Budget monitoring period 9 2013/14 (December 2013)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget for 2013/14 is underspend (£0.9m) on services, adding the unused £13m risk contingency brings this to £13.9m overall underspend (paragraph 1).
2. Forecast ongoing efficiencies and service reductions achieved by year end is £60.3m (paragraph 74).
3. Forecast capital budget position for 2013/14 is -£22.3m on services and +£7.0m overall (paragraphs 79 to 84).
4. Management actions to mitigate overspends appear throughout this report.
5. Quarter three balance sheet, reserves, debt and treasury report (paragraphs 85-93)
6. debt written off during quarter three totals £583,828 (paragraph 92)

Revenue summary

The Council set its budget for the 2013/14 financial year in the context of the Government's continuing austerity programme, with reducing public spending and rising demand for services. In setting a balanced 2013/14 budget, the Council developed plans for efficiencies and service reductions totalling £68m and approved the use of £11m earmarked reserves and £12m general balances. In developing its five year Medium Term Financial Plan (MTFP) for 2013-18, the Council approved plans to achieve efficiencies and service reductions totalling £167m, following achievement of £225m efficiencies from 2009 to 2012. Cabinet carried out a review of the MTFP after the first quarter of 2013/14. The review identified additional savings services could realistically deliver for 2014-18 of £56.0m (£19.5m in 2014/15).

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

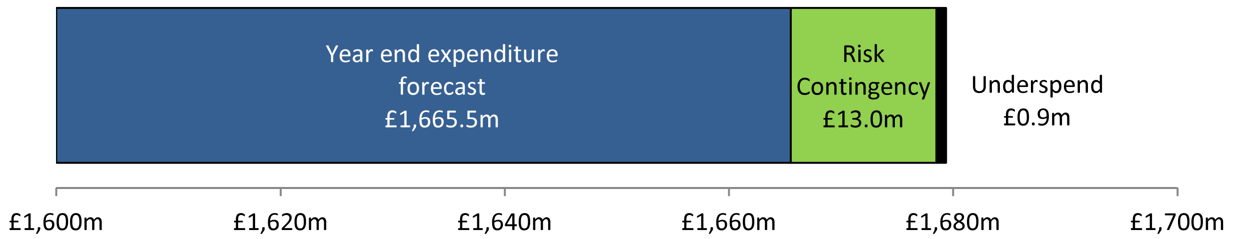
The financial strategy has a number of long term drivers to ensure sound governance, managing the Council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the Council's reliance on council tax and government grant income. The Council is heavily dependent on these sources of funding, which are under threat of erosion.
- Balance the Council's 2014/15 budget by maintaining a prudent level of general balances (£19.9m in 2014/15) and applying reserves as appropriate (£13.0m of the unused budget risk contingency from 2013/14 plus £12.9m of other reserves).
- Continue to maximise our investment in Surrey

Keeping the call on the council tax payer to a minimum

At the end of December 2013, services forecast an underspend of £0.9m year end position (balanced at the end of November). In addition, the £13m risk contingency is not expected to be used and will increase reserves and balances. The council will continue to seek further savings this year in line with the corporate strategy of using our resources responsibly to plan for future years of financial uncertainty.

Figure 1: Year end forecast revenue position



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The small underspend forecast position on services is a net result of: Adult Social Care (ASC) slippage implementing its innovative Family, Friends & Community Support strategy, offset by draw down of contingent funding (+£5.8), Children's Services' volume pressures offset by School & Learning (+£0.4m); plus flood repairs, waste management pressure and support for local bus routes (+£2.5m); offset by underspends within Business Services (-£4.6m), Customer & Communities (-£0.7m), Chief Executive's Office (-£0.5m) and Central Income & Expenditure (-£3.7m).

Continuously driving the efficiency agenda

A key objective of MTFP 2013-18 is to increase the council's overall financial resilience, including reducing reliance on government grants in the long term. MTFP 2013-18 includes savings and reductions totalling £68.3m in 2013/14 (£167m for 2013-18). At the end of December 2013, services forecast to achieve £60.3m efficiencies by year end. This under-achievement is due to slippage in ASC's innovative Family, Friends and Community Support (FF&C) strategy.

The total savings from efficiencies includes £10.1m ASC savings re-categorised as one-off measures. These savings, budgeted for 2013/14, will need to be made in 2014/15.

Capital summary

Maximising our investment in Surrey

A key element of Surrey County Council's corporate vision is to create public value by improving outcomes for Surrey's residents. This vision is at the heart of the capital programme and the MTFP 2013-18 set a £699m five year capital programme. Following cabinet approved of re-profiling the 2012/13 carry forward budgets and virements, the revised 2013/14 capital budget is £193.4m.

At the end of December 2013, services forecast overall capital spending against budget will be -£22.3m underspent by year end (-£2.7m at the end of November). This is mainly due to delays in acquiring land for waste schemes (-£5.9m); from archaeological finds at Guildford Fire Station (-£3.0m); replacement of boiler specifications (-£2.0m), deliveries for the fire vehicle and equipment replacement programme (-£1.6m); safe cycle bid (-£1.5m), rephasing some short stay schools (-£1.2m); the school basic need programme (-£5.4m), and obtaining planning permission to improve a travellers' site (-£1.1m). There are other smaller underspends in the capital programme within Adult Social Care (-£0.2m), Children Schools and Families (-£0.2m), Customer & Communities (-£0.5m), Environment & Infrastructure (+£0.6m) and Business Services (-£1.5m).

In addition, the council is investing £29.3m in long term capital investment assets.

Reserves & balances summary

Prudent level of general balances

As explained in report on the budget and medium term financial plan 2014-19 also on this agenda the Council has considered prudent a minimum level of available general balances of between 2.0% to 2.5% of the sum of council tax plus settlement funding, i.e. between £16m to £20m. The Council brought forward £19.9m balances at 1 April 2013 and expects to carry the same amount forward on 31 March 2014.

The Council's balance sheet shows a £16m increase in net liabilities largely due to a fall in long-term assets as 24 schools converted to academy status and have moved off the balance sheet.

Revenue budget

1. The updated revenue budget for the 2013/14 financial year, including schools, is supported by £23.0m of earmarked and general reserves, plus £7.9m revenue carried forward from 2012/13 to fund committed 2013/14 expenditure. The current projection for services' net revenue budget is -£0.9m underspent. This excludes the £13m risk contingency in the 2013/14 budget. Overall the year end revenue budget forecast is -£13.9m underspend. (-£13.0m at the end of November).

2. The year to date budget variance at the end of December is -£19.5m underspend. This is predominately due to:
   - Dedicated Schools Grant – nursery provision underspends (-£3.2m),
   - the income ahead of budget for business rate and government grants and reduced capital financing costs(-£7.9m),
   - delayed maintenance work for both Highways and Property (-£3.3m and -£2.3m),
   - brought forward saving plans for Business Services and better contracts combined with rent and rates rebates (-£2.8m),
   - timing of expenditure and income on third party grants, member allocations and cultural service income and trading standards income (-£1.9m),
   - scheduling of Business Services projects (-£1.6m)
   - Revolving Investment & Infrastructure Fund (-£0.6m), offset by
   - government grants for schools budgets (+£1.7m) and timing of Whole System funding and cost of transition clients (+£1.9m).

3. Schools funding is determined by an agreed formula under statute and expenditure decisions are the responsibility of each school's governing body.

4. Table 1 shows the year to date and forecast year end net revenue position for services and the Council overall. Net revenue position for services is gross expenditure less income from specific grants plus fees, charges and reimbursements.

Table 1: 2013/14 Revenue budget - net positions by directorate

Nov's forecast variance £m	Directorate	YTD budget £m	YTD actual £m	**YTD variance £m**	Full year (revised) budget £m	Jan – Mar remaining forecast £m	Full year forecast £m	**Full year variance £m**
5.2	Adult Social Care	252.1	254.0	1.9	336.3	88.0	342.1	5.8
1.2	Children, Schools & Families	133.9	129.7	-4.2	181.0	51.7	181.4	0.4
0.0	Schools (gross exp £503.0m)	0.1	1.8	1.7	0.1	-1.7	0.1	0.0
-0.4	Customer & Communities	45.0	43.2	-1.9	60.0	16.1	59.3	-0.7
1.1	Environment & Infrastructure	94.0	92.9	-1.1	131.6	41.2	134.1	2.5
-3.2	Business Services	61.4	54.7	-6.7	83.2	23.9	78.6	-4.6
-0.3	Chief Executive's Office	12.8	12.2	-0.6	16.4	3.7	15.9	-0.5
-3.6	Central Income & Expenditure	-204.6	-210.5	-5.9	-210.4	-3.6	-214.1	-3.7
0.0	**Service net budget**	**394.9**	**378.0**	**-16.8**	**598.2**	**219.2**	**597.3**	**-0.9**
0.0	Local taxation	-428.3	-430.3	-2.0	-599.3	-169.0	-599.3	0.0
0.0	Revolving Infrastructure & Investment Fund		-0.6	-0.6		0.6		0.0
-13.0	Risk contingency			0.0	13.0	0.0	0.0	-13.0
-13.0	**Overall net budget**	**-33.4**	**-52.9**	**-19.5**	**11.9**	**50.9**	**-2.0**	**-13.9**

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

5. Both the year to date and forecast revenue budget positions are shown by directorate in the graphs below. Table App 3 in the appendix to this annex shows the overall income and expenditure for the year to date and year end forecast positions.

6. The small forecast year end underspend on services is a result of: Adult Social Care slippage implementing its innovative FF&C strategy (+£5.8m), Children's Services' volume pressures offset by Schools & Learning (+£0.4m); plus flood repairs, waste management pressure and support for local bus routes (+£2.5m); offset by underspends in Business Services (-£4.6m) and Central Income & Expenditure (-£3.7m).

7. Table 2 below summarises the main movements in forecast year end variances over the last month. The Directorate commentaries provide further information on the forecasts.

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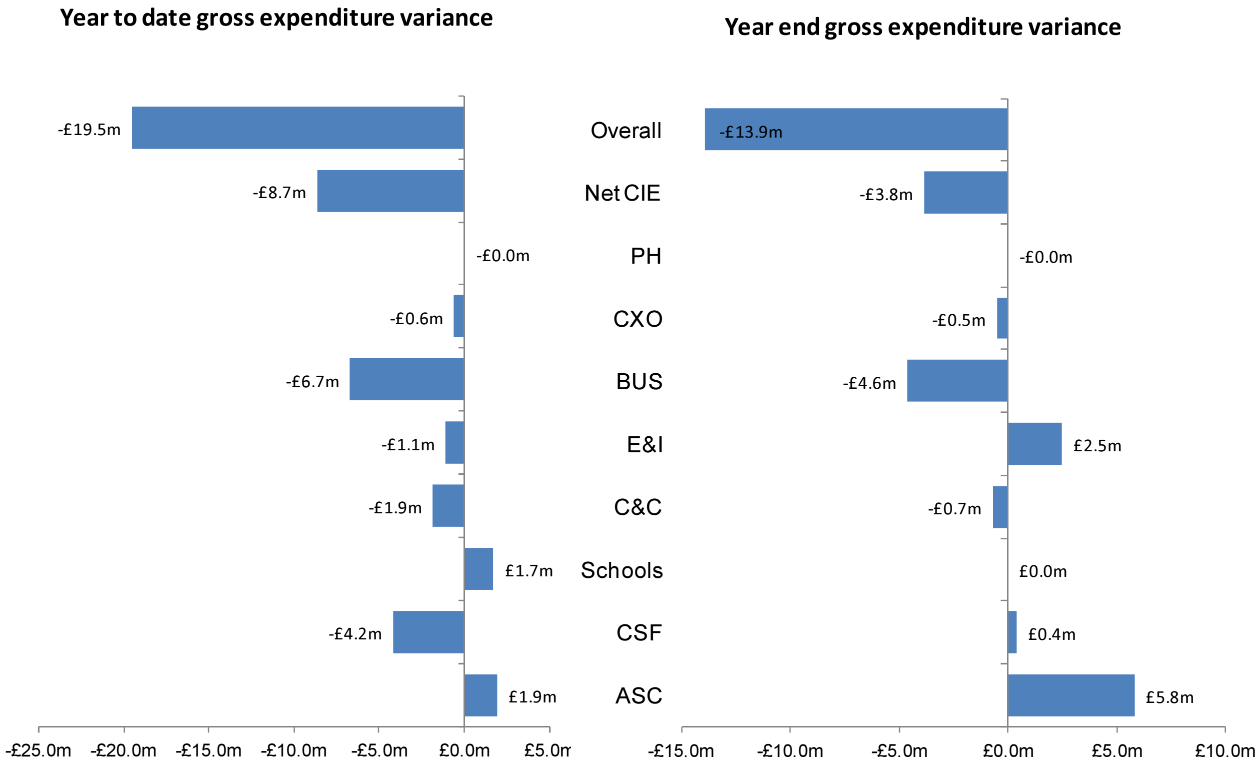
Table 2: 2013/14 Revenue budget year end variance monthly movement by directorate

Directorate	**Nov YE Variance £m**	**Movement £m**	**Dec YE Variance £m**
Adult Social Care	**5.2**	0.6	**5.8**
Children, Schools & Families	**1.2**	-0.8	**0.4**
Schools	**0.0**	0.0	**0.0**
Customer & Communities	**-0.4**	-0.3	**-0.7**
Environment & Infrastructure	**1.1**	1.4	**2.5**
Business Services	**-3.2**	-1.4	**-4.6**
Chief Executive's Office	**-0.3**	-0.2	**-0.5**
Central Income & Expenditure	**-3.6**	-0.1	**-3.7**
Service net budget	**0.0**	**-0.9**	**-0.9**

Summarised movements:	**Movement £m**	**Directorate**
Increased demand pressure	0.6	ASC
Tight financial management	-0.8	CSF
Community Improvement Fund	-0.3	C&C
Additional cost associated with recent flooding	1.4	E&I
2014/15 efficiencies achieved early	-1.4	BUS
Local elections saving	-0.2	CXO
Protected salaries estimate	-0.1	CIE
Overall movement	**-0.9**	

8. Figure 2 shows services' gross expenditure variances for year to date and forecast year end positions.

Figure 2: Year to date and forecast year end expenditure variance



9. Below, each directorate summarises its year to date and forecast year end income and expenditure position and service and policy financial information. These explain the variances, their impact and services' actions to mitigate adverse variances. The appendix gives the updated budget with explanations of budget movements.

Adult Social Care

Table 3: Summary of the revenue position for the directorate

Adult Social Care	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan – Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Summary by subjective							
Income	-50.4	-60.1	-9.8	-69.1	-14.7	-74.8	-5.7
Expenditure	302.5	314.2	11.7	405.4	102.7	416.9	11.5
Net position	**252.1**	**254.0**	**1.9**	**336.3**	**88.0**	**342.1**	**5.8**
Summary by service							
Income	-50.4	-60.1	-9.8	-69.1	-14.7	-74.8	-5.7
Older People	122.0	131.7	9.7	164.7	39.7	171.4	6.7
Physical Disabilities	35.6	37.4	1.8	47.4	12.0	49.4	2.0
Learning Disabilities	94.2	97.1	2.9	125.6	34.9	132.0	6.4
Mental Health	6.8	7.2	0.4	9.2	2.5	9.7	0.5
Other Expenditure	43.9	40.8	-3.1	58.5	13.6	54.4	-4.1
Total by service	**252.1**	**254.0**	**1.9**	**336.3**	**88.0**	**342.1**	**5.8**

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

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10. The December projected outturn for Adult Social Care is +£5.8m (1.73%) overspend. This represents an increase of £0.6m from last month. The year to date position is showing an overspend of £1.9m, although year to date expenditure is currently understated due to timing issues associated with the drawdown of Whole Systems funding, costs for new Transition clients anticipated in the last quarter but not incorporated in the year to date position and other major elements of income weighted towards the first half of the year.

11. A projected overspend was highlighted as a risk during the 2013/14 budget planning process and needs to be set in context of ASC's very challenging savings target of £45.9m. The Directorate has made good progress in many of the savings actions and judges that £27.9m of savings have either been achieved or will be achieved without needing further management action. While there is considerable work ongoing to generate savings, the Directorate is unlikely to be able to bring the budget completely back in line by year end.

12. The most significant element of the Directorate's savings plans is the social capital agenda, now formally re-launched as Family, Friends and Community Support (FFC). It is a new and innovative strategy designed to provide more personalised community support options to individuals requiring care, while at the same time reducing direct costs to the Council. ASC is implementing the new strategy and it has been a key driver in the recent Rapid Improvement Events (RIEs) on the social care and financial assessment processes.

13. The FFC savings target for 2013/14 is £15.5m. Although the Directorate continues to prioritise work on implementation of the key policy changes required to deliver the benefits expected by FFC, these actions are anticipated to now mainly impact on next year's budget rather than achieve significant levels of savings this year. As a result, only £1.0m of ongoing savings will be achieved, meaning slippage of £14.5m is currently projected against the original target. The slippage in the FFC programme reflects the amount of cultural and systems change and community development required to implement the strategy in full.

14. ASC is looking at all possible opportunities to cover the slippage on FF&C and smaller shortfalls on some other savings plans. At present, ASC has identified two main counter-measures:

    i. draw down £7.5m of unused 2011/12 whole system funding, approved by Cabinet in September and actioned in October, and

    ii. £1.7m draw down of previous years' winter pressures funding approved by Cabinet in October and actioned in November.

15. Although these measures are helping to improve this year's budget position they do not prevent a pressure arising for next year's budget as they need to be replaced by new on-going savings next year. The latest budget planning indicates that when combined with this year's projected overspend, other non-recurring one-off savings used this year, additional demand pressures forecast next year and a review of savings plans, ASC needs to identify additional savings of £19m. Work will be carried out with the Chief Executive and Chief Finance Officer to consider options available to gain assurance that the service can deliver the budget.

16. The current year end projection relies on the Directorate implementing £3.5m of management action savings plans in the remainder of the financial year. Table 4 summarises the management actions included in the December projections.

17. The key driver of the underlying pressures the service faces is individually commissioned care services (also known as "spot" care). The gross spend to date on spot care, excluding Transition, has on average been £21.6m per month for April to December. That compares with £21.3m in the last quarter of 2012/13, indicating that while ASC is largely containing new in year demand pressures, expenditure has not yet decreased as planned by delivery of the FFC savings programme. Assuming all savings occur as currently forecast or are replaced by other means, then the Directorate can afford to spend only £20.9m per month in the remainder of the financial year. Therefore, it needs to reduce expenditure on

individually commissioned care services by 3% in the last quarter. That is half of the 6% reduction projected last month. The forecast reduction has been scaled back following a review of care spending conducted as planned at the end of quarter three, which factored in the growth in service volumes witnessed this year in order to formulate a more realistic assessment of the potential for reducing expenditure in the remainder of the year.

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Table 4: Summary of Adult Social Care forecast

	£m	£m
ASC MTFP efficiency target		**(45.9)**
Additional demand pressure above those anticipated in 2013-18 MTFP		(0.5)
Revised efficiency target		(46.4)
Total savings achieved (or not needing further management action) to date		(27.9)
Savings forecast in remainder of the year through use of FF&C	(1.0)	
Other savings forecast in the remainder of the year and included as Management actions	(2.5)	
Total savings forecast in remainder of the year		(3.5)
Total forecast savings before draw downs		(31.4)
Whole systems funding 2011/12 draw down		(7.5)
Proposed winter pressure funding 2011/12 draw down		(1.7)
Total forecast savings		(40.6)
Under / (over) performance against MTFP target		**5.8**

Children, Schools & Families

Table 5: Summary of the revenue position for the directorate

Children, Schools & Families	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Summary by subjective							
Income	-109.4	-109.1	0.3	-150.2	-42.0	-151.1	-0.9
Expenditure	243.3	238.8	-4.5	331.2	93.7	332.5	1.3
Net position	**133.9**	**129.7**	**-4.2**	**181.0**	**51.7**	**181.4**	**0.4**
Summary by Service:							
Income	-109.4	-109.1	0.3	-150.2	-42.0	-151.1	-0.9
Strategic Services	4.8	4.3	-0.5	5.7	1.0	5.3	-0.4
Children's Services	66.5	68.6	2.1	89.0	23.8	92.4	3.4
Schools and Learning	154.4	147.7	-6.7	211.5	61.9	209.6	-1.9
Services for Young People	17.6	18.2	0.6	25.0	7.0	25.2	0.2
Total by service	**133.9**	**129.7**	**-4.2**	**181.0**	**51.7**	**181.4**	**0.4**

18. The forecast outturn for the Children Schools and Families directorate (CSF) at December 2013 is an overspend of +£0.4m. This is a reduction of -£0.8m compared to the position reported at November 2013 and represents 0.2% of the county funded CSF budget. A continuation of tight financial management for the remainder of the financial year may bring the overspend down further.

19. The main reasons for the overspend continue to be pressures in Children's Services and increasing demand for transport in relation to children with special education needs (SEN). This is partly offset by an improved trading position for Commercial Services and underspends elsewhere within Schools and Learning.

20. The year to date underspend of -£4.2m is mainly due to DSG underspend on nursery provision (-£3.2m), staffing across the directorate (-£1.2m) and other underspends in Schools and Learning (-£0.2m). These are partly offset by non-staffing overspends in Children's Services (+£2.1m).

Children's Services

21. In Children's Services the projected overspend is +£3.4m although this is partly offset by additional income of -£0.4m. This has changed little compared to the end of November position. The main reasons for this overspend are a combination of rising demand, increased complexity of need and some increases in prices.

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22. Increasing demand has led to overspends in the following areas.

- Higher numbers of agency placements earlier in the year have given rise to an overspend of £0.75m. Numbers have now returned to the level seen in April although the position remains volatile – for example, remand placements have relative low volumes but for the first time this year there are currently three remand placements required at a cost of £4,000 per week until the end of the financial year.
- There continue to be pressures on fostering allowances and in the cost of adoption allowances (+£0.5m). The number of foster placements is currently 33 higher than the average of 474 budgeted for. In addition the number of Special Guardianship Orders has increased; an additional 65 SGOs will be made this year compared to 45 in 2012/13.
- The budgets for leaving care and asylum seekers are expected to overspend by +£0.5m as the number of care leavers and asylum seekers with no recourse to public funds continues at a similar level to that experienced in 2012/13 when a similar overspend occurred.
- Area care services forecast a +£0.5m overspend. This is mainly due to an increase in the instances and cost of court proceedings (there are currently 200 cases compared to 169 for the whole of 2012/13) and increasing costs for supervises contact and SGO's compared to 2012/13.

23. The budgets for children with disabilities are overspending by +£1.8m due to a combination of rising demand, greater complexity of need and the service being unable to achieve the planned savings in these circumstances. Of the overspend, +£1.5m relates to the budget reduction for the MTFP efficiency in this service area which has not been achieved. However, alternative underspends elsewhere across the directorate have offset the impact of this overspend. In addition the service are seeing more complex and costly cases and rising demand with an extra 40 cases (5%) since April 2013.

24. There continue to be difficulties recruiting permanent social workers and a resulting reliance on more expensive agency staff. A +£0.6m overspend is anticipated. This is an ongoing problem and CSF has plans to improve recruitment and retention of social workers through the career progression framework and the recruitment programme in the North East Area to grow our own skilled workforce. The results of these initiatives will take time to be realised.

25. Offsetting these overspends are net underspends of -£1.4m across Children's Services. These are planned to continue in order to help alleviate the cost pressures.

Schools & Learning

26. Schools & Learning forecast a -£1.9m underspend on council funded services.

27. The main pressure on the Schools and Learning budget is a +£2.1m overspend on transport, mainly in relation to SEN. The school transport service already faced a budget pressure of £0.7m, reported as an overspend in the 2012/13 outturn report. In addition to this, pupil numbers and costs have continued to rise, particularly around SEN. The total number of pupils transported reached 2,587 in November, 76 higher than at the same point last year and leading to additional costs of +£0.6m.

28. Offsetting the transport overspend is an underspend on centrally held budgets of -£2.2m. This is mainly against the budget for demographics and inflation. Given its £7m savings requirement, CSF prudently decided to hold this budget centrally to cover pressures arising from demand led budgets where the impact of funding changes would not become clear until the start of the new academic year.

29. In addition the current number and cost of out county placements has been reviewed. This covers both pre and post 16 including the county's new responsibilities for learners with learning difficulties and disabilities (LLDD). The review suggests that, although uncertainties remain, the Council's £1.5m contribution will not be required in full and an underspend of -£0.5m is likely.

30. Commercial Services projects a higher than budgeted contribution to corporate overheads of -£1.0m. This projection takes into account the reduced contribution due to the loss of cleaning and catering contracts which is more than offset by improved contract prices and contracted income. 8

31. Although not included in the Council's reported position services funded by Dedicated Schools Grant (DSG) are forecast to underspend by -£3.8m. The main reason being less demand for two, three and four year old nursery provision than the grant funding level which underpins the budget. There are other small underspends on DSG services, though overall these are partly offset by increasing demand for support to children with SEN, particularly paediatric therapy services (£0.8m).

Services for Young People and Strategic Services

32. Services for Young People forecast a small +£0.2m overspend. Strategic Services anticipates an underspend of -£0.4m mainly due to recognition that resources set aside for one off service initiatives are now unlikely to be required this financial year.

Schools (delegated budget)

Table 6: Summary of the revenue position for the delegated schools budget

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-396.5	-396.4	0.1	-503.2	-106.8	-503.2	0.0
Expenditure	396.6	398.2	1.6	503.3	105.1	503.3	0.0
Net position	**0.1**	**1.8**	**1.7**	**0.1**	**-1.7**	**0.1**	**0.0**

33. The forecast is unchanged since the beginning of the year. The budget has been updated for the recent transfers of Surrey schools to academy status (-£2.9m) There also were volume related grant changes of +£2.9m. The schools delegated budget is reviewed each month.

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Customer & Communities

Table 7: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Income	-18.1	-19.0	-0.9	-24.2	-5.8	-24.8	-0.6
Expenditure	63.1	62.2	-0.9	84.1	21.9	84.1	-0.1
Net position	**45.0**	**43.2**	**-1.9**	**60.0**	**16.1**	**59.3**	**-0.7**
Summary by service							
Cultural Services	8.1	7.7	-0.4	10.7	2.9	10.6	-0.1
Fire & Rescue	26.9	26.7	-0.2	35.6	8.9	35.6	0.0
Customer Services	3.0	2.9	-0.1	4.0	1.0	3.9	-0.1
Trading Standards	1.6	1.5	-0.1	2.2	0.7	2.2	0.0
Community Partner & Safety	2.9	2.1	-0.8	4.2	1.8	3.9	-0.3
C&C Directorate Supp	1.7	1.4	-0.3	2.2	0.5	1.9	-0.3
County Coroner ort	0.8	0.8	0.0	1.1	0.4	1.2	0.1
Total by service	**45.0**	**43.2**	**-1.9**	**60.0**	**16.1**	**59.3**	**-0.7**

34. The year to date underspend is -£1.9m, partly due to the timing of expenditure (-£0.8m) on third party grants and member allocations within Community Partnership and Safety. The remainder is due to managed savings within Fire to cover the cost of extending the contingency crewing contract plus the timing of Cultural Services and Trading Standards income already earned, along with the year to date impact of the full year underspend.

35. The directorate currently projects a -£0.7m underspend (-£0.3m at the end of November). This is within Directorate Support (-£0.3m) due to cost sharing and holding posts for the early achievement of the 2014/15 MTFP efficiency and an expected underspend on the Community Improvement Fund (-£0.2m) due to waiting for grant conditions to be met before funds are released. A further underspend is expected from the continued increase in income generated by Registration (-£0.2m) due in part to the three yearly cycle of venue licensing income. Legislative changes are creating a +£0.1m pressure for the Coroner's service. The full year effect is expected to be in the region of £0.2m from 2014/15 onwards. Member allocations are expected to underspend (-£0.1m) however the Leader had asked members to note that any funds not delivered to the recipients by the end of the financial year will become unavailable.

36. There will be a carry forward request to enable payments to be made within the new financial year on the Community Improvement Fund, currently predicted as £0.2m.

Environment & Infrastructure

Table 8: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Income	-14.0	-14.0	0.0	-18.7	-6.30	-20.0	-1.3
Expenditure	108.0	106.9	-1.1	150.3	47.2	154.1	3.8
Net position	**94.0**	**92.9**	**-1.1**	**131.6**	**41.2**	**134.1**	**2.5**
Summary by service							
Environment	42.0	44.4	2.4	61.0	17.3	61.7	0.7
Highways	32.0	29.2	-2.8	44.3	17.3	46.5	2.2
Economy, Transport & Planning	19.8	19.1	-0.7	26.1	6.6	25.7	-0.4
Other Directorate Costs	0.2	0.2	0.0	0.2	0.0	0.2	0.0
Total by service	**94.0**	**92.9**	**-1.1**	**131.6**	**41.2**	**134.1**	**2.5**

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

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37. The year to date position for Environment & Infrastructure (E&I) is a -£1.1m underspend. This primarily relates to highway maintenance works including local schemes, road maintenance (where some payments have been delayed) and also to economic development projects funded through New Homes Bonus grant, which is not now expected to be fully utilised this financial year.

38. The forecast outturn for E&I is an overspend of +£2.5m, an increase in overspend of £1.4m from last month. The most significant variance, and the reason for the movement this month, is the additional cost associated with recent flooding. Initial expenditure relates to immediate response and making safe, damage assessments to structures (including bridges and embankments), emergency generators to power water pumps, and the expected cost of repairing roads and potholes. Longer term costs will include drainage works and permanent repairs to damaged roads and structures, some of which will be capital works. Although further work is required to assess likely costs, the total cost has initially been estimated at £4.5m. The revenue impact in the current financial year could be £2.1m.

39. Other significant variations include:

- waste management expects to overspend by + £0.8m primarily due to the need for external specialist advice required to successfully complete the contract variation;
- local bus support expects to overspend by + £0.5m as a result of difficulty achieving planned contract savings this year and also a number of instances where bus routes are no longer commercially viable and need financial support from the Council;
- economic development projects funded through New Homes Bonus grant are expected to underspend by - £0.6m.
- additional employee costs of + £0.2m are expected to be largely offset by additional income and recharges; and
- the balance is comprised of a number of variations including additional parking income and planning fees.

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Business Services

Table 9: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Income	-11.1	-12.4	-1.3	-14.9	-3.5	-15.9	-1.0
Expenditure	72.5	67.1	-5.4	98.1	27.4	94.5	-3.6
Net	**61.4**	**54.7**	**-6.7**	**83.2**	**23.9**	**78.6**	**-4.6**
Summary by service							
Property	23.7	19.9	-3.8	32.4	9.8	29.7	-2.7
Information Management & Technology	17.2	16.2	-1.0	23.3	7.1	23.3	0.0
Human Resources & OD	6.2	5.8	-0.4	8.3	2.4	8.2	-0.1
Finance	6.5	6.2	-0.3	8.8	2.1	8.3	-0.5
Shared Services	3.2	2.7	-0.5	4.2	1.2	3.9	-0.3
Procurement & Commissioning	2.5	2.5	0.0	3.3	0.8	3.3	0.0
Business Improvement	2.1	1.4	-0.7	2.9	0.5	1.9	-1.0
Total by service	**61.4**	**54.7**	**-6.7**	**83.2**	**23.9**	**78.6**	**-4.6**

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

40. Business Services estimates a revenue underspend of -£4.6m. Business Services has challenging revenue savings targets for this year and next. The service will deliver this year's efficiency savings and aims to bring forward some of next year's. It is also achieving one-off revenue savings. The estimated revenue underspend has increased by -£1.3m compared to last month. The savings targeted in the maintenance budget, as a result of more informed maintenance planning regimes, have been delivered earlier than originally planned, increasing efficiencies by £0.5m. The rest of the directorate underspend has been achieved in other areas of Property and HR mainly through delivering efficiencies early.

41. The year to date underspend is -£6.7m. The largest variance is -£3.8m in Property which is mainly as a result of timing of maintenance work (-£1.9m). The full year maintenance underspend is likely to be -£1m, -£0.8m of this is due to efficiencies from the new property management system. The estimated cost of remedial work due to the recent flooding is £0.1m, this will be delivered within existing budgets. The other year to date variances in Property are reflected in the full year underspend of -£2.7m. These are a result of forecast underspends on utilities (-£0.6m), rents (-£0.7m), and rates (-£0.2m).

42. The Making a Difference programme is on track to deliver savings of £6.6m each year from the office portfolio and has supported staff to work more flexibly with the benefits of new technology and a change in the way we work. The programme started in 2010 and includes implementing Electronic Data & Record Management (EDRM) across the council. EDRM solutions have been implemented for social care activity and will be implemented for the rest of the organisation by IMT alongside a Lotus Notes upgrade, resulting in a Making a Difference saving of -£1.0m.

43. IMT's £1m year to date underspend mainly relates to a -£0.6m underspend on the Modern Worker project. Increased activity is expected in the final quarter, particularly on the Citrix and Active Directory projects, and the estimated full year forecast variance is zero.

44. HR and Organisational Development year end forecast is an underspend of -£0.1m, a variance of -£0.3m compared to last month. This is mainly due to delivering staffing efficiencies early.

45. There are other variances on Finance (-£0.4m) and Shared Services (-£0.3m), which are delivering 2014/15 efficiency savings early.

Chief Executive's Office

Table 10: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Income	-18.7	-16.0	2.7	-27.8	-8.7	-24.7	3.1
Expenditure	31.5	28.2	-3.3	44.2	12.4	40.6	-3.6
Net	**12.8**	**12.2**	**-0.6**	**16.4**	**3.7**	**15.9**	**-0.5**
Summary by service							
Strategic Leadership	0.4	0.3	-0.1	0.5	0.2	0.5	0.0
Legacy	0.4	0.4	0.0	0.5	0.1	0.5	0.0
Emergency Management	0.4	0.4	0.0	0.5	0.1	0.5	0.0
Communications	1.5	1.4	-0.1	2.0	0.5	1.9	-0.1
Legal & Democratic Services	7.6	7.4	-0.2	9.7	2.1	9.5	-0.2
Policy & Performance	2.5	2.3	-0.2	3.2	0.7	3.0	-0.2
Public Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total by service	**12.8**	**12.2**	**-0.6**	**16.4**	**3.7**	**15.9**	**-0.5**
Public Health - income	-17.8	-15.0	2.8	-26.5	-8.4	-23.4	3.1
Public Health - expenditure	17.8	15.0	-2.8	26.5	8.4	23.4	-3.1
Public Health - net expenditure	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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46. The Chief Executive's Office (CXO) is currently projecting a -£0.5m underspend against a total revenue budget of £16.4m. The projected underspend had increased from last month's position of -£0.3m mainly due to increased staff savings and lower projected legal pressures. The underspend is predominantly due to the one-off savings (-£0.2m) against the local elections budget following receipt of final invoices from district and borough councils. The remaining underspend is mainly due to staff vacancies across the directorate, which are offset by pressures within Legal due to the cost and volume of child protection cases.

47. The directorate budget had increased by £0.2m from last month following a transfer from Adult Social Care to Policy & Performance to fund the Health & Wellbeing contracts.

48. CXO has taken on the council's new responsibility for Public Health (PH) this year. Some uncertainties remain in this first year of Public Health budgets.

49. In determining the Public Health grant allocation to SCC, the Department of Health (DH) misallocated £3.3m of the sexual health funds, which instead were transferred to the CCGs. The DH requested that this error was resolved locally and to date efforts have been made to undertake this. However, given that the majority of the year has passed without any progress, it is prudent now to plan on the assumption that the money will not be received. Therefore the budget is now being monitored against the lower cash limit, and every effort will be made, by avoiding further commitments, to contain spend within that. Inevitably, that will in turn limit the service's ability to take forward developments designed to meet the Government's performance targets.

50. Initially, the Police and Crime Commissioner (PCC) allocated £0.5m funding to PH. However the PCC's priorities have changed and it has confirmed PH will not receive this funding in 2013/14 (+£0.5m). As part of the forward budget process, PH will review this

service and decide how it will continue in the future. In the current year PH will offset this reduction in funding against the staffing underspend explained below.

51. The other ongoing budget issue under investigation is the cost of prescribing drugs related to the Public Health Agreements. It has come to light nationally that local authorities may be recharged for such costs by the NHS Business Services Authority and this amount had not been included in the council's baseline allocation. Initial estimates show Surrey's liability could be in the region of £1.9m. As this is a country wide issue the Director of Public Health (DPH) is linking with other DPHs to progress this matter nationally with DH.

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52. Due to the fact that a number of staff did not transfer to the council from NHS Surrey as part of the changes to the NHS from 1 April 2013, PH has had vacancies throughout its team, including many at a senior level. Recruitment to all vacancies has now been completed and all staff will be in post by January.

53. Public Health is continuing to ensure a strong service is delivered across Surrey. Delivery is happening through previous NHS contracts which are being novated to Surrey and also through tenders for new contractors. The full range of Public Health services are now being delivered across sexual health, substance misuse, school nursing, obesity, physical activity, smoking and health checks.

54. PH is carefully reviewing its expenditure plans to ensure that these fit within their budget, which has been reduced this month to account for the increasing possibility that the £3.3m of funding misallocated to the CCGs will not be received.

Central Income & Expenditure

Table 11: Summary of the revenue position for the directorate

Summary	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jan - Mar Forecast £m	Full Year Projection £m	Dec Full Year Variance £m
Income	-234.7	-238.2	-3.5	-253.2	-15.3	-253.5	-0.3
Expenditure	30.1	27.7	-2.4	42.8	11.7	39.4	-3.4
Net position	**-204.6**	**-210.5**	**-5.9**	**-210.4**	**-3.6**	**-214.1**	**-3.7**
Local taxation	-428.3	-430.3	-2.0	-599.3	-169.0	-599.3	0.0
Risk contingency			0.0	13.0	0.0		-13.0
Net position	**-632.9**	**-640.8**	**-7.9**	**-796.7**	**-172.6**	**-813.4**	**-16.7**

55. The year to date variance of -£7.9m is caused by below budget costs for capital financing and redundancy & compensation. In addition, income from retained business rates and government grants is £4.7m above budget. This is due to timing of receipts and is expected to be in line with the budget at the year end.

56. Capital financing costs are -£0.8m underspent due to the Council not borrowing to fund its capital programme so far this year. The Minimum Revenue Provision (MRP) is money set aside to repay debt and is calculated on the audited balance sheet at 31 March 2013. Following the unqualified audit of the statement of accounts in September, this budget is -£0.5m underspent, and will be at the year end.

57. The Council's year to date redundancy and compensation budget is underspent by -£0.2m. The number and timing of redundancies is not easy to forecast in advance, although more voluntary redundancies are expected in the remainder the year. The cost of auto-enrolment of staff into the pension schemes is less than originally budgeted, currently by -£0.75m, this will result in a year-end underspend of £1m.

58. The medium term financial plan included a business rates safety net top slice return of £2.4m. The Council will not now receive this grant due to national call on the safety net (this

will also be a pressure in 2014/15). The Education Support Grant has also been reduced by £1m, due to schools gaining academy status. However, these reductions are partially offset in 2013/14 by additional grant income not included in the MTFP, including Local Authority Central Spend Efficiency Grant (£1.4m), Adoption Reform (£1.5m), Council Tax Transition Grant (£0.3m), and HM Courts Service (£0.1m).

59. Interest receivable is projected to over-recover by around -£0.4m due to higher cash balances held at the beginning of the year as a result of the up-front payment of a number of Government grants.

60. As described above: the MRP charge will underspend this year by -£0.5m and the cost of auto-enrolment of staff into the pension schemes is projected to be -£1m underspent.

61. In setting the budget, the Council assumed it would use its cash balances to fund capital expenditure in place of borrowing externally. However, it made a budgetary provision against undertaking any external borrowing. The Council has been able to maintain its internal borrowing strategy throughout 2013/14 and the possibility of requiring this provision is now very small. Therefore the budget is forecast to underspend by -£0.9m. In addition, there is a further -£0.9m of unspent New Homes Bonus in the interest payable budget. 8

62. The redundancy and compensation budget is currently underspending, year to date, as explained above. The number and timing of redundancies is not easy to forecast in advance, although more voluntary redundancies are expected in the remainder of the year and so expenditure is expected to remain on budget at this time.

Revolving Infrastructure & Investment Fund

Table 12: Summary position

Summary	YTD Actual £m	Full Year Forecast £m
Income	-1.6	-2.2
Expenditure	1.0	1.4
Net Revenue Position	**-0.6**	**-0.8**

63. The Revolving Infrastructure & Investment Fund was established in the 2013-18 MTFP in order to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. Net income, after the deduction of funding costs, is being delivered this financial year by the Joint Venture project to deliver regeneration in Woking town centre (Bandstand Square) and from property acquisitions that have been made for future service delivery.

64. Capital expenditure to date includes Ranger House, Egham High Street and Parkside House. The remainder of the forecast capital spend includes an estimate of loans to be made during the rest of the year to the Woking Bandstand Joint Venture company and the purchase of Bridgehead House. The acquisition of Bridgehead House was approved by Cabinet on 26 November and completed, following some delays by the vendor, on 9 January 2014.

65. Funding costs are being charged to the Revolving Infrastructure & Investment Fund to reflect the opportunity cost of using internal capital resources. As further borrowing has not yet been required, the projects noted above will deliver gross income of £2.1m for the year.

Staffing costs

66. The Council employs three categories of staff.

- Contracted staff are employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
- Bank staff are contracted to the council and paid through the payroll but have no guaranteed hours.
- Agency staff are employed through an agency with which the council has a contract.

67. Bank and agency staff enable managers to manage short term variations in demand for services or vacancies for contracted staff. This is particularly the case in social care.

68. A sensible degree of flexibility in the staffing budget is good, as it allows the council to keep a portion of establishment costs variable. The current level is approximately 92% of costs are due to contracted staff.

69. The council sets its staffing budget based upon the estimated labour required to deliver its services. This is expressed as budgeted full time equivalent staff (FTEs) and converted to a monetary amount for the budget. This budget includes spending on all three categories of staff and is the key control in managing staffing expenditure.

70. The council's total full year budget for staffing is £313.0m based on 8,025 budgeted FTEs. The year to date budget for the end of December 2013 is £233.2m and the expenditure incurred is £229.3m. At the end of December 2013, the council employed 7,347 FTE contracted staff.

71. Table 13 shows the staffing expenditure and FTEs for the period to December against budget, analysed among the three staff categories for each directorate. The table includes staff costs and FTEs that are recharged to other public services for example: other councils, NHS Trusts, outsourced to South East of England Councils or capital funded (super fast broadband). The funding for the recharges is within other income.

Table 13: Staffing costs and FTEs to end of November 2013

	Staffing budget to Dec 2013 £m	Staffing spend by category						Dec 2013 occupied contracted FTE
		Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	Budget FTE	
Adult Social Care	53.9	47.3	2.7	1.5	51.5	-2.4	2,187	1,870
Children Schools & Families	78.5	70.8	3.5	3.0	77.4	-1.2	2,690	2,466
Customer and Communities	42.9	38.5	0.7	3.5	42.7	-0.2	1,507	1,437
Environment & Infrastructure	17.3	16.4	0.7	0.3	17.4	0.1	524	511
Business Services and Central Income & Expenditure	31.6	29.0	2.1	0.1	31.2	-0.4	892	826
Chief Executive's Office	9.0	8.7	0.2	0.2	9.1	0.1	225	237
Total	233.2	210.7	10.0	8.6	229.3	-3.9	8,025	**7,347**

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

72. The most material variance is a -£2.4m underspend in ASC due to recruitment delays, mainly in reablement and front line teams. However, such staffing savings are counterproductive as they reduce the directorate's ability to implement key strategic savings plans such as FF&C and in most cases are outweighed by additional spend on care ASC might otherwise have avoided.

73. Table 14 shows there are 472 "live" vacancies, for which active recruitment is currently taking place, with 206 of these in social care. 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 14: full time equivalents in post and vacancies

	Dec FTE
Budget	8,025
Occupied contracted FTE	7,347
“Live” vacancies (i.e. actively recruiting)	472
Vacancies not occupied by contracted FTEs	206

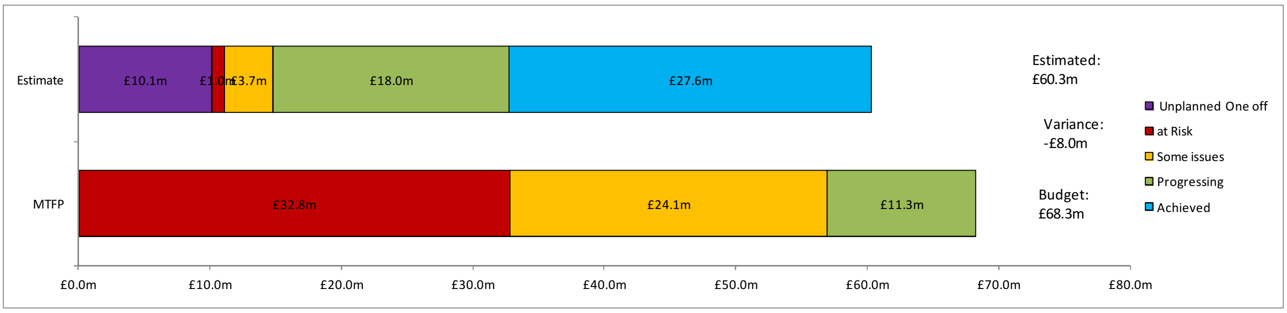
Efficiencies

74. The MTFP incorporates £68.3m of expenditure efficiencies. Overall, the Council forecasts achieving £60.3m by year end, an under achievement of -£8.0m. This is an increase from the -£7.3m forecast at the end of November.

75. The appendix to this annex includes each directorate's efficiencies and a brief commentary on progress. Directorates have evaluated efficiencies on the following risk rating basis:

- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place.
- AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place
- GREEN – Plans in place to take the actions to achieve the saving
- BLUE – the action has been taken to achieve the saving.

Figure 2: 2013/14 ragged overall efficiencies



76. The -£0.7m increase in under achievements on efficiencies is from ASC, largely due to slippage in the innovative FF&C strategy as outlined above in the directorate's revenue budget commentary.

77. Under achievements in CSF (-£1.8m) and E&I (-£0.4m) remain as reported for November. CSF is experiencing delays in achieving the efficiencies planned in services for children with disabilities together with increasing demand for care packages. This means the planned saving in that area of £1.5m is unlikely to be achieved in 2013/14. Given the pressure on the transport budget, it is also unlikely that the planned efficiency of £0.3m will be achieved. E&I forecasts -£0.4m underachievement on the bus service contract savings. The appendix to this annex includes each directorate's efficiencies as at the end of December 2013.

Capital

78. By planning significant capital investment as part of MTFP 2013-18, the council demonstrated its firm long term commitment to stimulating economic recovery in Surrey.

79. Table 15 shows current forecast for the service capital programme is a underspend of -£22.3m (-£2.7m at the end of November) due predominately to delays:

- acquiring land for waste schemes (-£5.9m);
- school basic need (-£5.4m);
- archaeological finds at Guildford Fire Station (-£3.0m);
- schools changes to replacement boiler specification (-£2.0m);
- deliveries of fire vehicle and equipment replacement programme (-£1.6m);
- safe cycle bid delayed due to the weather - grant extended until May 2014 (-£1.5m);
- rephasing refurbishments some short stay schools (-£1.2m); and
- obtaining planning permission to improve a travellers' site (-£1.1m).

80. Other smaller directorate project underspends add -£1.5m. These are offset by: higher IT equipment spending (+£0.9m) funded from the Equipment Replacement Reserve..

81. The underspend relates to project duration rather than spending savings. Therefore the overall capital programme will spend the same and funding is unaltered.

Table 15: 2013/14 Capital expenditure position

2013/14 Monitoring	**Revised Full Year Budget £m**	**Apr -Dec actual £m**	**Jan - Mar projection £m**	**Full year forecast £m**	**Full year variance £m**
Adult Social Care	2.0	1.2	0.6	1.8	-0.2
Children, Schools & Families	8.0	7.9	-0.2	7.7	-0.2
Customer & Communities	4.8	2.1	0.6	2.7	-2.1
Environment & Infrastructure	69.2	45.4	22.9	68.3	-0.9
School Basic Need	54.3	33.8	15.1	48.9	-5.4
Business Services	74.8	46.1	15.2	61.3	-13.5
Chief Executive Office	11.5	6.3	5.2	11.5	0
Service programme	**224.6**	**142.9**	**59.4**	**202.2**	**-22.3**
Long term investments	0	27.1	2.2	29.3	29.3
Overall programme	**224.6**	**170.0**	**61.6**	**231.5**	**7.0**

82. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Cabinet subsequently reprofiled the capital budget for 2013/14 by -£2.5m, which reduced it to £184.8m. Up to 30 November 2013 the capital budget was updated for: new approved schemes; re-profiling requests and new grant funded schemes (+£2.7m); drawing down capital grants for Walton Bridge (£0.6m); wellbeing centres (£0.1m); purchasing Woking Magistrates Court (£0.9m); and external funding from sources such as schools' parent teacher associations of £2.8m.

83. In December, the Council updated the capital budget for: further funding of £0.4m from parent teacher associations, purchasing Quadrant court (£21.3m); and reprofiling highway maintenance (£11.0m). The revised capital budget for 2013/14 is £224.6m.

84. Table App 4 in the appendix to this annex summarises the budget changes.

8

Balance sheet

85. The Council's balance sheet as at 31 December 2013 shows an increase in net liabilities of £16m. This is due to a decrease in the value of the Council's long-term assets. Despite the capital expenditure incurred to date, 24 school assets have been removed from the balance sheet due to them converting to academy status (amounting to approximately £100m). In addition there is a decrease in long term liabilities due to the repayment of loans from the PWLB, which is offset by a corresponding increase in cash & cash equivalents and short term investments.

86. Table App 6 shows details of the balance sheet at 31 December 2013.

Reserves

87. The Council's earmarked reserves had reduced by £8.1m in the period up to 31 December 2013. This was mainly due to drawing £18.9m from the Budget Equalisation Reserve as planned in the MTFP. In addition, £5m was approved to be drawn down from the Severe Weather Reserve in July. This is partly offset by appropriations to the Economic Downturn Reserve and the Revolving Infrastructure & Investment Fund and capital receipts received in year.

88. Table App 7 shows details of the Council's earmarked reserves as at 31 December 2013.

Debt

89. During the third quarter of 2013/14 the Accounts Payable team raised invoices totalling £45.2m (in total £128.8m).

90. The Council's total debt outstanding at 31 December 2013 is £26.2m, comprising £16.9m care related debt and £9.3m non-care related debt. Table App 8 shows details. The average number of debtor days for the period 1 April to 30 September 2013 was 26 days.

91. Of the £26.2m total debt outstanding, £10.6m is overdue. Table App 9 shows details. Systems, restructuring and overall economic factors may have played a part in this and more specifically during the last quarter of 2012/13 the Council identified new income that was previously uncharged. This generated high value retrospective bills that clients have been reluctant to pay. The Council is using a Rapid Improvement Event to address this.

92. Between 1 April and 31 December 2013 the Chief Finance Officer, under delegated authority, has written off 357 debts with a total value of £583,828. Of these £493,586 is care related and £90,261 is non care related debt.

Treasury summary

93. The treasury management position as at 31 December against a number of prudential and performance indicators is shown in the Appendix. The Council repaid £68m of long term borrowing on 30 September 2013 which, when combined with the policy of internal borrowing, leaves it well within the borrowing limits for the financial year. The debt profile of the remaining borrowing is weighted towards the very long term, with only 4% maturing within the next 10 years. The weighted investment return for the balances held for treasury purposes for the year to date is 0.43% above the benchmark, average 7 day LIBID of 0.36% based upon average balances for 2013/14 of £276m.

Appendix to Annex

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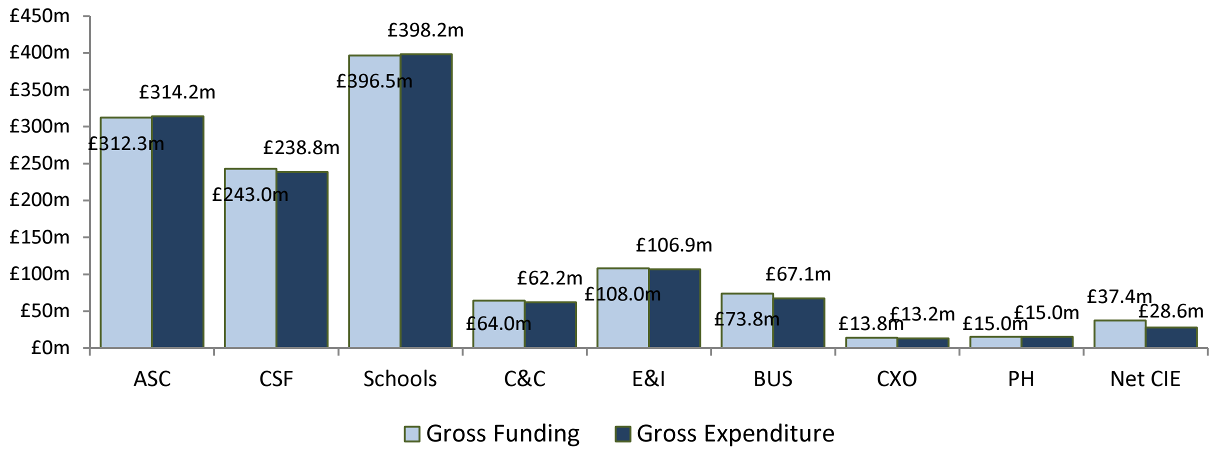
8

Corporate performance scorecard – finance

App. 1. Figure 3 shows the gross funding and expenditure for the council for the year to date (as included in the quarterly corporate performance scorecard). Gross funding for a service is its receivable income plus its budgeted share of funding from the council's overall resources. The difference between gross funding and gross expenditure is the net budgetary variance. The amounts are by directorate and relate to the December month end position. Net CIE includes Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.

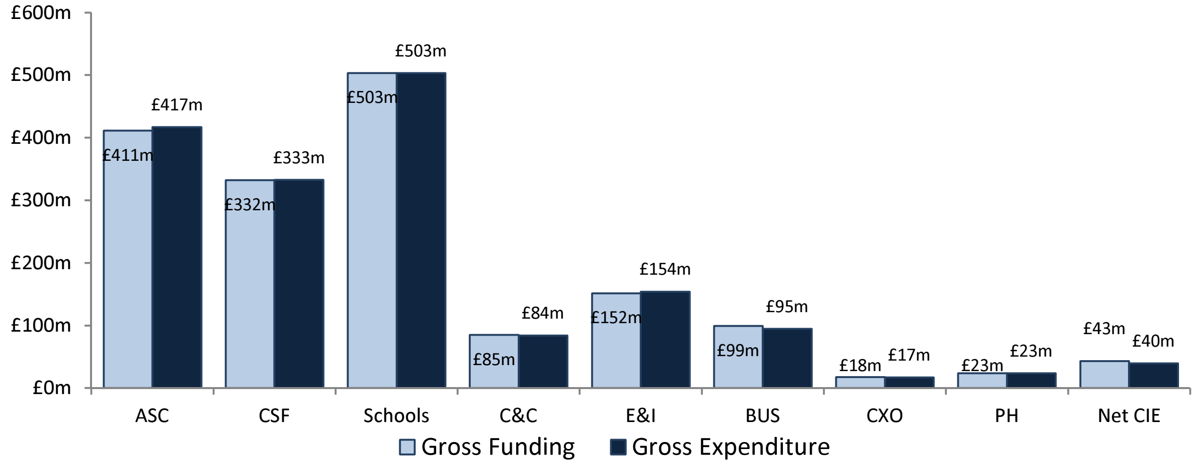
App. 2. The corporate performance scorecard also includes the year end forecast revenue position shown above in Figure 1.

Figure 3: Year to date revenue position



App. 3. Figure 4 shows services forecast a balanced year end position (balanced at the end of November). This excludes use of the 2013/14 budget's £13m risk contingency and -£0.8m net income on the Revolving Infrastructure & Investment Fund. Including the £13m risk contingency makes the overall forecast -£13.9m underspend.

Figure 4: Year end forecast revenue position

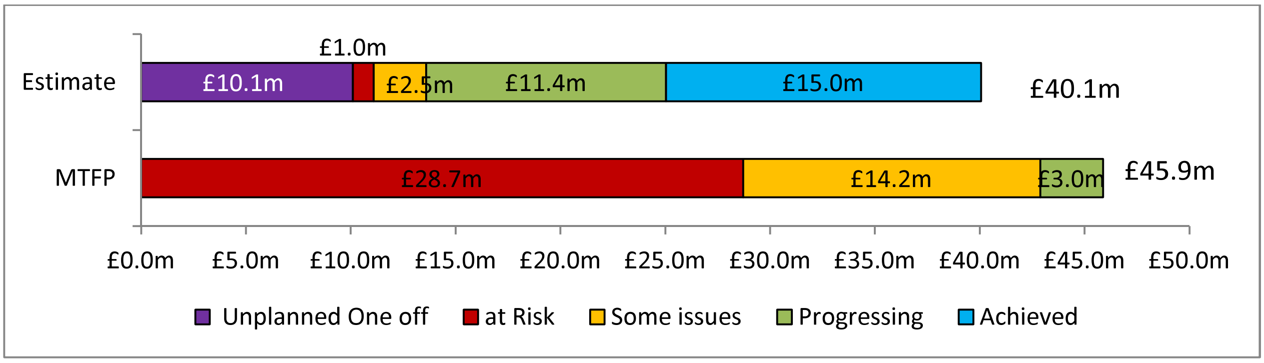


Efficiencies & service reductions

App. 4. The graphs below track progress against directorates' MTFP 2013-18 ragged expenditure efficiencies & service reductions.

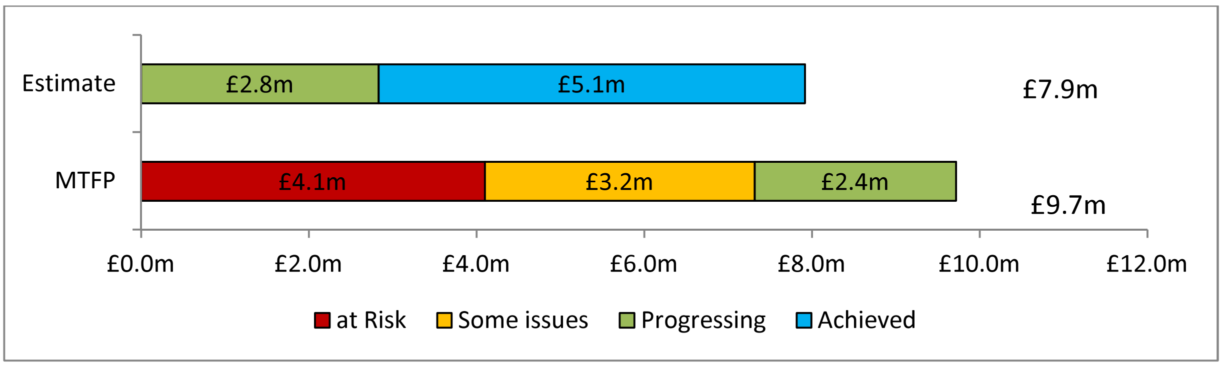
App. 5. All the graphs use the same legend:
Red – At risk, Amber – Some issues, Green – Progressing and Blue – Achieved. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



App. 6. The Directorate has already achieved savings of £15m this year, including £5.5m of savings to constrain inflation for individually commissioned care services. A further £13.9m is on target to be achieved, although there is an element of risk for £2.1m of these savings. The most significant element of ASC's savings plans in 2013/14 is the Family, Friends & Community (FFC) support strategy, which originally had a £15.5m savings target. Given the scale of the challenge and that this is the first year of these ambitious plans, it was flagged as a significant risk during the budget planning process and although considerable work is ongoing to fully embed this new approach, this will mainly impact on next year's budget. The December position indicates that the approach is not yet reducing spend but £1m of savings are anticipated to be achieved in the remainder of the year. The projected FFC slippage combined with minor slippage against other savings plans is being partially offset by £9.7m of unplanned one-off savings, which will need to be replaced by new savings plans in 2014/15. The main one-off savings measures are draw downs of £7.5m of unused Whole Systems 2011/12 funds and £1.7m of previous years' Winter Pressures funding. The Whole Systems funding was set aside by the Directorate as a contingency for this year's budget and the draw down has now been actioned following approval by Cabinet. The Winter Pressures money was carried forward to offset anticipated increased demand over the winter period.

Children, Schools & Families

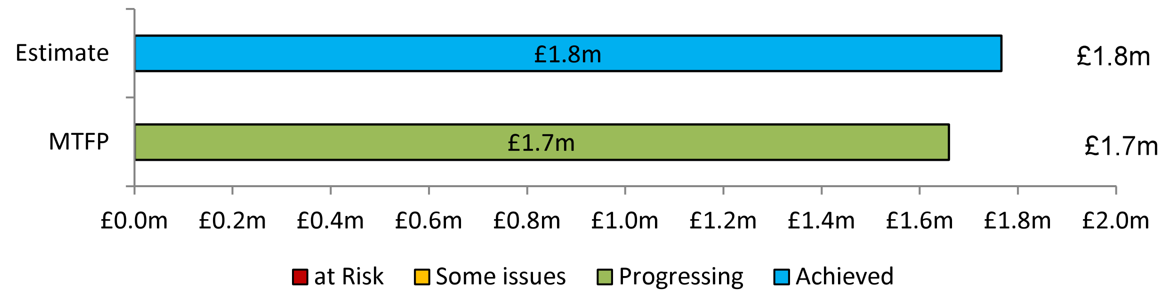


App. 7. The forecast budget position for CSF means it is unlikely to achieve two of the planned efficiencies. Delays in achieving the efficiencies planned in services for

children with disabilities together with increasing demand for care packages, as described above, mean that the planned saving of £1.5m is unlikely to be fully achieved in 2013/14. Also, given the pressure on the transport budget the planned efficiency of £0.3m will not be achieved.

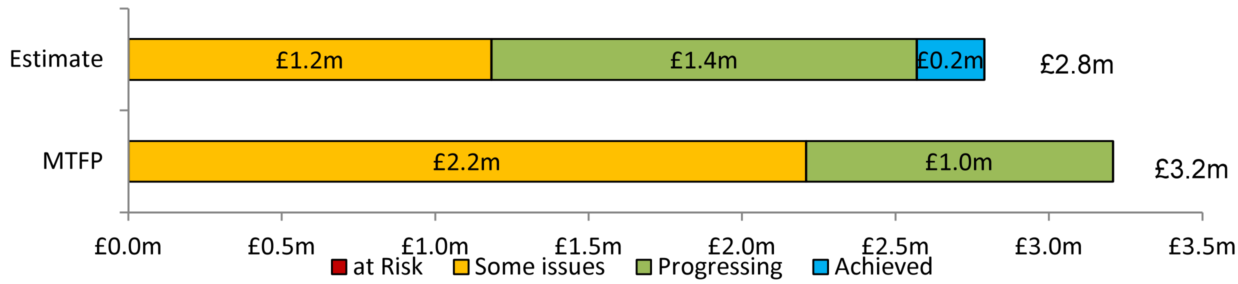
Customer & Communities

8



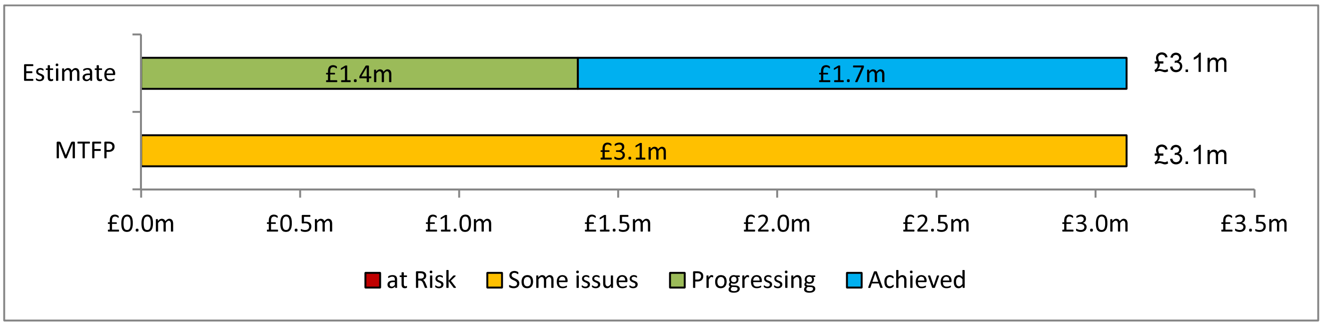
App. 8. The efficiencies summary shows an over-achievement of +£0.1m against the 2013/14 target of £1.7m. This is due to the early achievement of the 2014/15 Directorate Support staff saving. Actions to achieve the 2013/14 efficiencies have already been completed.

Environment & Infrastructure



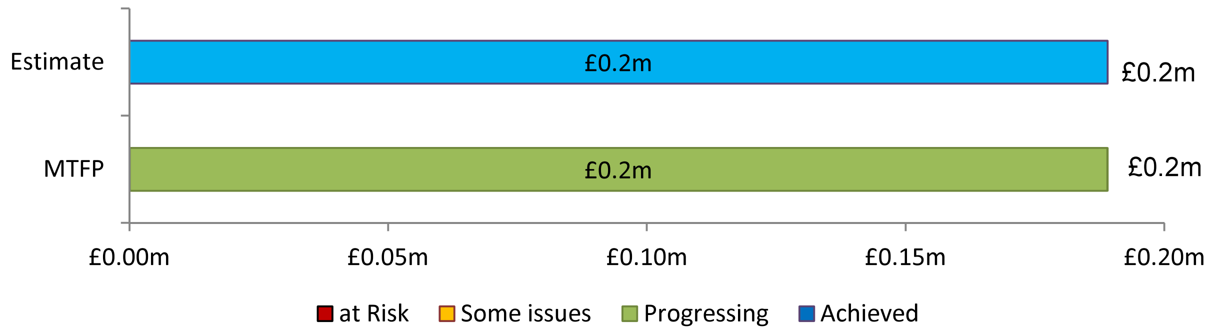
App. 9. The directorate currently expects to deliver all efficiency savings, except bus service contract savings (£0.4m). A number of risks remain and in some cases detailed plans are still in development. Some savings, including one off savings from parking income, have already been achieved.

Business Services



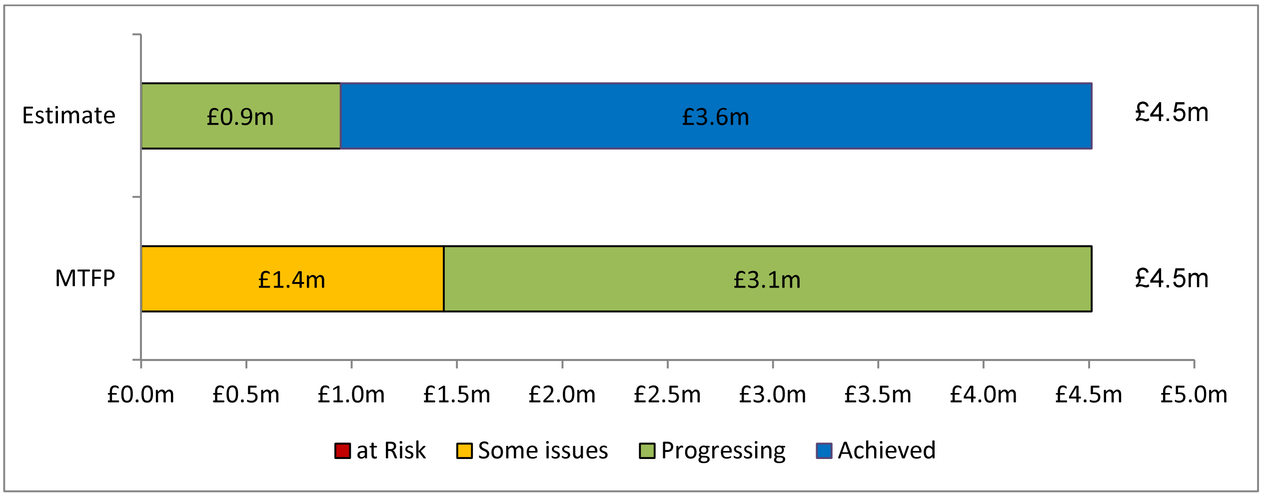
App. 10. The efficiencies identified in the MTFP are on track to be realised, all savings have been reviewed and plans are in place to achieve them and the risk of achievement has been appropriately adjusted.

Chief Executive's Office



App. 11. The planned 2013/14 efficiencies have been achieved. The Directorate is currently holding vacancies within Policy & Performance in preparation for achieving efficiency savings for 2014/15 and will review these during the year to establish the on-going effect.

Central Income & Expenditure



App. 12. The efficiencies identified in MTFP 2013-18 from changes to the Council's treasury management strategy have been achieved. Those in relation to redundancy are on track to be realised.

8

Updated budget - revenue

App. 13. The Council's 2013/14 revenue expenditure budget was initially approved at £1,685.3m. Subsequently Cabinet approved the use of reserves built up in 2012/13 to augment this. Adding virement changes in May to November increased the expenditure budget at the end of November to £1,691.4m. In December, there was a transfer back to the Department for Education for academy status conversions (£1.9m) and a number of virements reprofiled the income & expenditure budgets, decreasing the overall expenditure budget by £1.6m. Table App 1 summarises these changes.

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

	Income £m	**Expenditure £m**	**Earmarked reserves**	**General balances £m**	**Total £m**	**Number of Virements**
Original MTFP	-1,662.3	1,685.2	-11.0	-11.9	**0.0**	
Q1 changes	-2.3	11.1	-8.8		**0.0**	72
Q2 changes	7.7	-2.7	-5		**0.0**	114
October & November changes	-5.2	-2.2	7.4			76
Previous changes	**-1,662.1**	**1,691.4**	**-17.4**	**-11.9**	**0.0**	**262**
<u>December changes</u>						
Academy conversion Dec 13 - budget and grant reduction	1.9	-1.9			**0.0**	1
Local reform and Community Voices Grant	-0.2	0.2			**0.0**	1
Transfer of income and expenditure	-0.1	0.1			**0.0**	12
December changes	**1.6**	**-1.6**	**0.0**	**0.0**	**0.0**	**14**
Updated budget - Dec 2013	**-1,660.5**	**1,689.8**	**-17.4**	**-11.9**	**0.0**	**276**

App. 14. When Council agreed the MTFP in February 2013, some government departments had not determined the final amount for some grants. Services therefore estimated their likely grant. The general principle agreed by Cabinet was that any changes in the final amounts, whether higher or lower, would be represented in the service's income and expenditure budget. For example, there were a number of changes in September for the notification of schools transferring to Academy status.

App. 15. In controlling the budget during the year, budget managers occasionally need 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.

App. 16. Virements above £250,000 require the approval of the relevant Cabinet Member. There was one virements above £250,000 in December:

a) transfer of £1.9m back to the Department for Education for academy status conversions for November;

App. 17. Table App 2 shows the updated revenue budget that includes the changes in government grants and virements since the beginning of the year.

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

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-69.1	405.4	336.2
Children, Schools & Families	-150.2	331.2	181.1
Schools	-503.2	503.3	0.1
Customers and Communities	-24.2	84.1	60.0
Environment & Infrastructure	-18.7	150.3	131.6
Business Services	-14.9	98.1	83.2
Chief Executive's Office	-27.8	44.2	16.4
Central Income & Expenditure	-852.5	42.8	-809.7
Service total	**-1,660.5**	**1,659.4**	**-1.1**
Risk Contingency		13.0	13.0
Total	**-1,660.5**	**1,672.4**	**11.9**

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

App. 18. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2013/14 Revenue budget forecast position as at end of December 2013

	YTD Budget £m	Year to date Actual £m	**YTD Variance £m**	Full Year Budget £m	Remaining Forecast Spend £m	Outturn Forecast £m	**Forecast Variance £m**
Income:							
Local taxation	-428.3	-430.3	**-2.0**	-599.3	-169.0	-599.3	**0.0**
Government grants	-743.2	-723.3	**19.9**	-909.7	-186.6	-909.9	**-0.2**
Other income	-109.6	-143.6	**-34.0**	-151.5	-14.7	-158.3	**-6.8**
Income	-1,281.1	-1,297.2	**-16.1**	-1,660.5	-370.3	-1,667.5	**-7.0**
Expenditure:							
Staffing	233.2	229.3	**-3.9**	312.5	77.5	306.8	**-5.7**
Service provision	617.9	616.7	**-1.2**	856.6	238.8	855.5	**-1.1**
Non schools sub-total	851.1	846.0	**-5.1**	1,169.1	316.2	1,162.3	**-6.9**
Schools expenditure	396.6	398.2	**1.6**	503.3	105.1	503.3	**0.0**
Total expenditure	1247.7	1244.0	**-3.5**	1,672.4	421.3	1,665.6	**-6.9**
Movement in balances	**-33.4**	**-52.9**	**-19.5**	**11.9**	**50.9**	**-1.9**	**-13.9**

App. 19. Note: All numbers have been rounded - which might cause a casting error

8

Updated budget - capital

App. 20. The Council initially approved the 2013/14 capital expenditure budget at £187.3m. Subsequently, Cabinet amended the budget by approving reprofiling and carry forwards (-£32.6m in total, -£2.5m for 2013/14) from 2012/13. This decreased 2013/14's capital budget to £184.8m.

App. 21. New virements and reprofiling in May to November added £7.8m to the capital budget. There are changes to the capital budget totalling £32.7m, increasing the capital budget to £224.6m. There were three changes over £0.25m: £0.4m external funding for schools (i.e. parent teacher associations), purchasing Quadrant Court (£21.3m) and reprofiling highway maintenance (£11.0m).

App. 22. Table App 4 summarises these changes.

Table App 4: Movement of 2013/14 capital expenditure budget

2013/14 Monitoring	MTFP Budget £m	C/fwd and reprofiled budget £m	Budget virement £m	Revised full year budget £m
Adult Social Care	1.3	0.4	0.3	2.0
Children, Schools & Families	2.8	1.6	3.6	8.0
Customer & Communities	2.0	3.1	-0.3	4.8
Environment & Infrastructure	50.1	15.3	3.8	69.2
Business Services	50.4	0.6	23.8	74.8
Schools Basic Need	69.2	-14.9	0.1	54.3
Chief Executive's Office	11.5	0.0	0.0	11.5
Total overall	**187.4**	**6.1**	**31.3**	**224.6**

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

Balance sheet

Table App 5: Balance sheet

As at 31.03.2012 £m	**As at 31.03.2013 £m**		**As at 31.12.2013 £m**
1,257.8	1,280.0	Property, Plant & Equipment	1,234.3
0.7	0.7	Heritage Assets	0.7
		Investment Property	27.3
7.1	5.9	Intangible Assets	4.1
0.2	0.2	Long Term Investments	0.2
0.5	8.8	Long Term Debtors	9.8
1,266.3	**1,295.6**	**LONG TERM ASSETS**	1,276.4
		Short Term:	
100.0	104.1	Investments	128.6
0.1	0.1	Intangible Assets	0.1
4.6	15.3	Assets Held for Sale	15.3
1.4	1.3	Inventories	0.8
100.8	141.5	Short Term Debtors	143.3
109.8	114.1	Cash & Cash Equivalents	21.6
316.7	**376.4**	**CURRENT ASSETS**	309.7
		Short Term:	
-15.1	-82.1	Borrowing	-26.1
-195.0	-234.3	Creditors	-221.3
-2.6	-3.3	Provisions	-2.1
-0.2	-0.2	Revenue Grants Receipts in Advance	-0.2
-1.2	-0.6	Capital Grants Receipts in Advance	-0.6
-214.1	**-320.5**	**CURRENT LIABILITIES**	-250.3
-7.9	-7.2	Provisions	-7.2
-306.2	-238.1	Long Term Borrowing	-238.1
-984.5	-1,145.4	Other Long Term Liabilities	-1,145.1
-1298.6	**-1,390.7**	**LONG TERM LIABILITIES**	-1,390.4
70.3	**-39.2**	**NET ASSETS / (-) LIABILITIES**	-54.6
-269.1	-288.4	Usable Reserves	-333.2
198.9	327.6	Unusable Reserves	387.8
-70.2	**39.2**		54.6

8

Earmarked reserves

Table App 6: Earmarked reserves

	Actual Opening Balance	Actual balance at	**Forecast**	**Forecast**
	01-Apr-13	31-Dec-13	**31-Mar-14**	**01-Apr-14**
	£m	£m	**£m**	**£m**
Earmarked revenue reserves				
Investment Renewals Reserve	**13.3**	13.0	**10.6**	**10.6**
Equipment Replacement Reserve	**3.1**	3.3	**2.8**	**1.0**
Vehicle Replacement Reserve	**5.1**	5.5	**5.2**	**5.2**
Waste Site Contingency Reserve	**0.3**	0.3	**0.3**	**0.0**
Budget Equalisation Reserve	**6.1**	8.9	**23.5**	**3.4**
Financial Investment Reserve	**1.6**	1.6	**1.6**	**1.6**
Street lighting PFI Reserve	**5.8**	6.2	**6.2**	**6.2**
Insurance Reserve	**7.4**	8.5	**8.2**	**8.2**
Severe Weather Reserve	**5.0**	0.0	**0.0**	**0.0**
Eco Park Sinking Fund	**8.0**	11.6	**11.6**	**11.6**
Revolving Infrastructure & Investment Fund	**19.5**	19.5	**20.3**	**20.3**
Child Protection Reserve	**3.6**	3.1	**2.2**	**2.2**
Interest Rate Reserve	**3.2**	4.7	**4.7**	**1.0**
Economic Downturn Reserve	**4.4**	6.0	**6.0**	**6.0**
General Capital Reserve	**7.6**	7.6	**4.6**	**4.6**
Total earmarked revenue reserves	**94.0**	**99.8**	**107.8**	**81.9**

8

Debt

App. 23. During the third quarter of 2013/14 the Accounts Payable team raised invoices totalling £45.2m, making a total of £128.8m for the year to date.

App. 24. Table App 7 shows the age profile of the Council's care, and non-care related debt.

Table App 7: Further information on debts

Account group	<1 Month £m	2-12 Months £m	1-2 Years £m	>2 years £m	Total £m	Overdue debt £m
Care debt - unsecured	3.8	2.2	1.4	3.0	10.4	6.6
Care debt - secured	0.2	2.2	1.5	2.7	6.5	
Total Care	**4.0**	**4.4**	**2.9**	**5.7**	**16.9**	**6.6**
General debt	5.1	3.0	0.4	0.5	9.0	3.9
Property	0.2	0.1	0.0	0.0	0.3	0.1
Total non-care debt	**5.3**	**3.1**	**0.4**	**0.5**	**9.3**	**4.0**
Total debt	**9.4**	**7.5**	**3.3**	**6.2**	**26.2**	**10.6**

App. 25. The amount still outstanding of these invoices was £26.2m of gross debt at 31 December 2013. The gross debt is adjusted to take into account those balances not immediately due (i.e. less than 30 days old), or collectable (i.e. secured on property). This produces the figures for net debt, which is shown in Table App 8.

Table App 8 –Overdue debt summary as at 31 December 2013

	2013/14 Q3 £m	2012/13 Q3 £m	2012/13 Q4 £m	2011/12 Q4 £m	2010/11 Q4 £m	2009/10 Q4 £m
Care related debt	6.6	6.1	7.6	6.1	6.8	6.1
Non care related debt	4.0	3.1	3.8	3.0	3.9	3.6
Total	**10.6**	**9.2**	**11.4**	**9.1**	**10.7**	**9.7**

App. 26. The increase in care debt outstanding was a concern and is being addressed by a Rapid Improvement Event (RIE). Systems, restructuring and overall economic factors may have played a part in this, and more specifically during the last quarter of the 2012/13 financial year the SWIFT reconciliation process identified new income for the Council that was previously uncharged. From a debt recovery perspective clients were reluctant to pay high value retrospective bills resulting in an increase in the value of outstanding debt.

App. 27. Non care debt that is within the two and six months old category has risen sharply over the last three months. This is due to the Clinical Commissioning Groups (CCGs) that were formed on 1 April this year and it is currently taking longer to reach agreement with the new management. Senior officers from the council are working closely with their colleagues in the CCGs to resolve these issues.

App. 28. The Council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April to 31 December 2013 was 26 days.

App. 29. The Chief Finance Officer has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q3 2013/14), 133 such debts have been written off with a total value of £142,562, of which £30,772 is care related and £11,791 is non care related debt. Together with the first quarter, 357 such debts have been written off with a total value of £583,828, of which £493,568 is care related and £90,261 is non care related debt.

8

Treasury management

Borrowing

App. 30. 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.

Table App 9 – Long term borrowing as at 31 December 2013

	£m
Debt outstanding as at 1 April 2013	305.2
Loans raised	0.0
Loans repaid	67.9
Current balance as at 31 December 2013	237.2
Borrowing requirement for the year	N/a

App. 31. Due to low interest rates earned on cash balances held until spent (referred to as the "cost of carry"), there has been no borrowing to meet the Capital Financing Requirement (CFR) during the 2013/14 financial year. Any unsupported capital expenditure has been met from cash reserves.

App. 32. The Council is able to undertake temporary borrowing for cash flow purposes. The Council also manages cash on behalf of Surrey Police Authority (£18m as at 31 December 2013) which is classed as temporary borrowing.

Authorised limit / operational boundary

App. 33. The following prudential indicators control the overall level of borrowing:

App. 34. 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.

App. 35. 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.

Table App 10: Borrowing against the authorised limit and operational boundary

	Authorised limit £m	Operational boundary £m
Gross Borrowing	310	310
Limit / Boundary	662	602
Headroom	352	292

Capital Financing Requirement

App. 36. 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 £151.5m more in borrowing than we hold in short term deposits. This is due to low cash balances held at the end of December, with no precept collection during that month.

	CFR £m		Net borrowing
2013/14	2014/15	2015/16	£m
560	659	770	151.4

8

Maturity profile

App. 37. 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 (1 year)	50%	0%	0%
Repayable from 2014/15 (1 - 2 years)	50%	0%	0%
Repayable from 2015/16 to 2017/18 (2 - 5 years)	75%	0%	4%
Repayable from 2018/19 to 2022/23 (5 - 10 years)	75%	0%	0%
Repayable from 2023/24 to 2027/28 (10 - 15 years)			
Repayable from 2028/29 to 2037/38 (15 - 25 years)	75%	0%	3%
Repayable from 2038/39 onwards (25 - 50 years)	100%	25%	93%

Early debt repayment and rescheduling

App. 38. There has been no early repayment or rescheduling in 2013/14.

Investments

App. 39. The Council had an average daily level of investments of £307.1m throughout 2012/13, with a projection of £276m expected for 2013/14. The balance of funds managed on behalf of schools within this figure stood at £44m at 31 December 2013.

App. 40. 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 December 2013 is given below:

Timed deposits	**Number**	**Average value £m**
Deals using a broker	74	5.9
Direct deal facilities	5	8.5
Deals with DMO	70	30.3
Instant access		**Limits £m**
- Active call accounts	2	120.0
- Active money market funds	5	100.0

App. 41. The weighted average return on all investments received to the end of the third quarter in 2013/14 is 0.43%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.36% for the equivalent period. The comparison is shown in the following table:

	Average 7-day LIBID	Weighted return on investments
Quarter 1	0.36%	0.41%
Quarter 2	0.36%	0.41%
Quarter 3	0.35%	0.48%
2013/14 total	**0.36%**	**0.43%**
2012/13 total	0.39%	0.55%

Iceland

App. 42. 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 was £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.

App. 43. On 28 October, 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.

App. 44. The current position is that 55% of Landsbanki and over 84% of Glitnir deposits have been repaid, with high expected recovery rates for both banks. The balance owed on each deposit is shown in the table below.

8

Counterparty	**Period**	**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%	5,520	4,480