

Budget monitoring period 2 2014/15 (May 2014)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget for 2014/15 is to underspend by -£1.5m (paragraph 1).
2. Forecast ongoing efficiencies and service reductions achieved by year end is £71.9m (paragraph 57).

Cabinet is asked to approve the following.

3. Move the budget for Cultural Services from Customers and Communities into the Chief Executive's Office to align management responsibilities with organisational structures. Cultural Services has a net budget of £10.6m, comprising -£12.6m income and £23.2m gross expenditure. Financial regulations require Cabinet approves this as a virement.
4. Virement of £0.8m from the Central HR Training Budget to most services that have service specific training budget allocations for 2014/15. This facilitates co-ordination of training needs at service level. HR will continue to hold the budget and responsibility for providing generic corporate training and the social care open programme. Table 1 below shows the training budget virements across six directorates.

Table 1: Training virement spilt by Directorate

	£000
Adult Social Care	100.0
Children, Schools & Families	260.0
Customer & Communities	71.5
Environment & Infrastructure	78.0
Business Services	136.5
Chief Executive's Office	115.0
Total vired from Business Services HR & OD	761.0

Revenue summary

Surrey County Council set its gross expenditure budget for the 2014/15 financial year at £1,652m. In line with the Council's multi year approach to financial management which aims to smooth resource fluctuations over five years, Cabinet approved the use of £20.1m from the Budget Equalisation Reserve, plus £5.8m from other reserves to support 2014/15. To provide further budget equalisation and avoid arbitrary cut offs to budgets Cabinet approved £5.5m revenue carry forward from 2013/14 to fund committed expenditure.

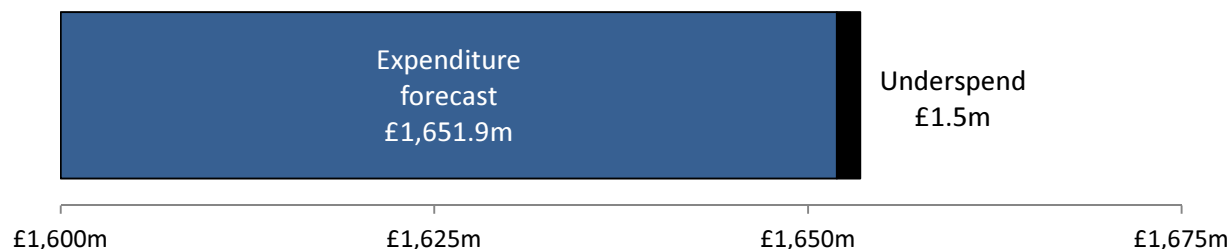
The financial strategy has a number of long term drivers to ensure sound governance, managing the council's finances and compliance with best practice.

- Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services 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 being eroded.
- Balance the council's 2014/15 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

Keep the additional call on the council tax payer to a minimum, consistent with delivery of key services

For the fourth year in succession, the Council ended 2013/14 with a small underspend, demonstrating its tight grip on financial management. The Council will continue to seek over £72m further savings in 2014/15 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



Continuously drive the efficiency agenda

A key objective of MTFP 2014-19 is to increase the Council's overall financial resilience, including reducing reliance on government grants over the long term. The Council plans to make savings and reductions totalling £72.3m in 2014/15 (£253m for 2014-19). At the end of May 2014, services forecast to achieve £71.9m efficiencies by year end. Most directorates are on track achieving their planned efficiencies. Adult Social Care and Environment & Infrastructure are supporting their efficiencies programmes with further savings totalling less than £1m.

Maintain a prudent level of general balances and apply reserves appropriately

In addition to meeting on-going demand and funding pressures, the Council ensures it is prepared for emergencies, such as the recent severe weather and flooding. Part of this preparedness is having adequate balances and reserves. The Council currently has over £21m in general balances.

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 MTFP 2014-19 set a £760m five year capital programme. The Council also wants to reduce its reliance on government funding and the council tax payer. To this end, it invested £40.2m in long term capital investment assets in 2013/14 and a further £3.8m in the first two months of 2014/15.

Cabinet agreed to reprofile the capital carry forwards from 2013/14 at its July 2014 meeting. Capital monitoring will therefore align with this timescale.

Revenue budget

1. The updated 2014/15 revenue budget, is supported by £25.9m of earmarked and general reserves, plus £5.5m revenue carried forward from 2013/14 to fund committed expenditure. Services net revenue budget forecast is -£1.5m underspend.
2. In line with the Council's multi year approach to financial management which aims to smooth resource fluctuations over five years, Cabinet approved the use of £20.1m from the Budget Equalisation Reserve (including £13m contribution from 2013/14's unused risk contingency) plus £5.8m from other reserves to support 2014/15. To provide further budget equalisation and avoid arbitrary cut offs to budgets Cabinet approved £5.5m revenue carry forward from 2013/14 to fund committed expenditure.
3. The year to date budget variance at the end of May is -£10.8m underspent mainly due to:
 - Schools delegated budgets -£7.9m due to the lag on reporting expenditure by schools that passes through local bank accounts.
 - Business Services -£1.1m mainly because HR will transfer training budgets to services in June and Property will re-profile the maintenance budget.
 - Children, Schools & Families -£1.0m due to underspends on Schools & Learning's demographics and inflation budget partly offset by reduced income.
 - Chief Executive's Office -£1.0m mostly due to Legal Services' staffing.
 - Environment & Infrastructure +£1.0m largely due to Highways' response to 2013/14's flooding, which it expects to fund through a combination of existing budgets and government grants.
4. Table 2 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 2: 2013/14 Revenue budget - net positions by directorate

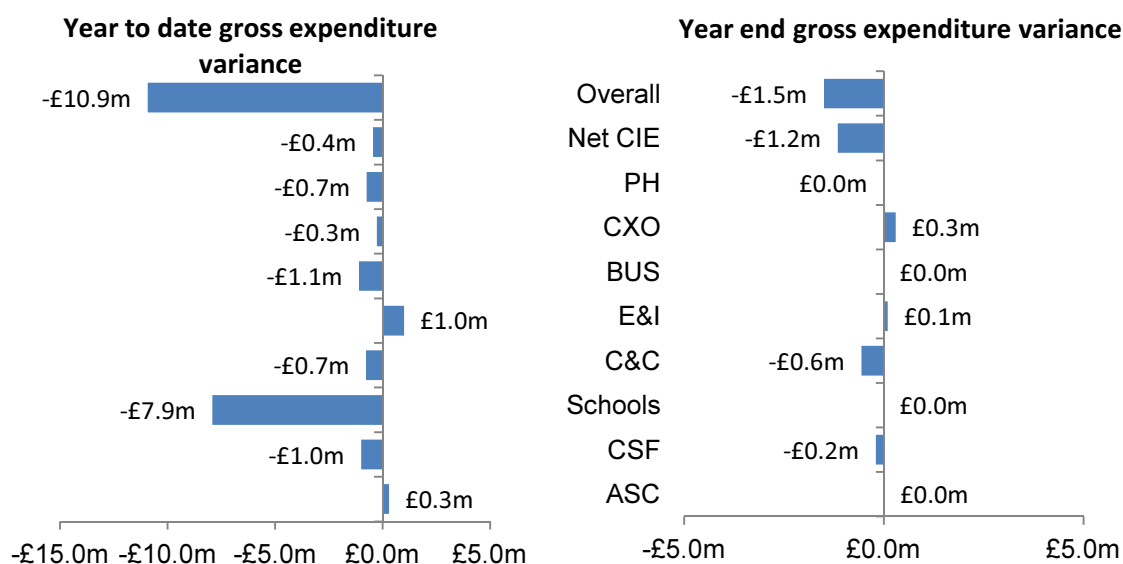
Directorate	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jun-Mar remaining forecast £m	Full year forecast £m	Full year variance £m
Adult Social Care	47.4	47.7	0.3	340.6	292.9	340.6	0.0
Children, Schools & Families	30.8	29.8	-1.0	186.2	156.2	186.0	-0.2
Schools (gross exp £508m)	0.0	-7.9	-7.9	0.0	7.9	0.0	0.0
Customer & Communities	9.9	9.2	-0.7	58.0	48.3	57.4	-0.6
Environment & Infrastructure	21.0	22.0	1.0	130.4	108.5	130.5	0.1
Business Services	13.6	12.5	-1.1	84.4	71.9	84.4	0.0
Chief Executive's Office	3.2	2.2	-1.0	14.9	13.0	15.2	0.3*
Central Income & Expenditure	-149.6	-149.9	-0.3	-172.8	-23.9	-173.8	-1.0
Service net budget	-23.6	-34.4	-10.8	641.8	674.6	640.2	-1.5
Local taxation	-122.6	-122.6	0.0	-615.8	-493.2	-615.8	0.0
Revolving Infrastructure & Investment Fund	0.0	-0.1	-0.1	0.0	0.1	0.0	0.0
Overall net budget	-146.2	-157.1	-10.9	25.9	181.5	24.4	-1.5

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

* CEO's forecast variance is mainly Emergency Management's cost of responding to flooding. The Council will reclaim costs against the Bellwin Scheme, but will hold the income centrally.

5. Schools' funding is determined by an agreed formula under statute and expenditure decisions are the responsibility of each school's governing body.
6. Both the year to date and forecast revenue budget positions are shown by directorate in the graphs below. Table App 3 in the appendix shows the overall income and expenditure for the year to date and year end forecast positions.
7. The forecast year end underspend on services of -£1.5m is a result of additional costs of: pressures in Children's Services, Planning & Development for the schools expansion programme, local bus contracts, Emergency Management's response to flooding; offset by underspends in Schools & Learning, Cultural Services' additional income, and additional grant income for Special Educational Needs Reform and Education Services.
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	Jun-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Summary by subjective							
Income	-10.3	-11.4	-1.1	-72.4	-60.7	-72.1	0.2
Expenditure	57.7	59.2	1.4	412.9	353.6	412.7	-0.2
Net position	47.4	47.7	0.3	340.6	292.9	340.6	0.0
Summary by service							
Income	-10.3	-11.4	-1.1	-72.4	-60.7	-72.1	0.2
Older People	23.5	24.6	1.1	170.4	144.3	168.9	-1.5
Physical Disabilities	6.8	7.1	0.3	48.5	40.6	47.7	-0.8
Learning Disabilities	17.6	18.1	0.5	132.9	115.8	133.9	1.0
Mental Health	2.0	1.7	-0.3	13.9	12.2	13.9	0.0
Other Expenditure	7.8	7.6	-0.2	47.2	40.7	48.3	1.1
Total by service	47.4	47.7	0.3	340.5	292.9	340.6	0.0

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

10. Adult Social Care's (ASC's) net 2014/15 budget is £340.6m. This includes one-off support from reserves of £14.0m, savings of £42.0m plus a target for increased income from fees and charges of £3.8m.
11. As at the end of May, the year to date variance for ASC is a net overspend of £0.3m. The projected outturn for ASC is a balanced budget.
12. ASC has measures to contain and reduce its expenditure as targets within MTFP 2014-19. Key actions in MTFP 2014-19 for ASC to achieve its £42.0m savings target in 2014/15 as follows.
 - Achieve savings from the Family, Friends & Community Support (FFC) programme of £10.0m.
 - Identify programmes that will achieve £2.6m savings.
 - Achieve savings of £29.4m, most of which are of an established nature, e.g. procurement, placement reviews and direct payment reclaims, but several depend critically on tendering results or obtaining partnership agreements.
13. ASC has made good progress in many of its savings actions and judges that £24.4m of savings have either been achieved or will be achieved without needing further management action. ASC forecasts its management actions will achieve a further £17.6m of savings and £3.8m of increased fees and charges income.

Table 4: Summary of Adult Social Care forecast

	£m
MTFP savings target	-42.0
MTFP target for increased income from fees & charges	-3.8
Total MTFP target	<u>-45.8</u>
Total savings achieved (or needing no further management action) to date	-24.4
Savings forecast for the rest of the year through use of FFC	-10.0
Other savings forecast for the rest of the year needing management actions	<u>-7.6</u>
Total savings forecast for rest of the year	-42.0
Forecast increase in income from fees & charges (requiring management action)	<u>-3.8</u>
Total forecast against MTFP target	<u>-45.8</u>
Forecast variance against MTFP target	<u>0.0</u>

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

14. FFC is the most significant element of ASC's savings plans at £10.0m. ASC plans to achieve the FFC savings through two key measures.
 - First, an improved assessment process for individuals requiring new care packages, supported by a recalibration of the Resource Allocation System (RAS). This was implemented mid-May, two weeks later than originally planned.
 - Second, a programme of re-assessments of existing packages to incorporate FFC fully into individuals' personalised support plans. This planning stage has taken slightly longer than ASC anticipated meaning some slippage in the timing of the reassessments.
15. The delays to these plans in the first two months of 2014/15 mean ASC will need to complete more reassessments over a shorter period to recover its position and achieve the current year's planned savings. ASC still aims to achieve a full year savings effect of £10.0m.
16. ASC will also initiate longer-term actions to achieve further new savings from 2015/16. This is especially important as the one-off nature of support from reserves in 2014/15 defers £14m of savings to the following year and ASC needs to identify actions to achieve an equivalent amount of savings in 2015/16.
17. Longer-term actions planned in the MTFP 2014-19 include reviewing the balance between internal and external provision across a wide range of ASC's services. In that context, setting up the Local Authority Trading Company (LATC) from 1 August 2014 is important, as it could provide a means of delivering services differently.

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	Jun- Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Summary by subjective							
Income	-23.4	-22.5	0.9	-150.7	-128.8	-151.3	-0.6
Expenditure	54.2	52.3	-1.9	336.9	285.0	337.3	0.4
Net position	30.8	29.8	-1.0	186.2	156.2	186.0	-0.2
Summary by Service:							
Income	-23.4	-22.5	0.9	-150.7	-128.8	-151.3	-0.6
Strategic Services	0.5	0.8	0.3	3.2	2.3	3.1	-0.1
Children's Services	15.2	15.2	0.0	91.7	79.4	94.6	2.9
Schools and Learning	33.9	31.3	-2.6	214.6	180.7	212.0	-2.6
Services for Young People	4.6	5.0	0.4	27.4	22.6	27.6	0.2
Total by service	30.8	29.8	-1.0	186.2	156.2	186.0	-0.2

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

18. Overall the Directorate is broadly on budget with a small underspend of -£0.2m forecast. Within this there is a £2.9m overspend on Children's Services which is offset by underspends elsewhere in the Directorate mainly in Schools and Learning.

Children's Services

19. In Children's Services the pattern of spending is similar to previous years with a forecast overspend of £2.9m.
20. Continuing pressures mean the service anticipates overspending on care provided for looked after children (LAC) and those children we have a financial responsibility for (adoption allowances and care leavers) as follows.
- Agency placements +£0.5m. Although numbers remain stable there are currently three high cost places in secure accommodation exerting pressure on the budget;
 - Fostering allowances and cost of adoption allowances +£0.5m. The number of children placed with in-house foster carers at 493 is higher than the number upon which the budget is based (474). There remains a pressure on the budget for allowances, particularly the number paid to special guardians where orders are increasing over time with a further 65 predicted this year.
 - Children leaving care and asylum seekers +£0.4m. The number of care leavers and asylum seekers with no recourse to public funds continues at a similar level to that experienced in 2013/14 when an overspend also occurred.
21. Area care services forecasts to overspend by +£0.5m. The service continues to have difficulties recruiting permanent social workers and the resulting reliance on more expensive agency staff. 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 with the impact being seen later in the financial year.

22. In addition area care services forecast to overspend by +£0.5m reflecting continuing pressure from court fees, the costs of maintaining contact and special guardianship or residence orders for children who have not become looked after.
23. Children with disabilities expects to overspend by +£0.5m on increasingly complex care packages.

Schools & Learning

24. The Schools and Learning forecasts an underspend of -£2.6m on county funded services. This is mainly against the budget for demographics and inflation. Given the directorate's £9m savings requirement, CSF prudently decided to hold this budget centrally to cover pressures arising from volatile demand led budgets across the service.

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	Jun-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-78.9	-78.9	0.0	-468.2	-389.3	-468.2	0.0
Expenditure	78.9	71.0	-7.9	468.2	397.2	468.2	0.0
Net position	0.0	-7.9	-7.9	0.0	7.9	0.0	0.0

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

25. The year end forecast is for a balanced position. The year to date expenditure variance is due to the lag on reporting expenditure by schools that passes through local bank accounts.

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	Jun- Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-4.4	-4.8	-0.4	-24.8	-20.5	-25.2	-0.5
Expenditure	14.3	13.9	-0.4	82.7	68.7	82.7	-0.1
Net position	9.9	9.2	-0.7	58.0	48.3	57.4	-0.6
Summary by service							
Cultural Services	1.5	1.2	-0.3	10.6	8.9	10.1	-0.5
Fire & Rescue	6.3	6.0	-0.3	35.5	29.5	35.5	0.0
Customer Services	0.5	0.5	0.0	3.3	2.8	3.3	0.0
Trading Standards	0.3	0.3	0.0	2.1	1.8	2.1	0.0
Community Partner & Safety	0.8	0.7	-0.1	3.7	3.0	3.7	0.0
C&C Directorate Support	0.3	0.3	0.0	1.5	1.1	1.4	-0.1
County Coroner	0.2	0.2	0.0	1.3	1.1	1.3	0.0
Total by service	9.9	9.2	-0.7	58.0	48.2	57.4	-0.6

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

26. Customer & Communities' (C&C's) year to date underspend is -£0.7m, partly due to the timing of expenditure on third party grants and member allocations within

Community Partnership and Safety. The remainder is due to the timing of Fire Pension lump sum payments, Library Resources expenditure and Cultural Services income already earned along with the year to date impact of the full year underspend.

27. C&C currently projects an underspend of -£0.6m. This is predominantly within Culture due to there being no planned expenditure against funds available for reinvestment in libraries (-£0.3m). The remainder is due to one-off staffing savings within Libraries and Directorate Support (-£0.3m). The Libraries saving is from vacancies held pending the forthcoming restructure. The Directorate Support saving is due to delays recruiting to vacant posts.
28. C&C's budget has increased by £511,000 from the initial base budget. This reflects the approval of the carry forward requests for: member allocations (£160,000), community improvement fund (£677,000), defibrillators (£150,000) and apprentices (£66,000). These are partly offset by the transfer of the Children's Team from the Contact Centre (£517,000) and C&C's contribution (£25,000) towards the cross directorate communications review efficiency.

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	Jun- Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-3.0	-2.2	0.8	-17.9	-15.5	-17.7	0.2
Expenditure	24.0	24.2	0.2	148.3	124.0	148.2	-0.1
Net position	21.0	22.0	1.0	130.4	108.5	130.5	0.1
Summary by service							
Environment	13.7	13.5	-0.2	82.0	68.4	81.9	-0.1
Highways	7.0	8.0	1.0	46.4	38.4	46.4	0.0
Other Directorate Costs	0.3	0.5	0.2	2.0	1.7	2.2	0.2
Total by service	21.0	22.0	1.0	130.4	108.5	130.5	0.1

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

29. Environment & Infrastructure (E&I) expects no significant variations. However risks and uncertainties exist around costs and income.
30. E&I is incurring additional staffing costs within the Planning & Development team associated with the schools expansion programme (+£0.2m). Additional costs are also being incurred on local bus contracts (+£0.1m). These are offset by additional income and recharges (-£0.2m), continuing a trend from the previous financial year.
31. Highways expects to spend £6m in response to 2013/14's flooding, including repairing roads and clearing drainage systems. This is reflected in the year to date overspend. Highways anticipates a combination of existing budgets and government grant will fund these costs.
32. E&I plans to achieve several challenging efficiency savings and cost reductions in 2014/15. Some of these were given an Amber risk rating in the Medium Term Financial Plan reflecting uncertainties around amounts and deliverability. If E&I does not expect to deliver its savings in full, it will investigate other compensating savings.

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	Jun-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-2.2	-2.1	0.1	-15.4	-13.3	-15.4	0.0
Expenditure	15.8	14.6	-1.2	99.8	85.2	99.8	0.0
Net	13.6	12.5	-1.1	84.4	71.9	84.4	0.0
Summary by service							
Property	4.7	4.0	-0.7	33.2	29.2	33.2	0.0
Information Management & Technology	4.3	4.3	0.0	25.1	20.8	25.1	0.0
Human Resources & OD	1.7	1.2	-0.5	10.0	8.8	10.0	0.0
Finance	1.7	1.9	0.2	8.8	6.9	8.8	0.0
Shared Services	0.7	0.6	-0.1	4.0	3.4	4.0	0.0
Procurement & Commissioning	0.5	0.5	0.0	3.3	2.8	3.3	0.0
Total by service	13.6	12.5	-1.1	84.4	71.9	84.4	0.0

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

33. Business Services' revenue budget is £84.4m and includes efficiency savings of £2.2m and carry forwards of £1.7m.
34. Business Services put in place new staffing structures and processes in 2013/14 and achieved £1.3m of 2014/15 savings last year. Business Services expects these savings to continue and it will also achieve additional challenging efficiency savings targets.
35. The year to date variance is a -£1.1m underspend. This is mainly because HR will transfer training budgets to services in June (-£0.5m) and the Property maintenance budget will be re-profiled (-£0.3m). Business Services is not expecting any year end variance.
36. The recent voluntary severance scheme has enabled Business Services to plan for its challenging 2015/16 efficiency savings. It will monitor the 2014/15 effect closely.

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	Jun -Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-3.9	-3.3	0.6	-30.1	-26.9	-30.2	-0.1
Expenditure	7.1	5.5	-1.6	45.0	39.9	45.4	0.4
Net	3.2	2.2	-1.0	14.9	13.0	15.2	0.3
Summary by service							
Strategic Leadership	0.1	0.1	0.0	0.4	0.3	0.4	0.0
Magna Carta	0.0	0.0	0.0	0.3	0.3	0.3	0.0
Emergency Management	0.1	0.0	0.0	0.5	0.7	0.8	0.3
Communications	0.3	0.3	0.0	1.7	1.4	1.7	0.0
Legal & Democratic Services	1.4	1.2	-0.2	8.5	7.3	8.5	0.0
Policy & Performance	0.5	0.5	0.0	3.2	2.7	3.2	0.0
Public Health	0.7	0.0	-0.7	0.3	0.3	0.3	0.0
Total by service	3.2	2.2	-1.0	14.9	13.0	15.2	0.3
Public Health – income	-3.7	-3.0	0.7	-28.9	-25.9	-28.9	0.0
Public Health - expenditure	4.5	3.0	-1.5	29.2	26.2	29.2	0.0
Public Health - net expenditure	0.7	0.0	-0.7	0.3	0.3	0.3	0.0

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

37. Chief Executive's Office (CEO) currently projects an overspend of +£0.25m against a total revenue budget of £14.9m. This is predominately due the costs of responding to flooding. The Council can claim costs back against the Bellwin Scheme, but will hold this income centrally. These costs of flooding have been offset by lower projected Legal & Democratic staffing costs. A Cabinet paper in July will explain how the Council has dealt with the flooding and how it will recover its costs.
38. The -£1m year to date underspend, is mainly due to Legal Services staffing underspends in anticipation of a possible restructure.
39. The CEO budget has increased by £262,000 from the initial base budget. Virements reflect the increase to Members' Allowances (£337,000), agreed budget carry forwards (£33,000) and the second year of Invest to Save funding for a post in Legal Services (£41,000). These are partly offset by a budget reduction of £149,000 for the agreed Communications review savings.
40. Although the 2014/ 15 government grant for Public Health (PH) has been allocated on the same basis as 2013/14, particularly regarding the allocation of sexual health funding, the Council hopes to resolve this matter shortly.
41. PH's year to date variance is an accounting adjustment to match the income received against the expenditure made to date, as this is a restricted grant and should only be spent on Public Health.
42. PH has recruited to all staff posts and there is a minor variance due to normal staff changes (maternity and natural staff turnover). PH expects to spend this budget in full at year end.
43. PH continues to deliver services across the county covering sexual health, substance misuse (including alcohol), school nursing, obesity, physical activity, smoking and

health checks. Contract payments are slightly behind budget due to the new financial year requiring renegotiation and agreement of some new contracts. In addition there are some minor accrual credits relating to invoices from the year end that have not been resolved. It is expected these matters will be settled within the next few weeks.

44. The difference of £324,000 between full year income and expenditure budgets relates to the SADAS contract (drug and alcohol support). This is funded jointly by ASC and PH. As the lead party, PH holds the expenditure budgets in full, with ASC funding the difference.

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	Jun-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-149.6	-149.7	-0.1	-230.2	-81.5	-231.2	-1.0
Expenditure	0.0	-0.2	-0.2	57.4	57.5	57.3	-0.1
Net	-149.6	-149.6	-0.3	-172.8	-24.0	-173.9	-1.1
Local Taxation	-122.6	-122.6	0.0	-615.8	-493.2	-615.8	0.0
Total net	-272.2	-272.5	-0.3	-788.6	-517.2	-789.7	-1.1

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

45. The year to date variance of -£0.3m is due primarily to the contribution to interest payable from the investment properties purchased under the long-term capital strategy. A charge is made against the income from these properties to finance the cost of borrowing. However, due to the current internal borrowing strategy, no actual external borrowing has been undertaken this financial year. This underspend is offset slightly by an overspend against the redundancy and compensation budget. This is due to expenditure on the voluntary redundancy scheme, which has higher levels of expenditure in the early months of 2014/15, but will reduce in the second half of the year.
46. The full year projected underspend of -£1.1m is from over recovery of government grants due to additional grant income that was not included in the Medium Term Financial Plan. These include:
- Special Educational Needs (SEN) Reform Grant £805,000
 - Education Services Grant (ESG) £265,000 – this amount is subject to change depending on the number of schools transferring to academy status during the financial year.

Revolving Infrastructure & Investment Fund

Table 12: Summary

Summary	YTD Actual	Full Year
Revenue expenditure	£m	Forecast
		£m
Income	-0.5	-3.4
Expenditure	0.0	0.2
Net income before funding	-0.5	-0.7
Funding costs	0.4	2.5
Net income after funding	-0.1	-0.7
Capital spend	3.8	4.2

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

47. The Revolving Infrastructure & Investment Fund (RIIF) was established in the 2013-18 MTFP to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. Net income, after deducting funding costs, is being delivered this financial year by the joint venture project to deliver regeneration in Woking town centre (Bandstand Square) and from various property acquisitions that have been made for future service delivery.
48. Year to date capital expenditure of £3.8m is on the purchase of 61 High Street, Staines. The forecast position of £4.2m assumes £0.4m works are carried out to the upper floors, subject to an approved business case.
49. Funding costs are being charged to RIIF to reflect the opportunity cost of using internal capital resources. As additional borrowing has not yet been needed, the assets noted above are forecast to deliver income of £3.2m for the year, with the additional income of £2.5m being recorded in the Central Income & Expenditure account.

Staffing costs

50. 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.
51. Bank and agency staff enable managers to manage short term variations in service demand, or contracted staff vacancies. This is particularly the case in social care.
52. 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.
53. 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.
54. The Council's total full year budget for staffing is £311.7m based on 8,081 budgeted FTEs. The year to date budget for the end of May 2014 is £51.6m and the expenditure incurred is £50.7m. At the end of May 2014, the Council employed 7,333 FTE contracted staff.
55. Table 13 shows the staffing expenditure and FTEs for the period to May 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 May 2014

	Staffing budget to May 2014 £m	Staffing spend by category					Variance £m	Budget FTE	2014 occupied contracted FTE
		Contracted £m	Agency £m	Bank & casual £m	Total £m				
Adult Social Care	12.0	10.8	0.5	0.4	11.7	-0.2	2,145	1,873	
Children Schools & Families	17.7	15.7	0.7	0.6	17.0	-0.7	2,828	2,491	
Customer and Communities	9.3	8.3	0.1	0.6	9.0	-0.3	1,454	1,387	
Environment & Infrastructure	3.6	3.7	0.1	0.1	3.9	0.3	501	508	
Business Services and Central Income & Expenditure	6.8	6.5	0.5	0.0	7.0	0.2	900	833	
Chief Executive's Office	2.2	2.0	0.0	0.0	2.1	-0.1	253	241	
Total	51.6	47.0	1.9	1.8	50.7	-0.9	8,081	7,333	

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

56. Table 24 shows there are 537 "live" vacancies, for which active recruitment is currently taking place, with 418 of these in social care. Many vacancies are covered

on a temporary basis by either agency or bank staff, the costs of which are shown in Table 13. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest way to measure this is to look at the actual expenditure as shown in Table 13 (agency staff and bank & casual staff)

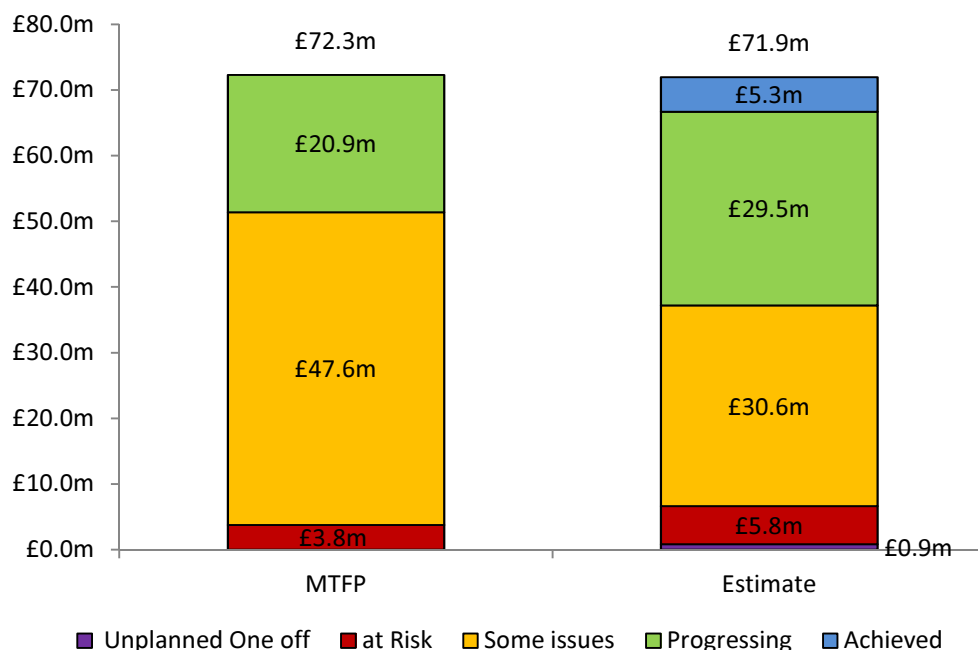
Table 24: full time equivalents in post and vacancies

	<u>May FTE</u>
Budget	8,081
Occupied contracted FTE	7,333
“Live” vacancies (i.e. actively recruiting)	537
Vacancies not occupied by contracted FTEs	211

Efficiencies

57. The MTFP 2014-19 incorporates £72.6m of efficiencies. These include £0.3m that had been mis-presented as efficiencies. Rectifying this reduces 2014/15's overall target slightly to £72.3m. Against this, the Council forecasts achieving £71.9m by year end, an under achievement of -£0.3m. This includes £0.9m of unplanned efficiencies add this month.
58. 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;
- and
- PURPLE – unplanned one off savings found during the year to support the programme, but are not sustainable in subsequent years.

Figure 3: 2013/14 overall risk rated efficiencies



59. Figure 3 and Table 15 below show most directorates are on track for achieving their planned efficiencies. Adult Social Care and Environment & Infrastructure are supporting their programmes with further efficiencies. The appendix to this annex gives details of each directorate's performance.

Table 15: 2014/15 Efficiency programme by Directorate

Directorate	MTFP £m	Forecast £m	Unplanned £m	Variance £m
Adult Social Care	45.8	45.4	0.3	0.0
Children, Schools & Families	9.6	9.6	0.0	0.0
Customer & Communities	2.1	2.1	0.0	0.0
Environment & Infrastructure	4.0	3.2	0.5	-0.3
Business Services	2.2	2.2	0.0	0.0
Chief Executive's Office	0.9	0.9	0.0	0.0
Central Income & Expenditure	7.6	7.6	0.0	0.0
Total	72.3	71.1	0.9	-0.3

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

CAPITAL

60. By planning significant capital investment as part of MTFP 2014-19, the Council continues its firm long term commitment to supporting economic growth in Surrey.
61. Cabinet approved the proposal to defer reprofiling the capital carry forwards from 2013/14 to its July 2014 meeting. Capital monitoring will therefore align with this timescale so that the results are meaningful.

7

Appendix to Annex

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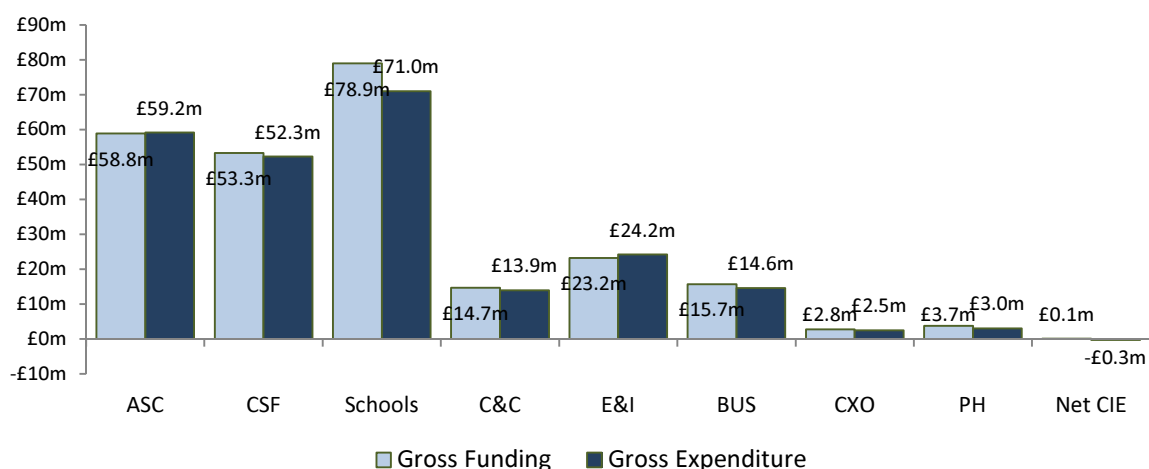


Corporate performance scorecard – finance

App 1. Figure App 1 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 February month end position. Net CIE includes Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.

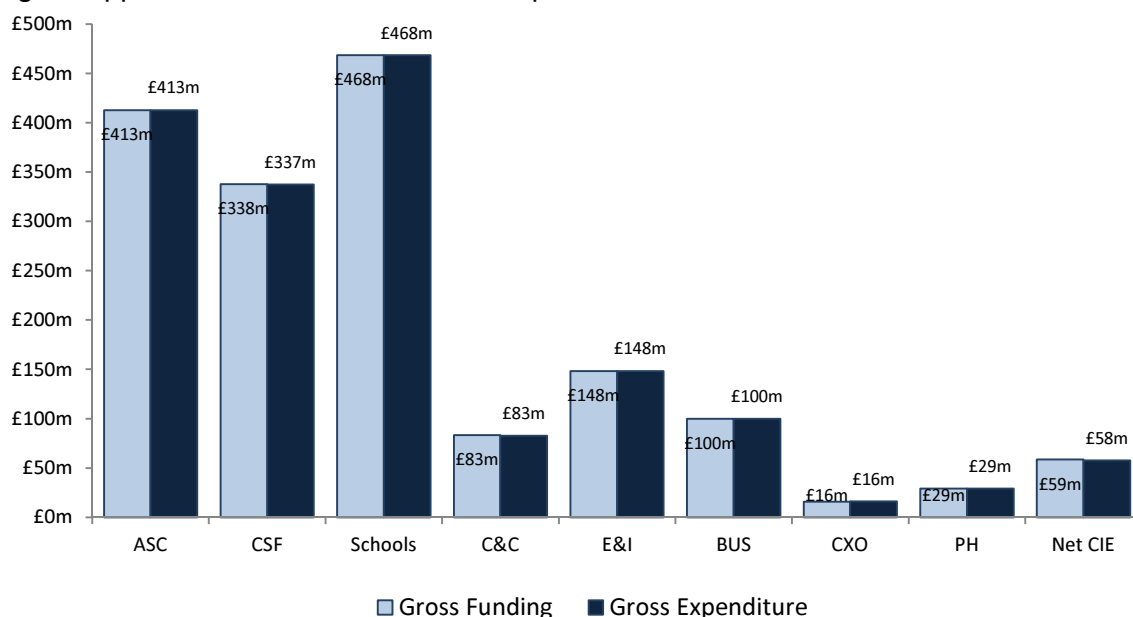
App 2. The corporate performance scorecard also includes the year end forecast revenue position shown above in the main annex in Figure 1.

Figure App 1: Year to date revenue position



App 3. Figure App 2 shows services forecast an underspend year end position of -£1.5m. This excludes -£0.1m net income on the Revolving Infrastructure & Investment Fund.

Figure App 2: Year end forecast revenue position



Efficiencies & service reductions

App 4. The graphs below track progress against directorates' MTFP 2014-19 ragged expenditure efficiencies & service reductions.

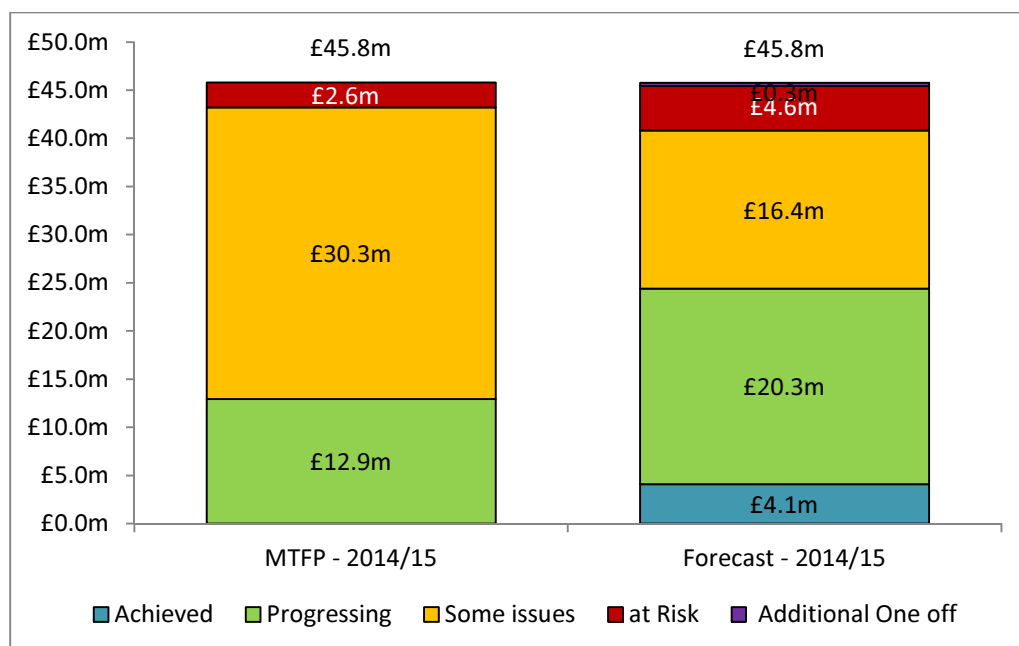
App 5. All the graphs use the same legend:

Red – At risk, Amber – Some issues, Green – Progressing, Blue – Achieved.

Purple - additional one-off savings projects to those planned in the MTFP

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 £4.1m this year. A further £20.3m is on target to be achieved by year-end. The most significant element of ASC's savings plans in 2014/15 is the Family, Friends & Community (FFC) support strategy that has an MTFP target of £10.0m in 2014/15.

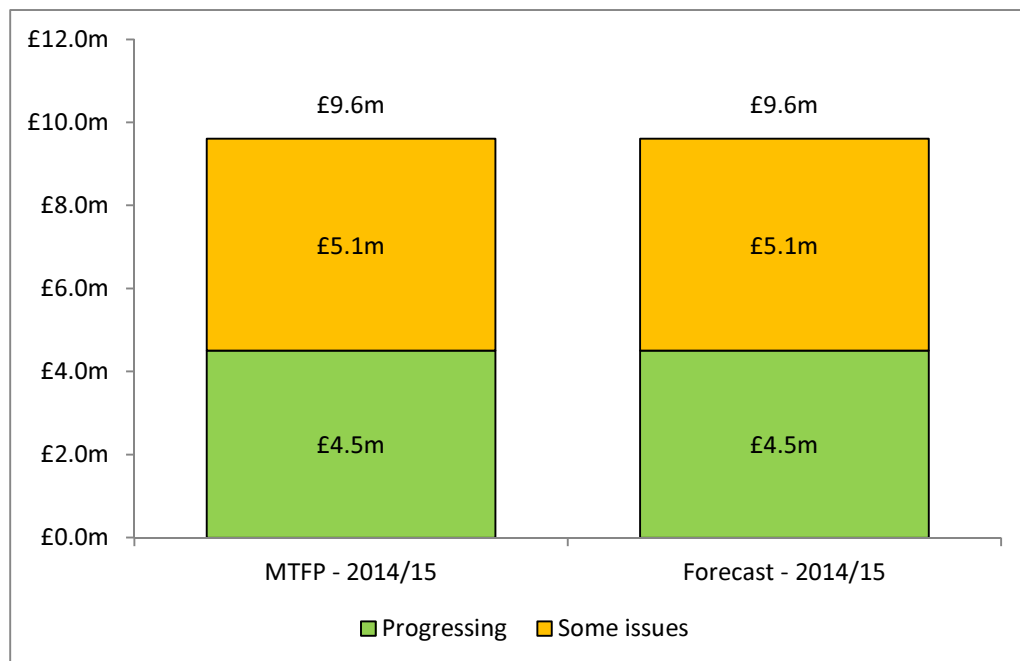
App 7. ASC plans to achieve the FFC savings through two key measures. First, an improved assessment process for individuals requiring new care packages, supported by a recalibration of the Resource Allocation System (RAS). This was implemented mid-May, two weeks later than originally planned. Second a programme of re-assessments of existing packages to fully incorporate FFC into individuals' personalised support plans. Locality Teams have been working to draw up local project plans for the delivery of the re-assessments. This planning stage has taken slightly longer than ASC anticipated meaning some slippage in the timing of the reassessments.

App 8. These delays have reduced the in-year savings forecast against the original plans to £7.2m (although £10.0m is still planned to be achieved on a full year basis). ASC will need to make additional reassessments above the original planned amount to recover this slippage and ensure the service delivers £10.0m of in-year

savings in 2014/15. This additional £2.8m has been treated as a red risk in the efficiency reporting.

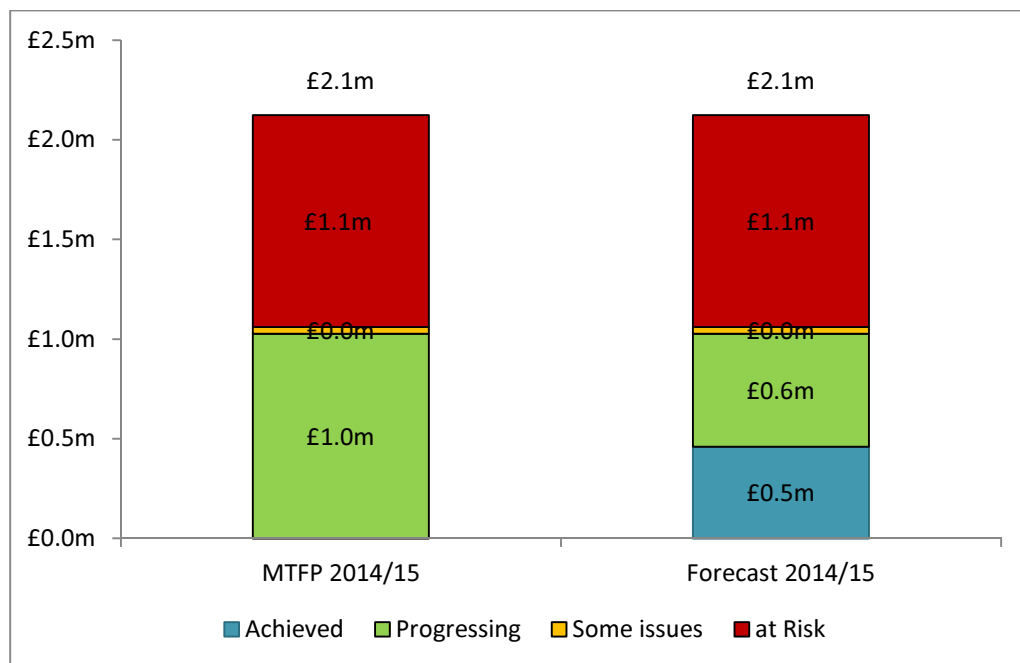
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Children, Schools & Families



App 9. At this early stage in the year CSF efficiencies are largely on track.

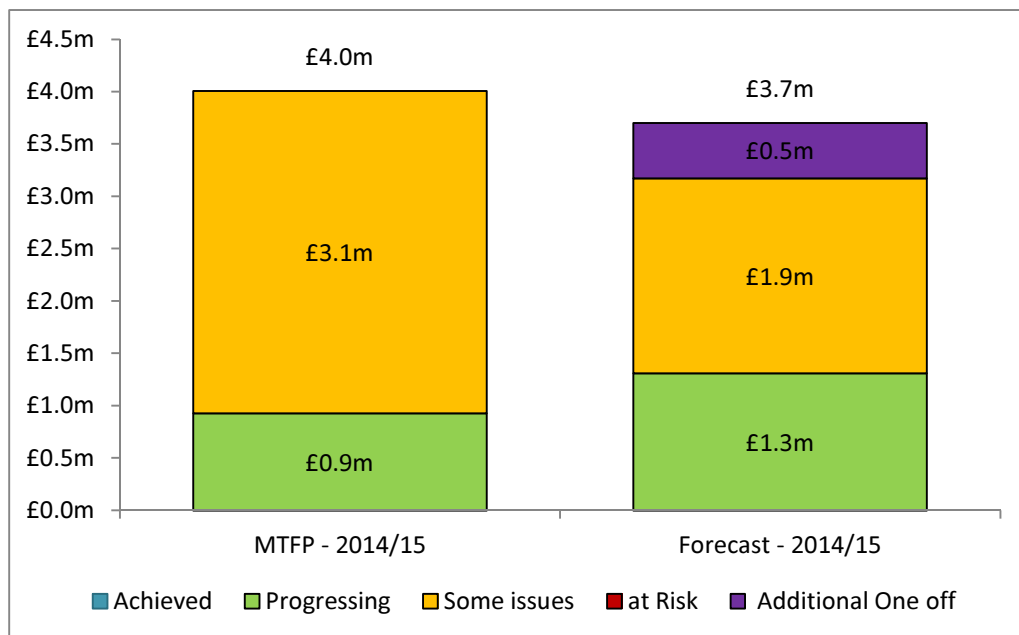
Customer & Communities



App 10. C&S's efficiencies summary shows it expects to achieve all its efficiencies. Fire has plans in place to achieve part of their increased income target which currently leaves a shortfall of £0.4m for 2014/15 for which the service are actively pursuing a number of schemes. Fire is pursuing options to achieve the station reconfiguration efficiency. However, there is a risk that this may not be fully

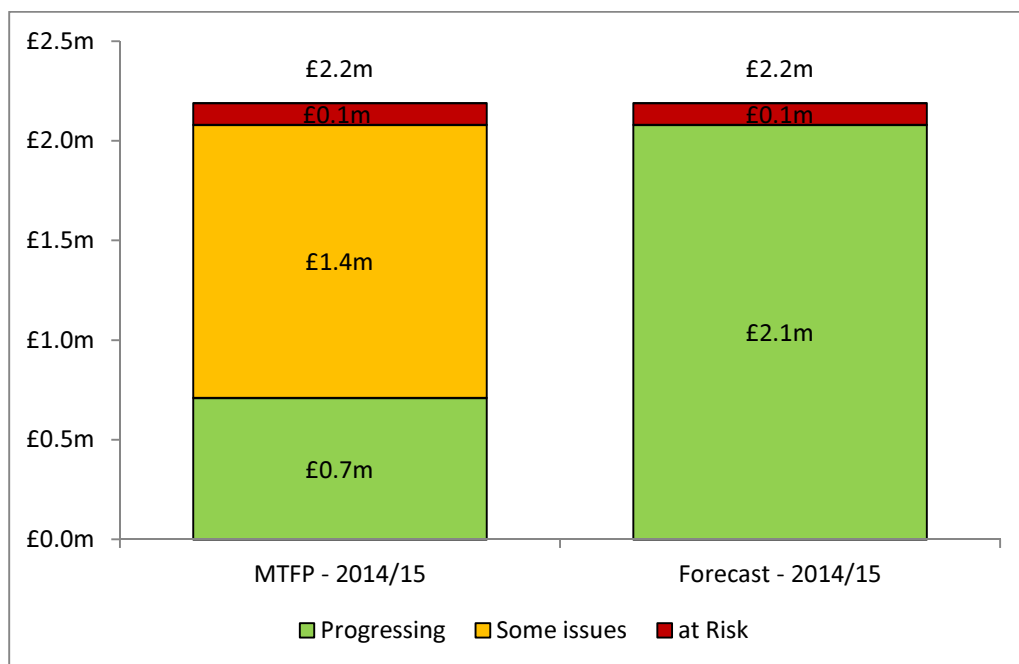
achieved. A more accurate position will be reported once the outcome of this is known. C&C expects to achieve all other efficiencies.

Environment & Infrastructure



App 11. E&I has established a Savings and Efficiency Panel to oversee the delivery of efficiency savings. The panel will scrutinise plans to deliver savings to ensure they are robust and stretching. At this stage in the year there are a number of risks and these are being examined. Currently, after taking into account compensating savings, there is an expected shortfall of £0.3m. The panel will continue to investigate this and the potential for other offsetting savings.

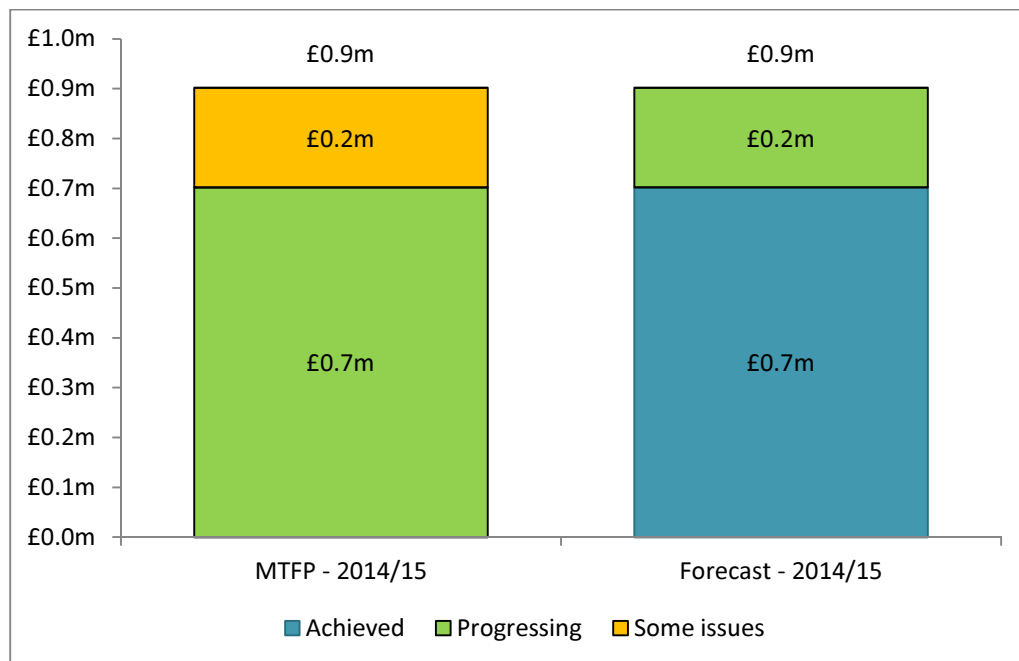
Business Services



App 12. The budget for Business Services includes challenging efficiency savings and increased income targets of £2.2m. Business Services is on target to achieve £2.1m of these savings and is closely monitoring the remaining £0.1m. The largest single saving is property maintenance (£0.8m) and plans have been made to achieve this.

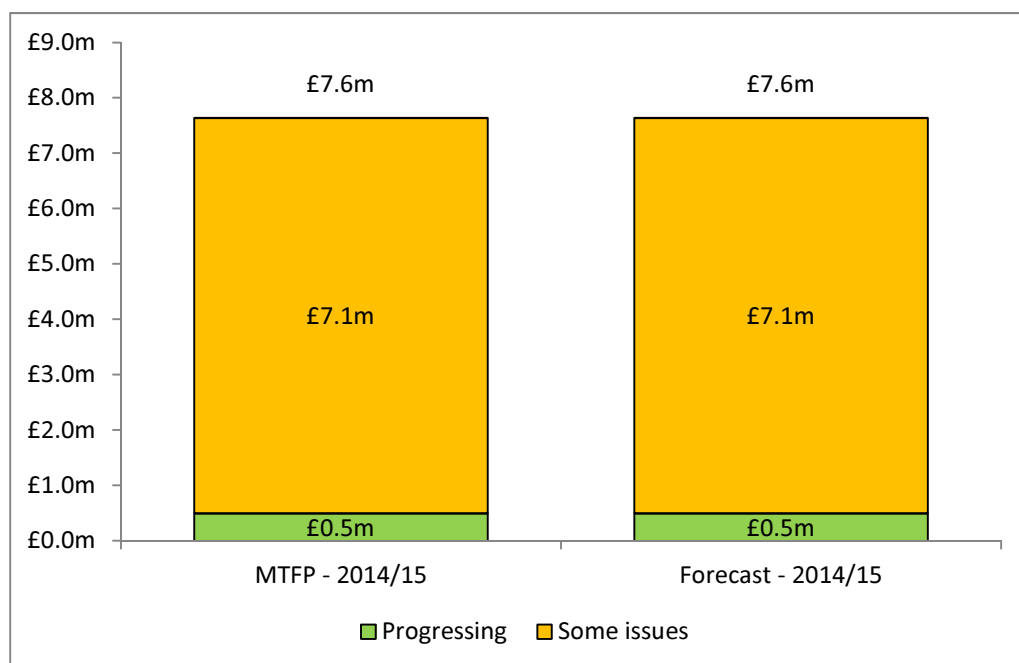
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Chief Executive's Office



App 13. CEO is on target to achieve its planned 2014/15 efficiencies.

Central Income & Expenditure



App 14. CIE is on target to achieve its planned 2014/15 efficiencies.

Updated budget - revenue

App 15. The Council's 2014/15 revenue expenditure budget was initially approved at £1,651.8m. Adding virement changes in April and May decreased the expenditure budget at the end of May to £1,651.4m. Table App 1 summarises these changes.

Table App 1: Movements in 2014/15 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Total £m	Number of Virements
Original MTFP	-1,625.9	-1,651.8	0.0	0.0	25.9	
<u>April & May changes</u>						
Post budget changes by IMT Leadership team	0.2	-0.2			0.0	1
Budget upload correction	-0.2	0.2				1
Transfer of income and expenditure	0.4	-0.4			0.0	57
April and May changes	0.4	-0.4	0.0	0.0	0.0	59
Updated budget - May 2014	-1,625.5	1,651.3	0.0	0.0	25.9	59

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

App 16. 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.

App 17. 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 18. Virements above £250,000 require the approval of the relevant Cabinet Member. There were two virements above £250,000 in May:

- £1,224,000 SEN Reform Grant distribution and,
- £517,000 for the transfer of staff from the contact centre to Children's Services.

Table App 2: 2014/15 updated revenue budget – May 2014

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-72.4	412.9	340.6
Children, Schools & Families	-150.7	336.9	186.2
Schools	-468.2	468.2	0.0
Customers and Communities	-24.8	82.7	58.0
Environment & Infrastructure	-17.9	148.3	130.4
Business Services	-15.4	99.8	84.4
Chief Executive's Office	-30.1	45.0	14.9
Central Income & Expenditure	-846.0	57.4	-788.6
Service total	-1,625.5	1,651.3	25.9

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

App 19. 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 February 2014

	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	-122.6	-122.6	0.0	-615.8	-493.2	-615.8	0.0
Government grants	-253.7	-252.4	1.3	-856.2	-605.3	-857.7	-1.5
Other income	-22.1	-22.5	-0.4	-153.4	-131.5	-154.0	-0.6
Income	-398.4	-397.5	0.9	-1,625.5	-1,230.0	-1,627.6	-2.1
Expenditure:							
Staffing	51.6	50.7	-0.9	310.8	260.4	311.1	0.3
Service provision	121.7	118.7	-3.0	872.3	753.9	872.6	0.3
Non schools sub-total	173.3	169.4	-3.9	1,183.1	1,014.3	1,183.7	0.6
Schools expenditure	78.9	71.0	-7.9	468.2	397.2	468.2	0.0
Total expenditure	252.2	240.4	-11.8	1,651.3	1,411.5	1,651.9	0.6
Movement in balances	-146.2	-157.1	-10.9	25.9	181.5	24.4	-1.5

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