

Budget monitoring period 3: 2014/15 (June 2014)

Summary recommendations

Cabinet is asked to note the following.

- 1.1. The council forecasts a balanced revenue position for 2014/15 (paragraph 1).
- 1.2. Services forecast achieving ongoing efficiencies and service reductions by year end of £71.0m (paragraph 42).
- 1.3. Quarter end balance sheet as at 30 June 2014 and movements in earmarked reserves and debt outstanding (paragraphs 48 to 52).

Cabinet is asked to approve

- 1.4. Request from Environment & Infrastructure for £0.3m additional New Homes Bonus funding to cover planning & development work on the schools expansion programme.

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 previous years' underspends, £5.8m from other reserves to support 2014/15, £14m to support the Adult Social Care budget in 2014/15 and £5.5m revenue carried 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. As at 30 June 2014, the council forecasts a balanced outturn for 2014/15. The council will seek over £72m further efficiency savings in 2014/15 in line with the corporate strategy of using our resources responsibly to plan for future years of financial uncertainty.

In setting the 2014-19 MTFP, Cabinet required the Chief Executive and Director of Finance to establish a mechanism to track and monitor progress on the further development and implementation of robust plans for achieving the efficiencies across the whole MTFP period. The Chief Executive and Director of Finance have conducted support sessions with strategic directors and heads of service focusing on those areas of the MTFP presenting the biggest risks. These sessions are making progress in gaining assurances about the robustness of services' savings plans and in managing the risks in the MTFP. The support sessions will continue to be on-going and are additional to the council's existing challenge and scrutiny processes.

The Chief Executive and Director of Finance have and will continue to report progress at the council's regular briefings to all members and will integrate outputs, in terms of robust planning and implementation of savings programmes, into the medium term financial planning process.

In response to the scale of the challenge facing local government in the current financial climate of Government reductions in funding, Cabinet has already been considering strategic financial planning options for 2015-20. The schedule is for Cabinet to reach some key budget conclusions before Christmas (subject to the local government financial settlement). In accordance with this, Cabinet will receive a progress report on the 2015-20 MTFP with the second quarter's budget monitoring report.

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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 efficiencies and reductions totalling £72.3m in 2014/15 (£253m for 2014-19). At the end of June 2014, services forecast to achieve £71.0m efficiencies by year end. Most services are on track to achieve their planned efficiencies. Services in Adult Social Care and Environment & Infrastructure are supporting their efficiencies programmes with further cost savings together 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 £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.

Following the severe weather during the winter of 2013/14 and the carry forward of capital amounts from 2013/14, officers have re-examined the deliverability of the capital programme. Annex 2 recommends reprofiling the capital programme to accommodate capital funds carried forward from 2013/14.

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 £4.7m in the first three months of 2014/15.

As at 30 June 2014, the council forecasts +£6.6m overspend against the reprofiled capital budget for 2014/15. This includes +£6.7m overspend on long term capital investments.

Revenue budget

1. The updated 2014/15 revenue budget, is supported by £25.9m of reserves, £14m of earmarked reserves to support Adult Social Care for one year and £5.5m revenue carried forward from 2013/14 to fund committed expenditure. Services' net revenue budget forecast is balanced.
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, £14m to support the Adult Social Care budget in 2014/15 and £5.5m revenue carried forward from 2013/14 to fund committed expenditure.
3. The budget variance at the end of June is -£5.1m underspent mainly due to:
 - Business Services -£1.0m mainly because HR transferred training budgets to services in June and Property will re-profile the maintenance budget;
 - Children, Schools & Families -£1.9m due to underspends on Schools & Learning's demographics and inflation budget partly offset by reduced income;
 - Environment & Infrastructure -£1.6m largely due to Highways' response to 2013/14's flooding, which it expects to fund through a combination of existing budgets and government grants.
 - Central Income and Expenditure - £1.0 is due to timing of the contribution to interest payable from the investment properties.
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.

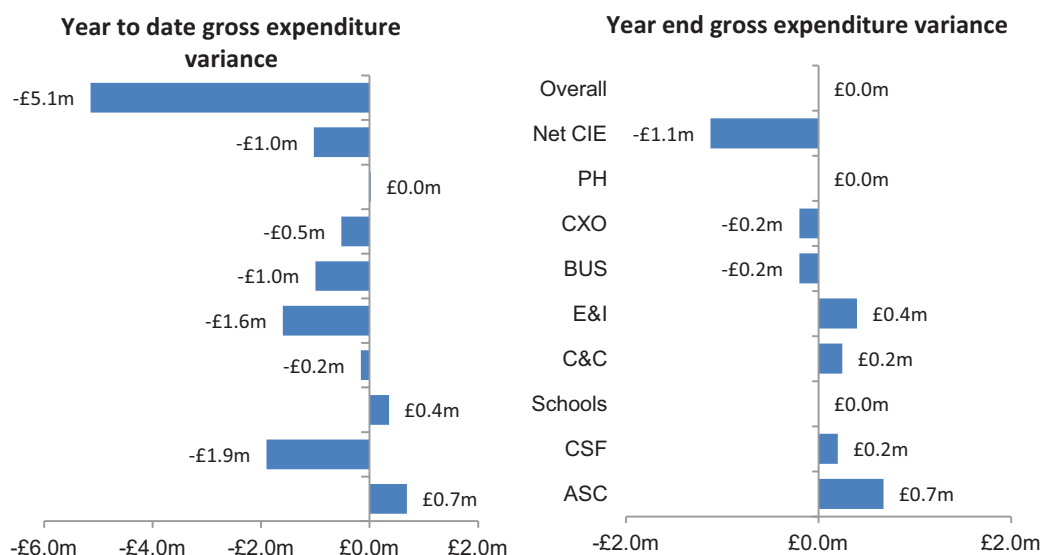
Table 1: 2014/15 Revenue budget - net positions

May Forecast variance £m	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jul – Mar remaining forecast £m	Full year forecast £m	Full year variance £m
	77.6	78.3	0.7	340.7	263.0	341.4	0.7
-0.2	47.0	45.1	-1.9	186.5	141.6	186.7	0.2
	0.0	0.4	0.4	0.0	-0.4	0.0	0.0
-0.6	12.3	12.1	-0.2	47.5	35.6	47.7	0.2
0.1	31.5	29.9	-1.6	130.5	101.0	130.9	0.4
	19.6	18.6	-1.0	83.9	65.1	83.7	-0.2
0.3	7.3	6.8	-0.5	25.6	18.6	25.4	-0.2
-1	-156.8	-157.8	-1.0	-172.9	-16.2	-174.0	-1.1
-1.5	38.5	33.4	-5.0	641.8	608.3	641.7	0.0
	-184.4	-184.4	0.0	-615.8	-431.4	-615.8	0.0
		-0.1	-0.1		0.1		0.0
-1.5	-145.9	-151.1	-5.1	25.9	177.0	25.9	0.0

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

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 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 balanced forecast year end underspend on services is a result of additional costs due to the following: 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, services summarise their year to date and forecast year end income and expenditure positions and 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 2: Summary of the revenue position Adult Social Care services

	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year Revised Budget £m	Jul-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-16	-15.1	0.9	-72.4	-57.1	-72.2	0.1
Expenditure	93.6	93.4	-0.2	413.0	320.2	413.6	0.6
Net position	77.6	78.3	0.7	340.7	263.0	341.4	0.7
Service summary							
Income	-16.0	-15.1	0.9	-72.4	-57.1	-72.2	-1.1
Older People	38.6	39.1	0.5	170.4	130.3	169.4	-1.0
Physical Disabilities	11.1	10.7	-0.4	48.5	37.1	47.8	0.7
Learning Disabilities	28.9	29.2	0.3	132.9	104.4	133.6	0.7
Mental Health	3.2	2.8	-0.4	13.9	11.1	13.9	0.0
Other Expenditure	11.8	11.6	-0.2	47.3	37.3	48.9	1.6
Total by service	77.6	78.3	0.7	340.7	263.0	341.4	0.7

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

10. The June projected outturn for Adult Social Care (ASC) is an overspend of £0.7m.
11. This was highlighted as a challenging year in the 2014/15 budget planning process with a significant savings target of £42m plus additional income of £4m to be generated. ASC has made good progress in many of the savings actions and judges that £16m of efficiency savings have either been achieved or will be achieved without needing further management action.
12. The current year end projection relies on ASC implementing management actions to secure £25.6m efficiency savings. Table 3 outlines the management actions included in the June projections.
13. The most significant element of ASC's efficiency savings plans in 2014/15 is the Family, Friends and Community (FFC) support strategy. That is currently at the mobilisation stage, and some delays have occurred such that there is a need to accelerate and broaden the action taken in the remaining nine months. There were two key measures through which the service planned to achieve the FFC savings. Firstly through an improved assessment process for individuals requiring new care packages, supported by a recalibration of the Resource Allocation System (RAS) which was implemented in mid-May. The second element is a programme of re-assessments of existing packages to ensure that FFC is fully incorporated into their personalised support plans. Locality Teams have been working to draw up local project plans for the delivery of the re-assessments. As plans are finalised it has also become clear that one effect will be to reduce the likelihood of underspends occurring against Direct Payments: the two savings streams are effectively connected. Putting them together makes for a relevant MTFP target of £13m. At this stage, given that mobilisation has taken slightly longer than anticipated, there has been some slippage in the timing of the reassessments. This has reduced the in-year savings forecast against the original plans to £9.6m, incorporating the impact of DP reclaims (with £1.2m being achieved to date and a further £1.7m forecast to year end). An Acting Assistant Director has recently been allocated full time to lead on implementing FFC, and by looking at these areas of efficiency savings in a joined-up way it is hoped to

cover an additional £3m through new actions. Accordingly, the position is reported on the basis of delivering £12.7m of the £13m target.

14. Uncertainties remain in three other significant areas of planned efficiency savings: the renegotiation of block contract arrangements (the relevant negotiations are taking longer than was expected), the correct application of Continuing Health Care arrangements (discussions regarding the approach are ongoing with CCGs) and the derivation of social care benefit from the Whole Systems Funds (discussions continue as part of the local planning processes jointly with CCGs which feed into that aim). Furthermore, a prudent approach has been taken to the original aim of finding £2.6m of additional as-yet-unidentified efficiency savings, reducing the expectation to £1.7m in view of the no plans yet having been put in place, pending the outcome of partnership discussions as outlined above.

Table 3: Summary of Adult Social Care management actions to achieve efficiency savings

	£m	£m
MTFP efficiency savings target		-42.0
Total efficiency savings achieved (or needing no further management action) to date		-15.7
Efficiency savings forecast for the rest of the year through use of FFC	-9.6	
FFC applied to DP reclaims	-1.8	
Other efficiency savings for the rest of the year needing management actions	-14.2	-25.6
Total efficiency savings forecast in remainder of year		-41.3
Under/(over) performance against MTFP target		0.7

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

Children, Schools & Families

Table 4: Summary of the revenue position for Children, Schools & Families services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-36.7	-35.1	1.6	-150.8	-116.3	-151.4	-0.6
Expenditure	83.7	80.2	-3.5	337.3	257.9	338.1	0.8
Net position	47.0	46.1	-1.9	186.5	141.6	186.7	0.2
Service summary							
Income	-36.7	-35.1	1.6	-150.8	-116.3	-151.4	-0.6
Strategic Services	0.8	1.1	0.3	3.2	2.0	3.1	-0.1
Children's Services	22.9	22.5	-0.4	91.8	72.3	94.8	3.0
Schools and Learning	53.1	49.4	-3.7	214.7	162.8	212.2	-2.5
Services for Young People	6.9	7.2	0.3	27.6	20.8	28.0	0.4
Total by service	47.0	45.1	-1.9	186.5	141.6	186.7	0.2

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

15. Children, Schools & Families (CSF) has a -£1.9m year to date underspend (most of this is attributable to Dedicated Schools Grant services and is unavailable for general county council services) and forecasts a broadly balanced year end position.

16. Children's Services forecasts a +£3.0m year end overspend (less -£0.4m additional income). This forecast overspend includes:
- +£1.6m on care of looked after children (agency placements, fostering and adoption allowances, and leaving care and asylum seekers); and
 - +£0.6m on care packages for children with disabilities.
17. Schools & Learning forecasts -£2.5m year end underspend on county funded services. The main underspend is on the demographics and inflation budget, offset by an overspend on transport, mainly for children with SEN.

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

	YTD Budget £m	YTD Actual £m	YTD Variance £m	Full Year (Revised) Budget £m	Jul-Mar Forecast £m	Full Year Projection £m	Full Year Variance £m
Income	-115.0	-119.9	-4.9	-468.2	-348.3	-468.2	0.0
Expenditure	115.0	120.3	5.2	468.2	348.0	468.2	0.0
Net position	0.0	0.4	0.4	0.0	-0.4	0.0	0.0

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

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

Customer & Communities

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

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-3.1	-3.4	-0.3	-12.2	-8.9	-12.3	-0.1
Expenditure	15.4	15.5	0.1	59.7	44.5	60.0	0.3
Net position	12.3	12.1	-0.2	47.5	35.6	47.7	0.2
Service summary							
Fire & Rescue	9.3	9.4	0.1	35.6	26.5	35.9	0.3
Customer Services	0.8	0.7	-0.1	3.3	2.6	3.3	0.0
Trading Standards	0.5	0.5	0.0	2.1	1.6	2.1	0.0
Community Partner & Safety	1.0	0.9	-0.1	3.7	2.8	3.7	0.0
C&C Directorate Support	0.4	0.3	-0.1	1.6	1.2	1.5	-0.1
County Coroner	0.3	0.3	0.0	1.2	0.9	1.2	0.0
Total by service	12.3	12.1	-0.2	47.5	35.6	47.7	0.2

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

19. Customer & Communities (C&C) has a balanced year to date position and forecasts a small overspend at year end. This forecast is mainly due to a shortfall in Fire Service income.
20. Cultural Services' £10.6m budget is now part of Chief Executive's Office in line with changes in management responsibilities.

Environment & Infrastructure

Table 7: Summary of the revenue position for Environment & Infrastructure services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-4.5	-3.4	1.1	-17.9	-14.4	-17.8	0.1
Expenditure	36.0	33.3	-2.7	148.4	115.4	148.7	0.3
Net position	31.5	29.9	-1.6	130.5	101.0	130.9	0.4
Service summary							
Environment	20.5	19.2	-1.3	82.1	62.8	82.0	-0.1
Highways	10.5	10.0	-0.5	46.4	36.7	46.7	0.3
Other directorate costs	0.5	0.7	0.2	20.	1.5	2.2	0.2
Total by service	31.5	29.9	-1.6	130.5	101.0	130.9	0.4

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

21. Environment & Infrastructure (E&I) has a -£1.5m year to date underspend and forecasts a small overspend at year end.
22. E&I services face additional costs including:
 - +£6m to repair highways damaged in last year's flooding, which the service expects to fund from existing budgets and government grant; and
 - +£0.3m planning & development work on the schools expansion programme, for which the service requests New Homes Bonus funding

Business Services

Table 8: Summary of the revenue position for Business Services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-3.7	-4.1	-0.4	-15.4	-11.3	-15.4	0.0
Expenditure	23.3	22.7	-0.6	99.3	76.4	99.1	-0.2
Net	19.6	18.6	-1.0	83.9	65.1	83.7	-0.2
Service summary							
Property	7.1	6.8	-0.3	33.2	26.4	33.2	0.0
Information Management & Technology	6.1	6.0	-0.1	25.2	19.2	25.2	0.0
Human Resources & OD	2.3	1.7	-0.6	9.2	7.3	9.0	-0.2
Finance	2.2	2.2	0.0	8.9	6.7	8.9	0.0
Shared Services	1.1	1.0	-0.1	4.0	3.0	4.0	0.0
Procurement & Commissioning	0.8	0.9	0.1	3.4	2.5	3.4	0.0
Total by service	19.6	18.6	-1.0	83.9	65.1	83.7	-0.2

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

23. Business Services has a -£1m year to date underspend and forecasts a small underspend at year end.
24. -£0.6m of the year to date underspend is in HR, including -£0.15m apprenticeships and -£0.15m leadership development. The full year effect of the apprenticeships

underspend is -£0.2m, which the service would like to carry forward. HR expects leadership development volumes to rise later in the year to spend the budget fully.

Chief Executive's Office

Table 9: Summary of the revenue position for Chief Executive's Office services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-9.2	-5.6	3.6	42.6	-37.5	-43.1	-0.5
Expenditure	16.5	12.4	-4.1	68.2	56.1	68.5	0.3
Net	7.3	6.8	-0.5	25.6	18.6	25.4	-0.2
Summary by service							
Strategic Leadership	0.1	0.1	0.0	0.4	0.3	0.4	0.0
Magna Carta	0.1	0.0	-0.1	0.3	0.3	0.3	0.0
Emergency Management	0.1	0.2	0.1	0.5	0.6	0.8	0.3
Communications	0.4	0.4	0.0	1.7	1.3	1.7	0.0
Legal & Democratic Services	2.1	1.8	-0.3	8.6	6.7	8.5	-0.1
Policy & Performance	0.8	0.8	0.0	3.2	2.4	3.2	0.0
Cultural services	2.5	2.3	-0.2	10.6	7.9	10.2	-0.4
Public Health	1.1	1.2	0.0	0.3	-0.8	0.3	0.0
Total by service	7.3	6.8	-0.5	25.6	18.6	25.4	-0.2
Public Health – income	-5.6	-1.7	3.9	-28.9	-27.3	-28.9	-0.1
Public Health - expenditure	6.7	2.8	-3.9	29.2	26.4	29.2	0.1
Public Health - net expenditure	1.1	1.2	0.0	0.3	-0.8	0.3	0.0

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

25. Chief Executive's Office (CEO) has a small year to date underspend and forecasts a small underspend at year end.
26. The CEO budget has increased by £10.7m, including £10.6m for the transfer in of Cultural Services.
27. Following robust negotiations Public Health (PH) has now had agreement to invoice the Clinical Commissioning Groups (CCGs) for the £3.3 million genitourinary medicine (GUM) funding which was misallocated from the government grant. Work is now underway to ensure that the GUM funding is in the base budget for 2015/16.
28. The £0.3m difference between the full year income and expenditure budgets is for the SADAS contract (drug and alcohol support). This is funded jointly by ASC and PH. As the lead service, PH holds the expenditure budgets, ASC funds the difference.
29. Public Health has identified £0.5m efficiency savings in 2014/15 by using grant to fund the following activities.

Description	Value	Service	Public Health area
New HENRY programme (Health, Exercise and Nutrition for the Really Young)	£32,000	CSF services	Obesity
Healthy Schools - Babcock 4s	£88,000	CSF services	Children 5-19
Eat Out Eat Well scheme	£24,379	Trading Standards	Obesity
CAMHS (Children and Adolescents Mental Health Service) school nursing	£100,000	CSF services	Children 5-19
Substance misuse adults	£255,621	ASC services	Substance misuse
	£500,000		

Central Income & Expenditure

Table 10: Summary revenue position

Central Income & Expenditure	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Jul- Mar forecast £m	Full year projection £m	Full year variance £m
Income	-159.1	-159.3	-0.2	-229.9	-71.6	-230.9	-1.0
Expenditure	2.3	1.5	-0.8	57.0	55.4	56.9	-0.1
Net	-156.8	-157.8	-1.0	-172.9	-16.2	-174.0	-1.1
Local Taxation	-184.4	-184.4	0.0	-615.8	-431.4	-615.8	0.0
Total net	-341.2	-342.2	-1.0	-788.7	-447.6	-789.8	-1.1

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

30. Central Income & Expenditure (CIE) has a -£1.0m year to date underspend and forecasts a -£1.1m year end underspend.
31. The year to date underspend is due to the net interest receivable from the long-term capital strategy investment properties, which have needed no external borrowing.
32. The forecast -£1.1m full year underspend is due to additional government grant income not known when setting the Medium Term Financial Plan. These include:
 - -£0.8m Special Educational Needs (SEN) Reform Grant
 - -£0.3m Education Services Grant (ESG) this depends on the number of schools transferring to academy status during the year.

Revolving Infrastructure & Investment Fund

Table 11: Summary revenue and capital expenditure positions

Revenue expenditure summary	YTD actual £m	Full year forecast £m
Income	-0.8	-3.3
Expenditure	0.1	0.2
Net income before funding	-0.7	-3.1
Funding	0.6	2.5
Net income after funding	-0.1	-0.6
Capital expenditure	4.7	6.7

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

33. The Revolving Infrastructure & Investment Fund (RIIF) forecasts -£0.6m net income for the year, comprising -£3.1m income and +£2.5m for the opportunity cost of internal capital resources credited to CIE.
34. Year to date capital expenditure is £3.8m to purchase 61 High Street, Staines and £0.9m loans to Woking Bandstand Joint Venture company. The £6.7m forecast year end position included £0.4m works at the Staines property and further loans to the Joint Venture company.

Staffing costs

35. 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.
36. 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.
37. 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.
38. 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.
39. The council's total full year budget for staffing is £310.7m based on 8,081 budgeted FTEs. The year to date budget for the end of June 2014 is £77.5m and the expenditure incurred is £76.8m. At the end of June 2014, the council employed 7,324 FTE contracted staff.
40. Table 12 shows the staffing expenditure and FTEs for the period to June against budget, analysed among the three staff categories for services. 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 12: Staffing costs and FTEs to end of June 2014

	Staffing budget to June 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	17.9	16.2	0.8	0.6	17.6	0.3	2,145	1,875	
Children Schools & Families	26.6	23.6	1.1	0.9	25.7	-0.9	2,828	2,491	
Customer and Communities	9.3	8.8	0.2	0.4	9.3	0.0	1,454	1,381	
Environment & Infrastructure	5.3	5.6	0.2	0.0	5.8	0.5	501	508	
Business Services and Central Income & Expenditure	10.4	9.7	0.8	0.0	10.6	0.2	900	827	
Chief Executive's Office	7.9	6.8	0.1	0.9	7.8	-0.1	253	242	
Total	77.5	70.8	3.2	2.8	76.8	-0.7	8,081	7,324	

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

41. Table 13 shows there are 713 "live" vacancies, for which active recruitment is currently taking place, with 569 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 12. 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 12 (agency staff and bank & casual staff)

Table 13: full time equivalents in post and vacancies

	<u>June FTE</u>
Budget	8,081
Occupied contracted FTE	7,324
“Live” vacancies (i.e. actively recruiting)	713
Vacancies not occupied by contracted FTEs	44

The increase in the live vacancies this month is due to a large adult social care campaign.

Efficiencies

42. As reported for May, the council's overall efficiencies target is £72.3m. Against this, the council forecasts achieving £71.0m by year end, an under achievement of -£1.3m. This includes £0.9m of unplanned efficiencies.
43. The appendix to this annex includes services' efficiencies and a brief commentary on progress. Services 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: 2014/15 overall risk rated efficiencies



44. Figure 3 and Table 14 below show most services are on track for achieving their planned efficiencies. ASC services and E&I services are supporting their programmes with further efficiencies. The appendix to this annex gives further details.

Table 14: 2014/15 Efficiency programme forecasts

	MTFP £m	Forecast £m	Unplanned £m	Variance £m
Adult Social Care	45.8	44.8	0.3	-0.7
Children, Schools & Families	9.6	9.6	0.0	0.0
Customer & Communities	1.9	1.6	0.0	-0.3
Environment & Infrastructure	4.0	3.2	0.5	-0.3
Business Services	2.2	2.2	0.0	0.0
Chief Executive's Office	1.2	1.2	0.0	0.0
Central Income & Expenditure	7.6	7.6	0.0	0.0
Total	72.3	70.2	0.8	-1.3

Capital

45. By planning significant capital investment as part of MTFP 2014-19, the council demonstrated its firm long term commitment to stimulating economic recovery in Surrey.
46. Table 15 shows current forecast expenditure for the service capital programme and long term investments of £185.4m against a budget of £195.8m. The most significant variance is the overspend on long term investments (£6.7m)

Table 15: 2014/15 Capital expenditure position

	Revised full year budget	Apr - Jun actual	Jul - Mar projection	Full year forecast	Full year variance
	£m	£m	£m	£m	£m
2014/15 Monitoring					
Adult Social Care	1.3	0.2	1.0	1.2	-0.1
Children, Schools & Families	4.3	1.1	3.3	4.3	0.0
Customer & Communities	5.6	0.4	5.2	5.6	0.0
Environment & Infrastructure	70.7	30.4	40.3	70.7	0.0
School Basic Need	54.3	24.1	30.1	54.3	0.0
Business Services	47.1	9.5	37.6	47.1	0.0
Chief Executive Office	12.3	4.3	8.0	12.3	0.0
Service programme	195.6	70.0	125.5	195.5	-0.1
Long term investments	0.0	4.7	2.0	6.7	6.7
Overall programme	195.6	74.7	127.5	202.2	6.6

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

47. The council initially approved the 2014/15 capital expenditure budget at £216.8m. Annex 2 contains further details on the capital programme reprofiling summarised in Table 16.

Table 16: Capital programme reprofiling

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m	£m
MTFP	217	164	150	122	106	759
Carry forward	14	13	8	-3	1	33
Re-profile	-34	15	3	0	18	2
Grant changes	-2	-3	-3	-3	-3	-14
Reprofiled MTFP capital programme	195	189	158	116	122	780

Balance sheet

48. The council's balance sheet as at 30 June 2014 shows an increase in net assets of £168m. This is mainly due to an increase in cash & cash equivalents from the receipt of the majority of the annual Revenue Support Grant in quarter 1. Table App 6 shows details of the balance sheet at 30 June 2013.

Reserves

49. The council's earmarked reserves have reduced in the quarter to 30 June 2014. This was mainly due to drawing down reserves as planned in the MTFP. Table App 7 shows details of the council's earmarked reserves as at 30 September 2013.

Debt

50. During the quarter to June 2014, the council raised invoices totalling £44.1m.
51. The council's total debt outstanding at 30 June 2014 is £32.6m, split evenly between care related debt and non-care related debt. Table App 6 shows details. The average number of debtor days for the period 1 April to 30 June 2014 was 29 days.
52. Between 1 April and 30 June 2014 the Director of Finance has written off 123 debts under delegated authority with a total value of £172,156, comprising £118,403 care related and £53,753 non care related debt.

Appendix to Annex

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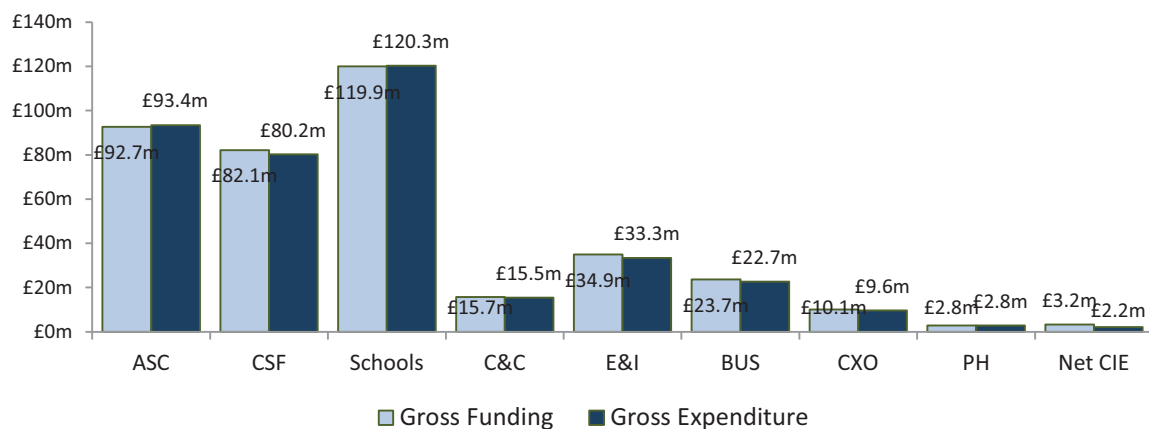
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Corporate performance scorecard – finance

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 relate to the June month end position. Net CIE comprises Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.

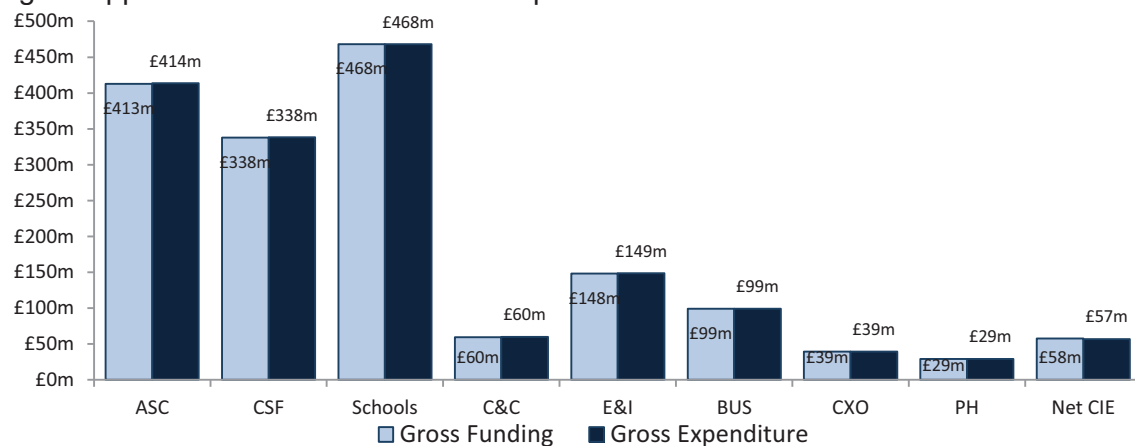
App 2. The corporate performance scorecard also includes the year end forecast revenue position shown above in the main annex in Figure 1.

Figure App 1: Year to date revenue position



App 3. Figure App 2 shows the balanced services forecast position. This excludes -£0.1m net income on the Revolving Infrastructure & Investment Fund.

Figure App 2: Year end forecast revenue position



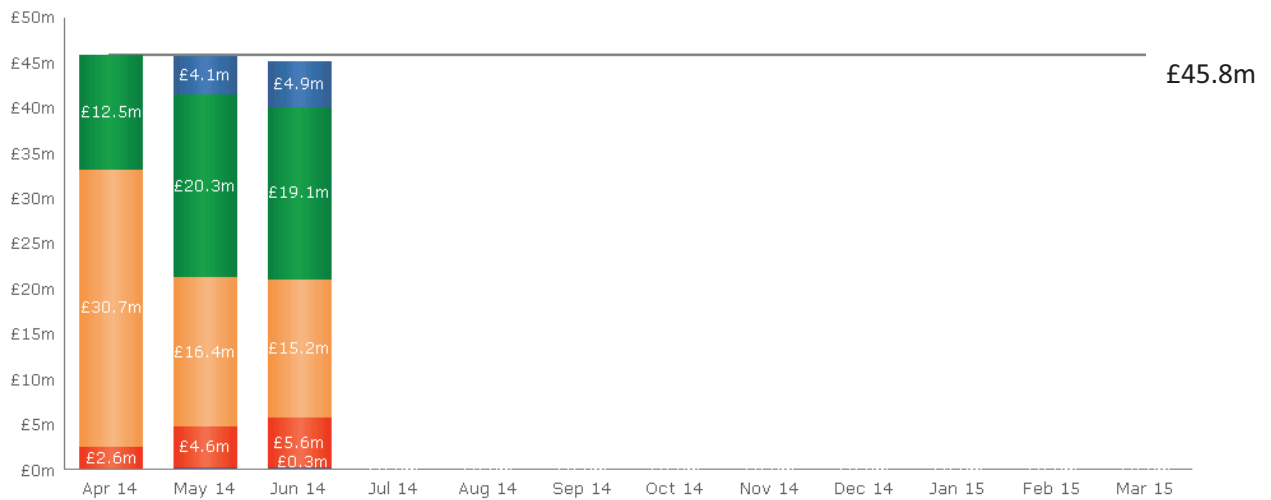
Efficiencies and service reductions

App 4. The graphs below track progress against MTFP 2014-19's ragged expenditure efficiencies and 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.

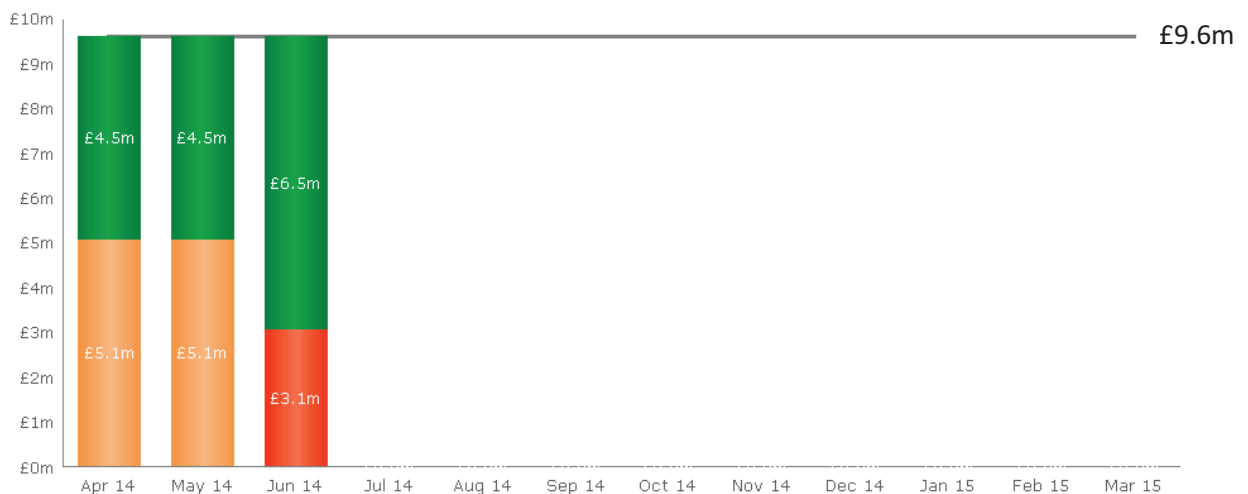
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Adult Social Care



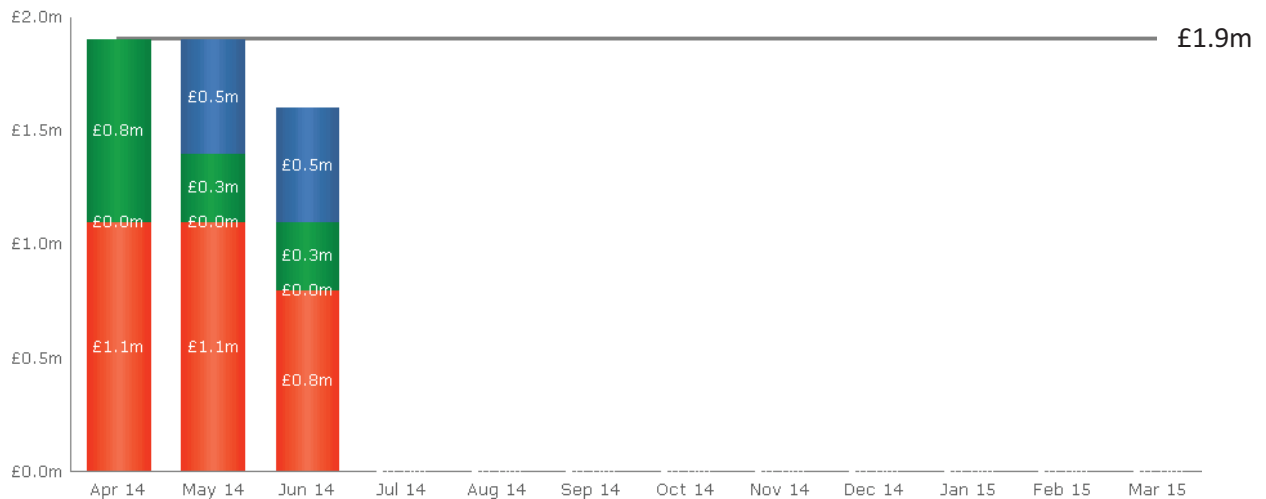
App 6. ASC forecasts a shortfall of £0.7m against its £45.8m efficiency target. It has already achieved savings of £4.9m this year and is on target to achieve a further £19.1m by year-end. Issues remain with £15.2m of efficiencies and £5.6m is at risk.

Children, Schools & Families



App 7. About one third of CSF efficiencies in are at risk as Children's Services has not been able to contain spending within its planned budget.

Customer & Communities



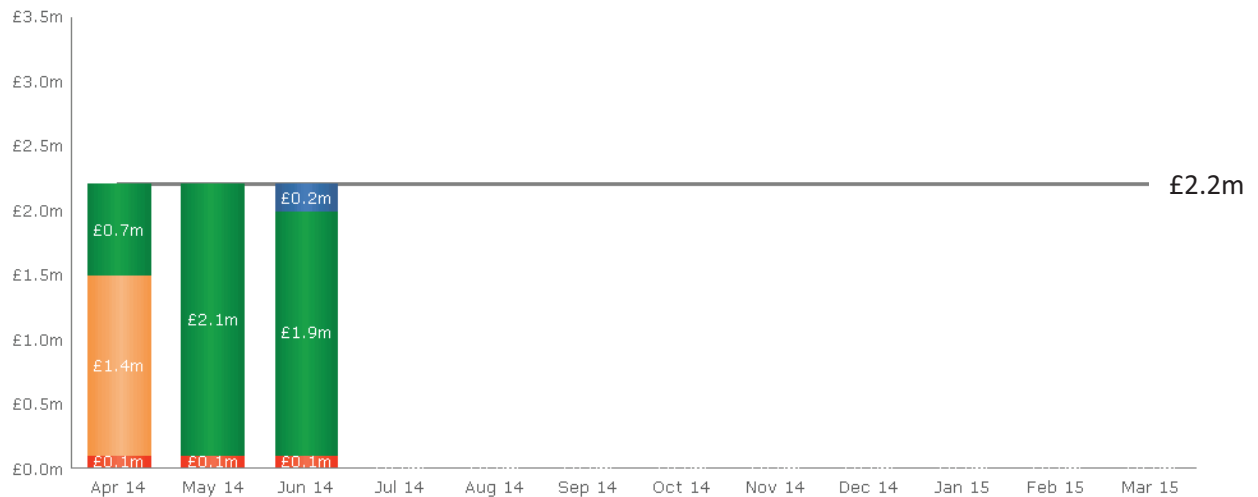
App 8. The efficiencies summary shows a shortfall of -£0.3m. Fire has plans to achieve part of its increased income target which leaves an estimated -£0.3m shortfall for 2014/15. The service is pursuing several schemes to make good this shortfall. Fire is also pursuing options to achieve the station reconfiguration efficiency. However, there is a risk this may not be fully achieved. The service will report a more accurate position once it knows the outcome. C&C expects to achieve all its other efficiencies.

Environment & Infrastructure



App 9. E&I has established a Savings and Efficiency Panel to oversee the delivery of its efficiency savings. The panel is scrutinising plans to deliver savings to ensure they are robust and stretching. At this stage it is examining several risks. At the end of June, after taking into account compensating savings, E&I expects a shortfall of -£0.3m against its efficiency savings target. The panel will continue to investigate this and the potential for other offsetting savings.

Business Services



App 10. Business Services' is on target to achieve £2.1m of its £2.2m efficiency savings. It is monitoring the £0.1m efficiency at risk, from the managed print service closely. All efforts are being made with the supplier to get implementation back on track.

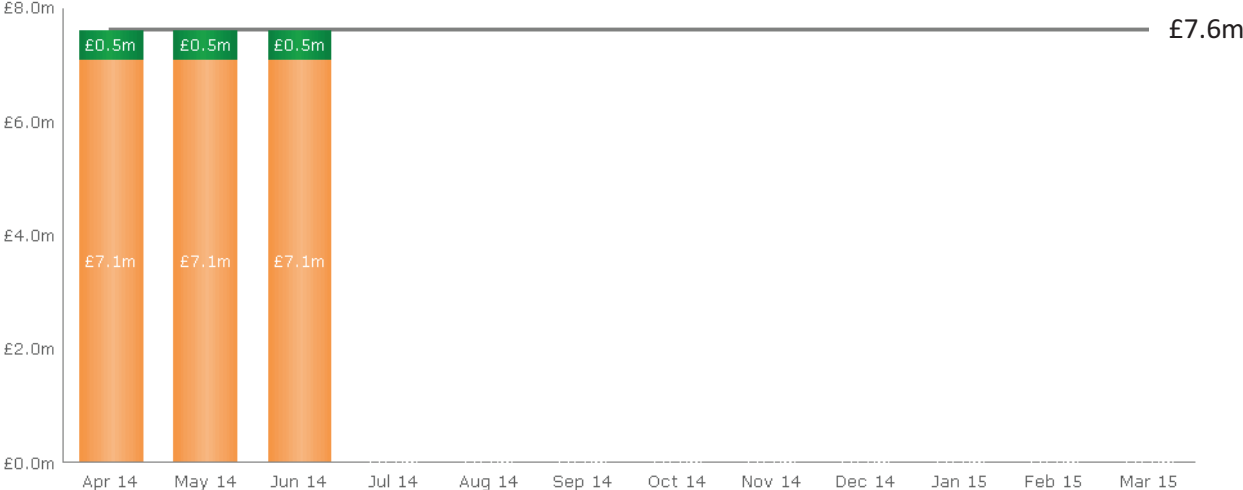
Chief Executive's Office



App 11. CEO is on target to achieve its planned 2014/15 efficiencies.

7

Central Income & Expenditure



7

App 12. CIE is on target to achieve its planned 2014/15 efficiencies.

Updated budget - revenue

App 13. The council's 2014/15 revenue expenditure budget was initially approved at £1,651.8m. Adding virement changes in quarter one decreased the expenditure budget at the end of June to £1,651.6m. 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>Quarter 1 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	0.2	-0.2			0.0	92
Quarter 1 changes	0.2	-0.2	0.0	0.0	0.0	94
Updated budget - June 2014	-1,625.7	1,651.6	0.0	0.0	25.9	94

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

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.

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 approved by the Director of Finance.

App 16. Virements above £250,000 require the approval of the relevant Cabinet Member. There were two virements above £250,000 in June:

- a net figure of £10,621,500 transferred from Customers & Communities to Chief Executive Office for the movement of Cultural Services to the Chief Executive's Office,
- £739,500 transferred from Business Services to services' specific training budgets.

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

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-72.4	413.0	340.7
Children, Schools & Families	-150.8	337.3	186.5
Schools	-468.2	468.2	0.0
Customers and Communities	-12.2	59.7	47.5
Environment & Infrastructure	-17.9	148.4	130.5
Business Services	-15.4	99.3	83.9
Chief Executive's Office	-42.6	68.2	25.6
Central Income & Expenditure	-845.7	57.0	-788.7
Service total	-1,625.3	1,651.2	25.9

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

App 17. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2014/15 Revenue budget forecast position as at end of June 2014

	YTD budget £m	YTD actual £m	YTD variance £m	Full year budget £m	Remaining forecast spend £m	Outturn forecast £m	Forecast variance £m
Income:							
Local taxation	-184.4	-184.4	0.0	-615.8	-431.4	-615.8	0.0
Government grants	-312.8	-312.8	0.0	-856.2	-544.6	-857.4	-1.2
Other income	-34.4	-33.8	0.6	-153.2	-120.1	-153.9	-0.7
Income	-531.7	-531.1	0.6	-1,625.3	-1,096.1	-1,627.2	-1.9
Expenditure:							
Staffing	77.5	76.8	-0.7	310.7	234.1	310.9	0.2
Service provision	193.2	182.9	-10.3	872.3	691.0	873.9	1.6
Non schools sub-total	270.7	259.7	-11.0	1,183.0	925.1	1,184.8	1.8
Schools expenditure	115.0	120.3	5.2	468.2	348.0	468.2	0.0
Total expenditure	385.7	380.0	-5.8	1,651.2	1,273.1	1,653.0	1.8
Movement in balances	-145.9	-151.1	-5.1	25.9	177.0	25.9	0.0

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

Balance sheet

Table App 4: Balance sheet

As at 31 Mar 2013 £m	As at 31 Mar 2014 £m		As at 30 Jun 2014 £m
1,280.0	1,318.6	Property, plant & equipment	1,339.0
0.7	0.7	Heritage assets	0.7
	29.2	Investment property	29.2
5.9	4.3	Intangible assets	4.2
0.2	0.3	Long term investments	0.3
8.8	10.6	Long term debtors	11.6
1,295.6	1,363.7	LONG TERM ASSETS	1,384.9
104.1	74.0	Short term investments	88.7
0.1	0.0	Intangible Assets	0.0
15.3	6.1	Assets held for sale	6.1
1.3	1.1	Inventories	0.8
141.5	123.7	Short term debtors	135.1
114.1	7.4	Cash & cash equivalents	106.2
376.4	212.3	CURRENT ASSETS	336.9
-82.1	-51.3	Short term borrowing	-27.7
-234.3	-212.4	Creditors	-217.3
-3.3	-4.7	Provisions	-4.2
-0.2	-0.1	Revenue grants receipts in advance	0.0
-0.6	-1.0	Capital grants receipts in advance	0.0
-3.2	-6.1	Other short term liabilities	0.0
-323.7	-275.6	CURRENT LIABILITIES	-249.1
-7.2	-9.4	Provisions	-7.7
-238.1	-237.9	Long term borrowing	-237.9
-1,142.2	-1,295.6	Other long term liabilities	-1,301.6
-1,387.5	-1,542.9	LONG TERM LIABILITIES	-1,547.2
-39.2	-242.5	NET ASSETS / (-) LIABILITIES	-74.4
-288.4	-278.6	Usable reserves	-470.3
327.6	521.0	Unusable reserves	544.7
39.2	242.5		74.4

Earmarked reserves

Table App 5: Earmarked revenue reserves

	Opening balance 1 Apr 2014 £m	Balance at 30 Jun 2014 £m	Forecast 31 Mar 2015 £m
Investment Renewals Reserve	13.0	12.8	10.7
Equipment Replacement Reserve	3.4	3.8	3.6
Vehicle Replacement Reserve	5.4	6.1	3.0
Waste Site Contingency Reserve	0.3	0.3	0.0
Budget Equalisation Reserve	33.6	20.9	0.9
Financial Investment Reserve	1.6	0.6	0.6
Street lighting PFI Reserve	6.2	5.8	5.8
Insurance Reserve	8.8	8.8	8.8
Eco Park Sinking Fund	14.6	14.6	14.6
Revolving Infrastructure & Investment Fund	20.2	20.2	20.8
Child Protection Reserve	3.1	1.9	0.4
Interest Rate Reserve	4.7	4.7	1.0
Economic Downturn Reserve	6.0	4.2	1.7
General Capital Reserve	7.7	7.7	6.7
Pension Stabilisation Reserve	0.0	1.1	1.1
Rates Appeals Reserve	0.0	1.3	1.3
Total earmarked revenue reserves	128.6	114.8	81.0

Debt

App 18. During the first quarter of 2014/15, the Accounts Payable team raised invoices totalling £44.1m.

Table App 6: Age profile of the council's 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	3.7	2.5	1.3	2.7	10.3	6.5
Care debt - secured	0.2	1.6	1.7	2.7	6.1	
Total care debt	3.9	4.1	3.0	5.4	16.4	6.5
Schools, colleges and nurseries	7.7	0.1	0.0	0.0	7.8	0.1
Clinical commissioning groups	1.0	2.6	0.1	0.0	3.7	2.7
Other local authorities	0.6	0.8	0.0	0.0	1.4	0.8
General debt	2.7	0.5	0.1	0.0	3.3	0.6
Total non-care debt	12.0	4.0	0.2	0.0	16.2	4.2
Total debt	15.9	8.1	3.2	5.4	32.6	10.7

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

App 19. The amount outstanding on these invoices was £32.6m of gross debt at 30 June 2014. 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, shown in Table App 7.

Table App 7: Overdue debt summary as at 30 June 2014

	2014/15 Q1 £m	2013/14 Q4 £m	2013/14 Q1 £m	2012/13 Q4 £m	2011/12 Q4 £m	2010/11 Q4 £m
Care related debt	6.5	6.5	7.4	7.6	6.1	6.8
Non care related debt	4.2	3.1	3.1	3.8	3.0	3.9
Total	10.7	9.6	10.5	11.4	9.1	10.7

53. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April to 30 June 2014 was 29 days.
54. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q1 2014/15) 123 such debts have been written off with a total value of £172,156, of which £118,403 is care related and £53,753 is non care related debt.

Treasury management

Borrowing

App 20. 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 8: Long-term borrowing

	£m
Debt outstanding as at 1 April 2014	237.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 30 June 2014	237.2

App 21. The council is able to undertake temporary borrowing for cash flow purposes. The council also manages cash on behalf of Surrey Police Authority (£28m as at 30 June 2014) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 22. The following prudential indicators control the overall level of borrowing:

- The authorised limit represents the limit beyond which borrowing is prohibited. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with headroom for unexpected cash flow. This is a statutory limit determined under section 3(1) of the Local Government Act 2003.
- The operational boundary is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an indicator to ensure the authorised limit is not breached.

Table App 9: Borrowing against the authorised limit and operational boundary

	Authorised limit	Operational boundary
	£m	£m
Gross borrowing	237	237
Limit / boundary	797	719
Headroom	560	482

Capital Financing Requirement

App 23. 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 2014 is shown in Table App 10. The current borrowing position shows a net position of £75m more in borrowing than we hold in short term deposits.

Table App 10: The council's position against the estimated CFR

Capital Financing Requirement			Net borrowing
2014/15	2015/16	2016/17	£m
£659m	£770m	£808m	75

Maturity profile

App 24. 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 Table App 11. This excludes balances invested on behalf of Surrey Police Authority.

Table App 11: Maturity structure of the council's borrowing

	Upper limit	Lower limit	Actual
Repayable in 1 year*	50%	0%	0%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	0%
Repayable in 5-10 years	75%	0%	4%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	3%
Repayable in 25-50 years	100%	25%	93%

Early debt repayment and rescheduling

App 25. There has been no early repayment or rescheduling in 2014/15.

Investments

App 26. The council had an average daily level of investments of £282.2m throughout 2013/14, with a projection of £86m expected for 2014/15. The balance of funds managed on behalf of schools within this figure stood at £42m at the end of June.

App 27. Cash is invested on the money markets through one of the council's five 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 30 June 2014 is given in Table App 12.

Table App 12: Borrowing activity up to 30 June 2014

Timed deposits	Number	Average value £m
Deals using a broker	7	6.9
Direct deal facilities	3	4.6
Deals with DMO	3	13.9
		Limits
		£m
- Active call accounts	2	120.0
- Active money market funds	5	100.0

App 28. The weighted average return on all investments received to the end of the first quarter in 2014/15 is 0.38%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.34% for the equivalent period. The comparison is shown in Table App13.

Table App 13: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
Quarter 1	0.34%	0.38%
2014/15 total	0.34%	0.38%
2013/14 total	0.36%	0.41%

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