	£m	£m
Adult Social Care	+2.0			+2.0
Children, Schools & Families	-6.1	3.1		-3.0
Schools				
Customers & Communities	-1.4	0.9		-0.5
Environment & Infrastructure	+0.7	0.9		+1.6
Change & Efficiency	-5.0	1.3		-3.8
Chief Executive's Office	-0.1	0.1		0.0
Central Income & Expenditure	-6.6	1.6	2.5	-2.5
Net service expenditure	-16.5	7.9	2.5	-6.1
Risk contingency	+3.0			+3.0
Net revenue expenditure	-13.5	7.9	2.5	-3.1

Revenue Budget Carry Forward

Table E.2: List of approved revenue carry forwards to support the 2013/14 budget

Directorate	Carry Forward	£m	Reason
Children, Schools & Families	CSF Public Value Change Programme	0.97	Second year requires continued funding to achieve the MTFP savings for 2013/14 onwards
	Implementation of homelessness Rapid Improvement Event recommendations	0.15	To reduce costly bed and breakfast spend through improved housing contracts with providers
	Implementation of the Family Support initiative	0.25	The implementation of the initiative across Surrey partners will span 2 or 3 years and requires a second year of funding
	Implementation of the youth service skills centre contracts	0.15	Implementation of contracts commenced in the latter part of the 2012/13 year, and requires funding in 2013/14 to complete and to reduce the Not in Education, Employment or Training (NEETs)
	Improved partnership working	0.10	Identified by recent OfSTEd inspection
	Newly qualified social workers	0.90	The Council is looking into the options of supporting newly qualified social workers so they develop their experience and are then appointable to vacancies currently covered by expensive locums. This will require investment of up to £0.9m over a two year period
	Troubled Families Grant Income	0.40	This grant was funded via the Early Intervention Grant which is not ring fenced. The budget allocated has not all been spent as the teams in the Borough and Districts have just become operational. However, this funding is required still in 2013/14 for the investment into services to turnaround the lives of the families in the programme.
	Looked After Children savings accounts	0.10	A match funding savings scheme was established in 2012/13 for Looked After Children (LAC). The take up of this scheme has been slower than originally anticipated. However, it is envisaged that this will increase considerably early in 2013/14 as awareness of the scheme is enhanced.
	Safeguarding Board External Funding	0.10	The Safeguarding Board is funded by contributions from external agencies and at the end of each financial year the surplus external income is carried forward.
Children, Schools & Families		3.12	

Revenue Budget Carry Forward

5

Directorate	Carry Forward	£m	Reason
Customer & Communities	Community Partnership Committed projects funded from member allocations	0.43	Allocations approved by local committee but funding agreements not signed by third parties before year end.
	Community Partnership Committed community improvement fund grants	0.19	Applications for project funding approved but payment not yet processed. Either funding agreements not signed by third parties, or have not yet met payment criteria.
	Fire Service Improved resilience of fire control	0.08	Underspend on communications budget due to delays in undertaking essential maintenance to improve resilience of the backup control room against line and power failures as recently suffered. This is showing as a risk in the service's risk register.
	Trading Standards development of a joint Regulatory Services database for SCC Trading Standards and Mole Valley Environmental Health Service	0.04	The shared database is crucial to the development of shared regulatory services between SCC and Mole Valley District Council and the further development of such partnerships with other District Councils within Surrey. The project was significantly delayed by Legal and Procurement issues which were not finally resolved until March 2013. Despite this the project has moved very quickly since then with the implementation go live date now scheduled as 1 June 2013 (original date had been 1 April). The funding available in 2012/13 was available from unfilled vacancies as a result of the knock on effects of the service restructure in November 2011. There is no budget available to fund this work in 2013/14.
	Customer Services. Delayed implementation of web development projects	0.08	The public website development project over-ran due to supplier problems resulting in there being insufficient time to deliver other programmed projects.
	Cultural Services Registration ceremony booking system	0.08	The current ceremony booking system was developed in house and is not now fit for purpose or supported. The new booking system will be an addition to the county 'Silverbear' online booking system already in operation. This carry forward would utilise the service's early achievement of additional income, in order to implement the PVR system improvement recommendation. There is no other budget provision available.
Customer & Communities		0.89	

Revenue Budget Carry Forward

Directorate	Carry Forward	£m	Reason
Environment & Infrastructure	New Homes Bonus projects	0.43	The underspending relates to a number of projects funded by the New Homes Bonus and the Surrey Growth Fund, including Olympic legacy projects and major transport schemes
	Road safety schemes	0.24	Schemes decided by Road Safety Board and the board have request the underspend is carried forward
	Community Transport grant funding	0.12	Required to deliver one-off savings in 2013/14
	Highway repairs	0.09	Contingency allocated in March 2013
Environment & Infrastructure		0.88	
Change & Efficiency	Continuation of the apprenticeship scheme	0.28	Continuation of the apprenticeship scheme for a further year
	Making a Difference	0.61	Carry forward of project funding
	Investment in mobile technology	0.13	To fund staff who are working with services to help maximise the benefits of the recent investment in mobile technology, for a further six months.
	Citrix upgrade	0.26	Project delays due to supplier issues. Citrix hardware upgrade and scanning solutions for Children's Services and Adult Social Care.
Change & Efficiency		1.27	
Chief Executive Office	Strengthen organisational capacity	0.09	Establishing position to strengthen organisational capacity on financial and service challenges
Chief Executive Office		0.09	
Central income & expenditure	New Homes Bonus funding	1.49	The Central Income and Expenditure budget included £2m in relation to the New Homes Bonus funding, of which £0.5m was transferred to Economic Development earlier in the year for committed schemes. The remaining £1.49m is now unlikely to be required this financial year.
	Redundancy & Compensation	0.13	Redundancy cases approved in early April 2013.
Central income & expenditure		1.62	
Total revenue approved carry forward to 2013/14		7.87	

Capital Budget Carry Forward

5

Table E.3: List highlighting the proposed capital re-profiling and carry forwards to support the 2013/14 budget and beyond

Directorate	Request	£m	Reason
Adult Social Care	Major Adaptations	0.155	Major adaptations of £774,000 had been approved by year end, but - as is to be expected - there were some delays in carrying out the work, leading to an underspend of £155,000, which is requested as a carry forward to meet those existing commitments.
	D&B developments - wellbeing centres	0.069	£0.2m of capital works have been approved for Well-Being Centres, but the roll-over of one centre into 2013-14 led to a reduction in the projection of £69,000, which is requested as a carry forward to meet existing commitments.
	In-house capital improvement schemes	0.116	£733,000 has been approved as spend on in-house improvements, but here too there was some slippage, and a carry forward of £116,000 is requested to meet existing schemes.
	User led organisational hubs	0.085	There was also some delay on the projects for User-Led Hubs, leading to spend of £65,000 and a carry forward request of £85,000 to cover the slipped programme
Adult Social Care		0.425	
Children, Schools & Families	Schools ICT	0.491	Funding for schools ICT - spend is managed by schools
	Schools expenditure funded by income	0.069	Funding for schools - spend is managed by schools
	Extended schools	0.029	Programme funds nursery play areas, some slippage remainder not needed.
	Short Breaks for Disabled Children	0.753	Funded by grant to spend by August, full spend not expected until then.
	Hope service	0.114	Delay to demountable installation
	Youth Capital Grant	0.001	Committed, slight delay on start.
	SYP IMT Transformation	0.137	There have been unavoidable delays to completion of Performance Hub and Booking System projects due to

Capital Budget Carry Forward

dependencies on external providers. £40,150 needs to be carried forward into 2013/14 to complete the development of these projects which are key parts of the CSF IMT Strategy recently signed off by DLT. The SYP Case Management System project was put on hold for almost one year while CSF explored a single case management system for the directorate. Subsequently the proposal for a single CMS has been dropped and SYP re-opened the SYP Case Management System project in January. This is a business critical project which is also a key part of the CSF IMT Strategy. The remainder of the underspend is required to help pay for this project.

Children, Schools & Families		1.594	
Customer & Communities	<u>Local Partnerships</u> Committed projects funded from member allocations	0.103	Allocations approved by local committee before year end, but activity not completed.
	<u>Fire Service</u> Vehicle & Equipment Replacement	1.131	There was a significant programme of purchases underway for the financial year. Although progressing there have been delays due to the lead time for procurement.
	<u>Fire Service</u> Mobilising Control Grant	1.828	This funding is a two year ring fenced grant to support the service to increase resilience and efficiency of systems and facilitate joint working. C fwd enables budget to be reprofiled to the second year of the project.
Customer & Communities		3.062	
Environment & Infrastructure	Local transport schemes	0.217	The local schemes budget was overspent in total. However some local areas were underspent and carry forward is requested to complete schemes in Runnymede, Guildford, Woking and Elmbridge.
	Walton Bridge (DFT grant funded)	0.251	The underspend relates to DfT grant funding, and a carry forward is requested to allow completion of the scheme.

Capital Budget Carry Forward

5

	Highways contract mobilisation	0.112	Funds are committed to improvements at the Merrow depot site including construction of a reception for visitors to address health & safety issues.
	Other Highways underspends	0.018	The net underspend across a number of programmes, including bridge strengthening.
	Maintenance at closed landfill sites	0.327	The underspend is committed to works at closed landfill sites which were delayed by weather and permit issues.
	Vehicles & equipment for food waste	0.104	Carry forward is requested to continue schemes delivering increased recycling levels.
	Countryside	0.050	To complete countryside projects including purchase of countryside management software.
	Safe Cycling Bid	0.018	To complete DfT grant funded cycling schemes.
	Developer funded schemes	1.121	To complete developer funded schemes, primarily related to passenger transport services and the Local Sustainable Transport Fund.
Environment & Infrastructure		2.218	
Change & Efficiency /Schools Basic Need	Schools Basic Need	4.449	Project implementation and planning issues across sites, includes £1.2m in relation to a specific purchase that completed on 2 April 2013.
Change & Efficiency /Property	Carbon reduction - Corporate	1.052	Issues with contractor management and new frameworks for contractors, which have resulted in securing procurement savings 11%, mean that some specific projects which have already been commissioned have not yet fully completed. Carry-forward requested in relation to projects in progress.
	Non schools structural maintenance	0.906	As above

Capital Budget Carry Forward

Schools Capital Maintenance & Carbon Reduction	-1.796	Works completed in advance and against the 2013 14 capital grant
Portesbury School	0.231	Commencement of works on site are pending negotiations with the MoD regarding access to services
Reigate Priory School - conservation plan	0.260	Works to identify major defects in conjunction with English Heritage in the Grade 2 listed building have taken longer than originally anticipated due to the extent of intrusive investigations
Replace aged modular buildings	1.662	Works have been deferred as a result of the retender in December for modular building to provide more permanent solutions, for which planning permission is required.
SEN - Strategy	-0.051	Works completed in advance and to be applied against the 2013/14 budget allocation
Barnsbury School	0.248	Funds transferred to the school for project completion but to be delivered in early 2013/14
ACL Farnham, new studio	0.297	Planning consents to Grade 2 listed building has been challenging and resulted in delays to the project
Cobham Library	0.100	The budget relates to the fit-out of space to be delivered by the developer. The developer is still in negotiating planning issues in respect of the housing development on the site.
Expansion of Coroners Court	0.397	This project is not yet in a position to proceed and alternatives are now being evaluated as a result of a Police review of the old Magistrates Court in Woking, which was the preferred location.
Fire station reconfiguration link to revenue saving	0.500	Programme reassessed as a result of the West Sussex decision regarding Horley. Potential site has been identified and estimates are being prepared.
Fire Station replacement back up generators	0.061	Completion of programme to ensure resilience at stations, progress on the full implementation was impacted by the new contractor framework agreements mentioned above.
Guildford fire station	0.560	Programme of works received in January 2013 following achievement of planning consent. Works commenced in March 2013.

Capital Budget Carry Forward

5

Investment in Fire training facilities	0.044	Project not yet fully completed as a result of works needing to be programmed to align with training requirements.
Libraries refurbishment	0.303	Appropriate projects not identified by the service to proceed.
Gypsy Sites	1.883	Carry-forward in relation to Littleton Lane and Kalima sites. At the Littleton Lane site, works on site have not yet progressed due to protracted negotiations with Esso in relation to a main pipeline running under the site. Planning has been challenged in relation to the Kalima site requiring redesign works.
Income related schemes	0.901	Planning issues in relation to the Thames Young Mariners site are being reassessed. Investment in small-holdings has been dependent upon the submission of business cases from tenants to support investment. Negotiations in respect of inactive smallholding units are awaiting specialist legal advice.
Making a Difference / Consort House	0.491	Small retention payment in relation to Consort House, with the remainder of the budget being required to deliver remaining phases of the programme.
Youth Transformation	0.137	Balance required to complete remaining refurbishment works at the Leacroft centre.
Older People residential homes and LD centres	0.101	Issues with contractor management and new frameworks for contractors have impacted progress against the planned programme.
Basingstoke Canal remedial works	-0.051	Works completed in advance of schedule and to be applied against the 2013-14 budget allocation
Land acquisition for waste	2.172	Overage payment for the main waste site at Charlton Lane for the Eco-Park development
TOTAL Property	10.408	

Capital Budget Carry Forward

Change & Efficiency /IMT	IMT - Social Care Infrastructure Grant	0.608	Spend against grant delayed due to review of systems & process improvement by ASC
	TOTAL Change & Efficiencies 2012 / 13	15.465	
Chief Executive Office	Superfast Broadband Capital (Reprofile to 2014/15)	9.792	The contract was awarded to BT in September, and state aid approval has been given. The project start has been delayed due to awaiting state aid approval and finalising contract conditions with BT and BDUK. Due to the delays, only £208,022 was spent in 2012/13 with a further £11m in 2013/14, and the balance in 2014/15.
Chief Executive Office		9.792	

Annual report

Other financial information for the Annual Report

The annual report will be published in early July. The unaudited accounts and annual governance statement will be presented to the Audit & Governance Committee for approval on the 24 June 2013. The information on efficiencies, travel expenses and member allowances are included within the outturn report for Cabinet to note.

The other items like Leader's statement, Chief Finance Officer report, member attendance, complaint about members, and consultancy will be presented for Audit & Governance Committee to note on 24 June 2013.

Revenue efficiencies

The revenue statement provides details of the income and expenditure; however the services have had a lot of pressures to absorb to ensure that their positions are maintained. To maintain these position services have outlined in Medium Term Financial Plan £71.1m of efficiencies for 2012/13. The graph below illustrates the directorate's final position on planned efficiencies. The overall amount achieved is £66.0m, which is £5.1m below plan.

Directorate Efficiencies target and achieved 2012/13



Council Travel Expenses 2010/11, 2011/12 and 2012/13

Travels expenses are staff and members journeys on council business. Included within travel expenses are employees, who due to extensive travel (over 1,500 miles per year), have a lump sum travel allowance as well as mileage expenses. The current system does not distinguish between travel expenses for training or service delivery. The Council has been reorganising office accommodation and release leasehold building, for occupation in District offices. This has increased travel expenses.

Table F1 – Staff travelling expenses by directorate

	Travel Expenses		
	2012/13	2011/12	2010/11
Adults Social Care	£1.5m	£1.3m	£1.4m
Children, Schools & Families	£2.2m	£2.2m	£1.9m
Schools	£0.0m	£0.0m	£0.0m
Customer & Communities	£0.3m	£0.3m	£0.3m
Environment & Infrastructure	£0.3m	£0.2m	£0.2m
Change & Efficiency	£0.2m	£0.2m	£0.2m
Chief Executive Office	£0.1m	£0.1m	£0.1m
Total	£4.6m	£4.3m	£4.1m
Overall Expenditure	£1672.6m	£1644.7m	£1702.9m
% of total overall expenditure	0.3%	0.3%	0.2%

General Member Information

Members allowances and travel expenses (2012/13, 2011/12 and 2010/11)

Allowances, travel expenses and attendance (to follow)

Members received an allowance rather than a salary for services carried out by them on behalf of the council. Each member has a specific public interest and will attend meetings regarding this interest outside of committee and council time. Also members will have constituency business like surgeries and parish council meetings to attend.

If a member has not attended a meeting for a period of six consecutive months, unless the failure to attend was due to a reason approved by the authority during those six months, the member ceases to hold office. This is resolution under section 85 of the Local Government Act 1972.

The below list only includes the county councillor members that were standing as at 31 March 2013. It has not been updated for the local elections

	Members Allowances		Travel & subsistence expenses	
	2012/13	2011/12	2012/13	2011/12
	£	£	£	£
By District				
Elmbridge	130,319	138,780	5,035	5,637
Epsom & Ewell	64,955	64,955	714	762
Guildford	131,864	119,237	6,422	4,958
Mole Valley	107,491	107,015	7,815	5,797
Reigate & Banstead	156,640	176,152	12,335	14,901
Runnymede	135,380	118,302	8,420	8,073
Spelthorne	97,268	120,007	3,372	8,763
Surrey Heath	94,939	93,419	4,990	6,952
Tandridge	127,472	112,117	11,007	9,714
Waverley	179,216	180,991	22,254	22,892
Woking	105,134	87,920	3,268	1,859
Current Members by district	1,330,678	1,318,894	85,632	90,308
Stood down members	0	11,791		
Standard Committee	833	1,500		
Employer NI & pension contributions	233,353	235,900		
Total expenditure	1,564,864	1,568,085	85,632	90,308

				2012/13	2011/12	2012/13	2011/12
	Districts	Elected	Continuing / New member after May election	Allowances £	Allowances £	Travel & subsistence expenses £	Travel & subsistence expenses £
Mr Victor Agarwal	Spelthorne	2003	Robert Evans	11,791	11,791	366	486
Mr Mohammed Amin	Woking	2009	Colin Kemp	11,791	11,791	0	120
Mrs Mary Angell	Runnymede	2005	Yes	28,291	28,291	2,752	3,434
Mr William Barker	Guildford	1997	Yes	14,791	14,791	835	591
Mr Ian Beardsmore	Spelthorne	2001	Yes	11,791	11,791	198	73
Mr Mike Bennison	Elmbridge	2005	Yes	17,791	17,468	552	379
Mrs Elizabeth Bowes	Woking	2009	Yes	20,541	17,146	221	98
Mr Mark Brett Warburton	Guildford	2009	Yes	20,791	20,468	890	878
Mr John Butcher	Elmbridge	2009	Mary Lewis	11,791	11,791	323	304
Mr Ben Carasco	Woking	2009	Yes	11,791	11,791	0	0
Mr William Chapman	Surrey Heath	2009	Yes	11,791	15,017	842	859
Mrs Helyn Clack	Mole Valley	2001	Yes	28,291	20,673	4,500	2,566
Mrs Carol Coleman	Spelthorne	2005	Yes	11,791	12,866	476	717
Mr Stephen Cooksey	Mole Valley	2005	Yes	11,791	11,791	929	821
Mr Nigel Cooper	Elmbridge	2009	Stuart Selleck	11,791	11,791	0	0
Mr Stephen Cosser	Waverley	2009	Yes	21,791	21,038	1,895	1,929
Mrs Clare Curran	Mole Valley	2009	Yes	27,076	20,468	942	594
Mr Tony Elias	Tandridge	2009	Helena Windsor	11,791	11,791	239	262
Mr Graham Ellwood	Guildford	2009	Yes	11,791	11,791	14	127
Mr Melville Few	Runnymede	2009	Yes	22,017	14,791	1,671	1,828
Mr William Forster Warner	Woking	2009	Yes	11,791	11,791	-24	793
Mrs Angela Fraser	Reigate & Banstead	1989	Bob Gardner / Ken Gulati	11,791	12,436	950	867
Mr Christopher Frost	Epsom & Ewell	1997	Tina Mountain	11,791	12,436	384	492
Mrs Patricia Frost	Waverley	2005	Yes	17,791	17,791	2,043	2,085

Annex 1 Section F

				2012/13	2011/12	2012/13	2011/12
	Districts	Elected	Continuing / New member after May election	Allowances	Allowances	Travel & subsistence expenses	Travel & subsistence expenses
				£	£	£	£
Mr Denis Fuller	Surrey Heath	2009	Yes	14,199	11,791	1,255	1,461
Mr John Furey	Runnymede	2009	Yes	28,291	21,170	107	225
Mr Simon Gimson	Guildford	2011	George Johnson	11,791	10,555	868	218
Mr David Goodwin	Guildford	2005	Yes	11,791	11,791	284	588
Mr Michael Gosling	Reigate & Banstead	2005	Yes	28,791	28,781	3,515	3,633
Dr. Zulema Grant Duff	Reigate & Banstead	2009	Yes	20,791	19,823	960	1,029
Dr. Lynne Hack	Reigate & Banstead	2005	Jonathan Essex	11,791	20,657	646	1,221
Mr Timothy Hall	Mole Valley	2005	Yes	14,541	28,291	0	0
Mrs Kay Hammond	Reigate & Banstead	1997	Yes	28,291	28,291	4,091	5,228
Mr David Harmer	Waverley	2005	Yes	14,888	11,791	2,151	1,440
Mr Nick Harrison	Reigate & Banstead	2005	Yes	20,791	20,791	763	855
Miss Marisa Heath	Runnymede	2006	Yes	21,791	22,436	1,131	1,192
Mr Peter Hickman	Elmbridge	2005	Yes	11,791	12,114	246	276
Mrs Margaret Hicks	Elmbridge	1989	Yes	11,791	12,866	1,051	843
Mr David Hodge	Tandridge	2005	Yes	42,291	36,818	3,502	2,688
Mr David Ivison	Surrey Heath	2005	Yes	18,291	15,163	2,355	2,177
Mrs Linda Kemeny	Woking	2011	Yes	25,638	10,206	2,271	0
Mrs Frances King	Reigate & Banstead	2005	Barbara Thompson	8,843	11,791	169	84
Mr Eber Kington	Epsom & Ewell	2009	Yes	12,404	17,146	191	270
Mr Ian Lake	Elmbridge	1997	Christian Mahne	11,791	26,290	0	2,639
Mr Peter Lambell	Reigate & Banstead	2009	Natalie Bramhall	11,791	11,791	253	274
Mrs Yvonna Lay	Runnymede	2005	Yes	14,199	11,791	1,645	330
Ms Denise Le Gal	Waverley	2009	Yes	28,291	22,245	4,078	2,065
Mr Stuart MacLeod	Surrey Heath	2009	Mike Goodman	12,076	11,791	438	409

				2012/13	2011/12	2012/13	2011/12
	Districts	Elected	Continuing / New member after May election	Allowances £	Allowances £	Travel & subsistence expenses £	Travel & subsistence expenses £
Mr Ernest Mallett	Elmbridge	2005	Yes	13,491	13,491	0	90
Mrs Sally Marks	Tandridge	2001	Yes	22,017	13,210	1,773	1,970
Mr Geoffrey Marlow	Woking	2001	Richard Wilson	11,791	13,404	514	459
Mr Peter Martin	Waverley	2005	Yes	34,291	31,277	4,578	4,838
Mrs Janet Mason	Epsom & Ewell	2001	Yes	11,791	11,791	0	0
Mrs Marsha Moseley	Guildford	2006	Yes	11,791	11,791	0	0
Mr David Munro	Waverley	1997	Yes	16,791	17,329	4,050	3,344
Mrs Caroline Nichols	Spelthorne	2009	Tim Evans	11,791	11,791	0	0
Mr Christopher Norman	Runnymede	2009	Yes	20,791	19,823	1,114	1,064
Mr John Orrick	Tandridge	2009	Yes	11,791	11,791	696	802
Mr Tom Phelps-Penry	Elmbridge	2005	Rachael Lake	11,791	11,791	0	0
Mr Chris Pitt	Surrey Heath	2005	Yes	11,791	12,866	0	0
Dr. Andrew Povey	Waverley	1993	Victoria Young	11,791	27,927	371	4,199
Mr Steven Renshaw	Waverley	2009	Nikki Barton	21,791	21,038	2,492	2,339
Mrs Dorothy Ross-Tomlin	Reigate & Banstead	2001	Yes	13,760	21,791	988	1,710
Mrs Denise Saliagopoulos	Spelthorne	2001	Yes	11,909	28,958	0	5,560
Mr Anthony Samuels	Elmbridge	2010	Yes	28,291	21,178	2,863	1,106
Mrs Lavinia Sealy	Surrey Heath	1997	Adrian Page	26,791	26,791	100	2,046
Mrs Pauline Searle	Guildford	2005	Yes	11,791	11,791	23	89
Mr Nicholas Skellett	Tandridge	1993	Yes	21,791	21,361	2,580	2,455
Mrs Diana Smith	Woking	2004	Saj Hussain	11,791	11,791	286	389
Mr Michael Sydney	Tandridge	2009	Yes	17,791	17,146	2,217	1,537
Mr John Taylor	Epsom & Ewell	2001	Stella Lallement	11,791	11,791	0	0
Mr Keith Taylor	Guildford	2009	Yes	14,791	14,468	1,128	1,210

Annex 1 Section F

				2012/13	2011/12	2012/13	2011/12
	Districts	Elected	Continuing / New member after May election	Allowances	Allowances	Travel & subsistence expenses	Travel & subsistence expenses
				£	£	£	£
Mr Christopher Townsend	Mole Valley	2009	Yes	11,791	11,791	657	653
Ms Denise Turner	Spelthorne	2005	Daniel Jenkins	21,689	20,791	1,574	1,262
Mr Richard Walsh	Spelthorne	2009	Yes	16,506	22,019	758	665
Mrs Hazel Watson	Mole Valley	1993	Yes	14,001	14,001	787	1,163
Mrs Fiona White	Guildford	2005	Yes	11,791	11,791	1,806	1,257
Mr Keith Witham	Guildford	03/05/2012	Yes	10,745		574	
Mr George Wood	Epsom & Ewell	2009	John Beckett	17,178	11,791	139	0
Mr Alan Young	Waverley	2011	Yes	11,791	10,555	596	653
Total				1,330,678	1,318,894	85,632	90,308

Usable and Unusable Reserves**Usable reserves**

The table below shows the council's usable reserves classified in accordance with CIPFA's accounting code of practice for International Financial Reporting Standards. These include in following broad categories;

- earmarked reserves - providing financing for future expenditure plans, commitments and possible liabilities;
- general balances – available balances to cushion the impact of uneven cash flow and a contingency for unexpected events;
- capital receipts - the balance of proceeds from the sale of assets not used in-year to fund new capital expenditure but set aside to fund future capital expenditure in accordance with the council's Medium Term Financial Plan and asset management strategy;
- capital government grants unapplied – the balance of grants received from central government that have not been used in-year to fund new capital expenditure.

The 2013 – 2018 MTFP plans to use £12m of general balances to support the 2013/14 financial year. Therefore on 1 April 2013, general balances stood at £19.9m

	Opening Balance 01/04/12 £m	Transfers From Reserves £m	Transfers To Reserves £m	Proposed Additional Transfers To Reserves £m	Revised Closing Balance 31/03/13 £m
Earmarked Revenue Reserves					
Schools Balances	49.8		3.0		52.8
Investment Renewals Reserve	11.1	-2.8	5.0		13.3
Equipment Replacement Reserve	1.1	-1.1	3.1		3.1
Vehicle Replacement Reserve	4.4		0.7		5.1
Waste Site Contingency Reserve	0.3				0.3
Budget Equalisation Reserve	32.0	-32.0	19.9	5.2	25.1
Financial Investment Reserve	9.5		1.6		11.1
PFI Reserve	4.6		1.2		5.8
Insurance Reserve	7.2	-0.3	0.5		7.4
Severe Weather Reserve	5.0				5.0
Eco Park Sinking Fund	3.0		5.0		8.0
Investment Reserve	5.0				5.0
Child Protection Reserve	1.3		2.3		3.6
Revenue Grants Unapplied Reserve	19.2	-20.1	21.3		20.4
Interest Rate Reserve	0.0		3.2		3.2
Economic Downturn Reserve	0.0		4.4		4.4
General Capital Reserve	8.4	-0.9			7.5
	161.9	-57.2	71.2	5.2	181.1
General Balances	28.8	0.0	3.1		31.9
Capital Receipts	11.7	-0.6	6.2		17.3
Capital Govt Grants Unapplied	66.7	-107.0	98.5		58.2
USEABLE RESERVES	269.1	-164.8	179.0	5.2	288.5

Note to describe the earmarked reserves

Usable and Unusable Reserves

- 1. Investment and renewals reserve:** Enables investment in service developments. The reserve makes loans to services for invest to save projects, which may be repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as a part of the council's governance arrangements.
- 2. Equipment replacement reserve:** Enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases.
- 3. Vehicle replacement reserve:** Enables the future cost of vehicle replacement to be spread over the life of existing assets via annual contributions from revenue.
- 4. Waste sites contingency reserve:** Held to meet as yet unquantifiable liabilities on closed landfill sites, arising from the Environmental Protection Act 1990.
- 5. Budget equalisation reserve:** The Budget Equalisation Reserve was set up to support future years' revenue budgets from unapplied income and budget carry forwards. The balance includes £11m approved in the MTFP to support the 2013/14 budget, £8m service budget carry forwards, £1m from the Olympic games contingency, and £2m to be approved to support 2014/15 financial year and £3m to assist in managing the uncertainty to council funding do to the transfer of schools to academy status.
- 6. Financial investment reserve:** The Financial Investment Reserve was also set up in 2008/09 to mitigate against any potential future losses due to the failure of banks and financial institutions with which the Council has deposits (specifically Icelandic Banks). During 2012/13 it has been determined that all of the outstanding money will be returned to the Council, albeit over a number of years, and this reserve will be converted to the Revolving Investment & Infrastructure Fund.
- 7. Street Lighting PFI sinking fund:** This reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance in this reserve will be used in future years when the expenditure in year will exceed the grant income due to be received in the same year.
- 8. Insurance :** This reserve also holds the balance resulting from an temporary surplus or deficit on the council's self insurance fund and is assessed by an actuary for the possible liabilities the council may face. It specifically holds £2.4m to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992. The company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The balance on this reserve represents the latest assessed possible liability..
- 9. Severe weather/ civil emergency reserve:** This reserve enables the Council to act decisively and with real urgency in the event of a serious incident.
- 10. Eco park sinking fund:** To fund the future of the council's waste disposal project from surpluses in the initial years.
- 11. Investment reserve:** As a part of the council's financial strategy this reserve was to provide funds for the council to acquire properties and respond quickly and to take advantage of changes in the property market to fund its capital programme. From 2013/14 this reserve will be converted to the Revolving Investment & Infrastructure Fund.
- 12. Child protection reserve:** This reserve is to provide funding for additional staffing costs as a result of the increase number of children subject to a child protection order. This reserve is to fund the costs until 2015/16, when the base budget will be increased to cover these costs
- 13. Revenue Grants Unapplied Reserve:** This reserve holds government revenue grants received in previous financial years which will be used to fund expenditure in the future
- 14. Interest rate reserve:** This reserve is to enable the Council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions.
- 15. Economic downturn reserve:** This reserve is to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit and a down turn in the economy.

Usable and Unusable Reserves**Unusable reserves.**

Certain reserves are kept to manage the accounting processes for items such as non-current assets, financial instruments, retirement and employee benefits. They do not represent usable resources for the authority and are not backed by cash balances.

Unusable reserves	Note	Balance at 1 April 2012 £m	Movement £m	Balance at 31 March 2013 £m
Revaluation reserve	16	-235.1	-16.7	-251.6
Capital adjustment account	17	-494.1	-4.8	-498.9
Financial instruments adjustment account (£37,000)	18	0.0	0.0	0.0
Pensions reserve	19	919.3	151.5	1,070.7
Collection fund adjustment account	20	-6.4	0.0	-6.4
Accumulated absences account	21	15.2	-1.7	13.6
Total unusual reserves		198.9	128.3	327.4

16: Revaluation reserve: The revaluation reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

17: Capital adjustment account: The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Income and Expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

18 Financial instrument adjustment account: The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

19: Pensions reserve: The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Income and Expenditure statement as the

Usable and Unusable Reserves

benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

20: Collection fund adjustment account: The collection fund adjustment account manages the differences arising from the recognition of council tax income in the Income and Expenditure statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

21: Accumulated absences account: The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.