

Budget monitoring period 5 2014/15 (August 2014)

Summary recommendations

Cabinet is asked to note the following.

1. The council forecasts a +£2.4m overspent revenue position for 2014/15 (paragraph 2).
2. Services forecast achieving £68.7m efficiencies and service reductions by year end (paragraph 53).
3. The council forecasts investing £205m through its capital programme in 2014/15 (paragraph 58).
4. Services' management actions to mitigate overspends (throughout this report).

Cabinet is asked to approve the following virements of further Government grants totalling £2.6m made for the following purposes (paragraph 19).

5. SEND (special educational needs and disabilities) Implementation grant (£0.805m to Schools & Learning)
6. KS2 (key stage 2) Moderation and Phonics Funding (£0.034m to Schools & Learning)
7. Adoption Reform grant (£0.493m to Children's Services)
8. Staying Put grant (£0.138m to Children's Services)
9. Troubled Families Payment by Results grant (£0.462m to Strategic Services)
10. Troubled Families Co-ordinator grant (£0.102m to Strategic Services)
11. Troubled Families Co-ordinator attachment fees (£0.549m to Strategic Services)

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, £14.0m 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 31 August 2014, the council forecasts a +£2.4m overspend for 2014/15 after taking actions to mitigate any overspends.

In 2014/15, the council seeks further efficiency savings of over £72m 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. Cabinet will receive a progress report on the 2015-20 MTFP with the second quarter's budget monitoring report.

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). As at 31 August 2014, services forecast to achieve £68.7m efficiencies by year end. Most services are on track to achieve their planned efficiencies.

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. In July 2014, Cabinet reprofiled the capital programme to increase it to £780m.

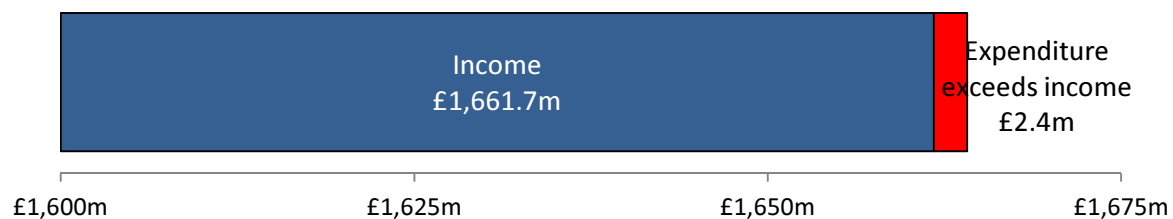
The council also wants to reduce its reliance on the council tax payer. To this end, it invested £40.2m in long term capital investment assets in 2013/14 and a further £5.2m in the first five months of 2014/15.

As at 31 August 2014, the council forecasts +£7.6m overspend against 2014/15's reprofiled capital budget. This includes the +£8.0m spend on long term capital investments.

Revenue budget

1. 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.
2. As at 31 August 2014, services forecast a +£2.4m overspent net revenue budget position.

Figure 1 Forecast 2014/15 net revenue position



3. The forecast 2014/15 budget variance as at 31 August 2014 is +£2.4m overspent mainly due to the following variances:
 - Adult Social Care forecasts +£3.3m overspend, largely because it has not achieved £1.4m of efficiencies through renegotiating block contract arrangements and does not consider it feasible to replace these efficiencies in 2014/15 and forecasts +£2.1m overspend on the Family, Friends & Community support strategy;
 - Children's services forecasts a +£2.2m overspend net of income mainly on agency placements, pressures on fostering and adoption allowances and increases in numbers of care leavers and asylum seekers;
 - Environment & Infrastructure forecasts +£0.4m overspend due mainly to increases in insurance claims following flooding damage and under recovery of streetworks income;
 - Schools & Learning forecasts -£2.2m underspend on county funded central budgets, mainly for demographics and inflation, offset by an overspend on transport, mainly for children with SEN;
 - Business Services forecasts -£0.8m underspend in HR including underspends on the apprenticeship programme, training and early achievement of staffing efficiencies;
 - Chief Executive's Office forecasts -£0.5m underspend, mainly due to vacancies in Libraries and deferring improvements;
 - Central Income and Expenditure forecasts - £0.6m underspend mainly due to reductions in the costs of relocation allowances and protected pay as fewer employees receive them.
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.

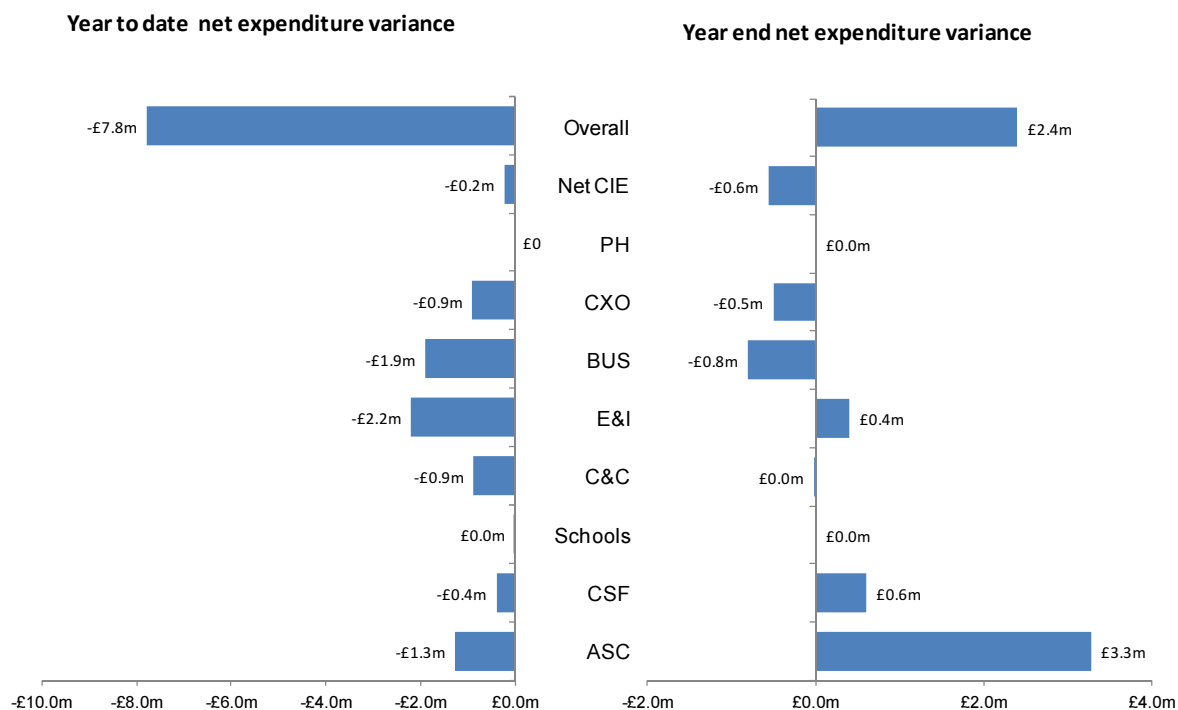
Table 1: 2014/15 Revenue budget - net positions

June Forecast variance £m		YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Aug – Mar remaining forecast £m	Full year forecast £m	Full year variance £m
0.7	Adult Social Care	138.3	137.1	-1.3	342.3	208.5	345.5	3.3
0.2	Children, Schools & Families	76.4	76.0	-0.4	186.2	110.8	186.8	0.6
0.0	Schools (gross exp £468m)	-6.4	-6.4	0.0	0.0	6.4	0.0	0.0
0.2	Customer & Communities	20.1	19.2	-0.9	47.5	28.3	47.5	0.0
0.4	Environment & Infrastructure	50.4	48.3	-2.1	129.3	81.5	129.7	0.4
-0.2	Business Services	32.6	30.7	-1.9	82.3	50.8	81.5	-0.8
-0.2	Chief Executive's Office	10.8	9.9	-0.8	26.0	15.6	25.5	-0.5
-1.1	Central Income & Expenditure	-172.1	-172.5	-0.4	-171.9	0.0	-172.5	-0.6
0.0	Service net budget	150.1	142.3	-7.8	641.7	501.8	644.1	2.4
0.0	Local taxation	-251.0	-251.0	0.0	-615.8	-364.8	-615.8	0.0
0.0	Revolving Infrastructure & Investment Fund		-0.2	-0.2		0.2		0
0.0	Overall net budget	-100.9	-108.9	-8.0	25.9	137.2	28.3	2.4

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

- Schools' funding is determined by an agreed formula under statute and expenditure decisions are the responsibility of each school's governing body.
- Figure 2 shows services' year to date and forecast revenue budget positions. Table App 3 in the appendix shows the overall income and expenditure for the year to date and year end forecast positions.

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



- 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 Adult Social Care services' revenue position

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep -Mar forecast £m	Full year projection £m	Full year variance £m
Income	-28.0	-27.1	0.9	-73.8	-45.6	-72.7	1.1
Expenditure	166.4	164.2	-2.2	416.0	254.0	418.3	2.3
Net position	138.3	137.1	-1.3	342.3	208.5	345.5	3.3
Service summary							
Income	-28.0	-27.1	0.9	-73.8	-45.6	-72.7	1.1
Older People	67.6	65.6	-2.0	168.5	102.2	167.8	-0.7
Physical Disabilities	19.7	19.2	-0.5	48.2	28.7	47.9	-0.3
Learning Disabilities	50.3	50.5	0.2	130.0	81.0	131.5	1.5
Mental Health	4.3	3.4	-0.9	11.0	7.7	11.1	0.1
Other expenditure	24.5	25.5	1.0	58.3	34.4	59.9	1.6
Total by service	138.4	137.1	-1.3	342.2	208.4	345.6	3.3

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

8. As at 31 August 2014, Adult Social Care services (ASC) has a -£1.3m year to date underspend with a +£3.3m forecast overspend at year end.
9. ASC has a significant savings target of £42m plus a target to generate an additional of £4m income. Since the beginning of the year, ASC has incurred £2.9m of extra demand pressures, meaning it requires £44.9m total savings. ASC has made good progress in many of its savings actions and judges it has achieved or will achieve savings of £22.2m without needing further management action.
10. The year end efficiencies forecast as at 31 August 2014 relies on ASC implementing £19.2m of management actions. Table 4 outlines these actions.
11. The most significant element of ASC's savings plans in 2014/15 is the Family, Friends & Community (FFC) support strategy. ASC plans to achieve the FFC savings through three key streams.
 - First, an improved assessment process for individuals requiring new care packages, supported by a recalibration of the Resource Allocation System (RAS). ASC implemented this measure in mid-May.
 - Second, a programme of re-assessments of existing packages to ensure personalised support plans fully incorporate FFC. Locality teams have drawn up local project plans to deliver the re-assessments.
 - Third, identification of direct payments (DP) refunds to ensure ASC reclaims any surpluses and factors the impact into the re-assessment programme.
12. In addition to the three main streams of the FFC strategy, ASC is also working on plans to deliver £2.4m of other FFC related savings in order to offset in-year programme delays. Table 3 summarises performance of the programme streams.

Table 3: Financial performance of FFC programme streams

	<----- Performance in 2014/15 ----->					Forecast future <----- performance ----->		
	2014/15 target £m	Achieved Apr - Jul £m	Forecast Aug - Mar £m	Full year forecast £m	2014/15 variance £m	Full year target £m	Full year effect £m	Full year variance £m
New packages	-3.9	0.8	-1.8	-1.0	2.9	-3.9	-5.2	-1.3
Reassessments	-6.4	-0.9	-2.9	-3.8	2.6	-6.4	-10.9	-4.5
FFC DP surplus	-3.0	-2.5	-1.5	-4.0	-1.0	0.0	0.0	0.0
FFC catch up	0.0	0.0	-2.4	-2.4	-2.4	0.0	0.0	0.0
Total	-13.3	-2.6	-8.6	-11.2	2.1	-10.3	-16.2	-5.8

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

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13. It is apparent that new placements pressures have largely offset re-assessment savings. This can be attributed to the additional cost of transition for young people which is known to fluctuate unevenly throughout the year and is unlikely to be directly related to FFC. The year to date position for new placements, excluding transition, is a saving of £0.153m, indicating that action is at least preventing pressures building and leading to some savings though as yet below the original target.
14. Challenges remain in four other significant areas of planned savings.
- Securing £4m of social care benefit from the whole systems funds. Discussions continue as part of the joint local planning processes with CCGs which feed into that aim.
 - Identification of £1.7m of additional savings. ASC originally hoped re-negotiation of the main block contract would contribute to this savings target, but this has not proved possible. ASC is working actively to identify other savings options. However, at 31 August 2014, ASC has no firm plans in place to delivery these savings, which are profiled for the second half of 2014/15.
 - ASC anticipates the correct application of continuing health care arrangements will deliver £1.7m of savings in the remainder of 2014/15. Progress is improving in this savings stream but challenges remain in delivering the full value of savings.
 - As outlined above ASC aims to delivery £2.4m of FFC catch up savings in the remainder of 2014/15 to offset slippage against the original savings target. As at 31 August 2014, ASC is still working through detailed plans for these savings to determine whether this is achievable.
15. In recognition of the challenges outlined above, a risk contingency of £2.6m has been included within the management actions to account for the possibility of an element of these risks materialising.

Table 4: Summary of ASC management actions to achieve efficiency savings

	£m	£m
MTFP efficiency savings target		-42.0
Additional savings needed to meet demand pressures		-2.9
		<u>-44.9</u>
Total efficiency savings achieved (or needing no further management action) to date		-22.2
Efficiency savings forecast for the rest of the year through use of FFC	-7.1	
FFC applied to direct payments reclaims	-1.5	
Other efficiency savings for the rest of the year needing management actions	-10.6	-19.2
Total efficiency savings forecast in remainder of year		<u>-41.4</u>
Under(+)/over(-) performance against MTFP target		<u>+3.3</u>

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

Children, Schools & Families

Table 5: Summary of the revenue position for Children, Schools & Families services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-56.3	-55.0	1.3	-150.6	-97.6	-152.6	-2.0
Expenditure	132.7	131.0	-1.7	336.8	208.4	339.4	2.6
Net position	76.4	76.0	-0.4	186.2	110.8	186.8	0.6
Service summary							
Income	-56.3	-55.0	1.3	-150.6	-97.6	-152.6	-2.0
Strategic Services	1.3	1.9	0.6	3.2	2.0	3.9	0.7
Children's Services	38.2	37.9	-0.3	91.7	56.6	94.5	2.8
Schools and Learning	81.6	80.0	-1.6	214	132.7	212.7	-1.3
Services for Young People	11.6	11.2	-0.4	27.9	17.1	28.3	0.4
Total by service	76.4	76.0	-0.4	186.2	110.8	186.8	0.6

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

16. As at 31 August 2014 Children, Schools & Families services (CSF) has a -£0.4m year to date underspend and a forecast +£0.6m year end overspend.
17. CSF's transformation plans account for the overspend on strategic services. This includes the final phase of the public value programme.
18. Otherwise CSF's pattern of spend remains similar to that previously reported with overspends in Children's Services being offset by an underspend on the central budget held in Schools and Learning. However, there has been a further reduction in the Children's Services overspend of 0.3m.

Grant related virement requests

19. Since the MTFP and Budget for 2014/15 were set in February further government grants have been announced for Surrey. CSF requests £2,582,888 virements of the non-ringfenced grants below for the following purposes.
 - SEND Implementation grant (£805,175 to Schools & Learning)
This is a further grant specifically to support implementation of the SEND (special educational needs and disabilities) reforms from September 2014. Schools & Learning have developed a business case setting out the planned activity to be

met through the grant. This includes replacing special educational needs (SEN) statements and learning disability assessments with the new education health and care plans (EHCP) introduction of personal budgets and publication of the local SEN offer. The SEND Governance Board will oversee implementation of the reforms and use of the grant.

- **KS2 Moderation and Phonics Funding (£33,653 to Schools & Learning)**
This is a small grant to support new statutory requirements for local authorities to monitor key stage 2 (KS2) teacher assessments and key stage 1 phonics screening. Schools & Learning will use the grant to fund the statutory assurance including arranging monitoring visits in line with national guidance.
- **Adoption Reform Grant (£493,100 to Children' Services)**
This is the final balance on the 2013/14 adoption reform grant that Children's Services did not require in 2013/14 but will use in 2014/15 to continue to improve adoption services.
- **Staying Put grant (£138,060 to Children's Services)**
This grant is to meet the extra burden on local authorities of the new requirement for young people who were looked after children (LAC) to remain with their foster carers until the age of 21. Children's Services will use the grant to offset the cost of additional fostering allowances incurred due to the extension of the county's responsibilities.
- **Troubled Families Payment by results grant (£462,000 to Strategic Services)**
The council has received further payment by results grants of £462,000 relating to the original DCLG Troubled Families Programme.
- **Troubled Families Co-ordinator grant (£102,000 to Strategic Services)**
Surrey is one of the authorities chosen to lead the next stage of the Troubled Families Programme and has been awarded £102,000 additional co-ordinator grant.
- **Troubled Families Co-ordinator attachment fees (£549,000 to Strategic Services)**
As a troubled families co-ordinator, the council is eligible for attachment fees of up to £1,000 for each family recruited. The service will use the resources to continue the partnership working with boroughs and districts into the second phase of the national programme.

20. CSF seeks approval to incorporate the additional activities' expenditure and income relating to these grants in the budgets indicated above for 2014/15.

Children's Services

21. For Children's Services the forecast overspend is now +£2.2m net of income compared to +£2.6m at 30 June 2014.
22. The overspend mainly relates to care provided for children who are of have been in the care of Surrey:
- +£0.4m agency placements, although numbers have stabilised at a similar level to last year there are three young people in high cost secure accommodation exerting particular pressure on this budget;
 - +£0.5m continuing pressures on fostering allowances and cost of adoption allowances;
 - +£0.8m for leaving care and asylum seekers, as the number of care leavers continues at a similar level to that experienced in 2013/14 when an overspend also

occurred and the number of asylum seekers continues to rise and is higher than at this point last year.

23. In addition CSF expects a +£0.4m overspend in services for children with disabilities mainly due pressure on care packages and increasing complexity. The -£0.4m efficiency is on track to be achieved following the short breaks tendering exercise.

Schools and Learning

24. Overall Schools and Learning forecasts a -£2.2m underspend (net of income) on county funded services at 31 August 2014. The main underspend is on the demographics and inflation budget, offset by an overspend on transport, mainly for children with SEN.

Delegated schools budget

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

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Sep-Mar forecast £m	Full year projection £m	Full year variance £m
Income	-212.7	-206.3	6.4	-468.2	-261.9	-468.2	0.0
Expenditure	206.3	199.9	-6.4	468.2	268.3	468.2	0.0
Net position	-6.4	-6.4	0.0	0.0	6.4	0.0	0.0

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

25. The delegated schools budget shows a balanced year to date position and forecasts a balanced year end position.

Customer & Communities

Table 7: Summary of the revenue position for Customer & Communities services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-5.1	-5.4	-0.3	-12.2	-7.0	-12.4	-0.2
Expenditure	25.2	24.6	-0.6	59.7	35.3	59.8	0.2
Net position	20.1	19.2	-0.9	47.5	28.3	47.5	0.0
Summary by service							
Fire & Rescue	15.1	14.8	-0.3	35.5	20.7	35.5	0.0
Customer Services	1.4	1.3	-0.1	3.3	2.0	3.3	0.0
Trading Standards	0.9	0.9	0.0	2.1	1.2	2.1	0.0
Community Partner & Safety	1.6	1.2	-0.4	3.7	2.6	3.8	0.1
County Coroner	0.5	0.5	0.0	1.2	0.7	1.2	0.0
C&C Directorate Support	0.6	0.5	-0.1	1.7	1.1	1.6	-0.1
Total by service	20.1	19.2	-0.9	47.5	28.3	47.5	0.0

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

26. As at 31 August 2014 Customer & Communities services (C&C) has a -£0.9m year to date underspend and forecasts a balanced position at year end.
27. The forecast balanced position includes staffing savings due to secondments and retirements, offset by the potential unfunded costs of administering DCLG's Repairs

and Renewals grant scheme for which the council has yet to finalise cost sharing arrangements with districts and boroughs.

28. Fire & Rescue service has implemented plans to achieve part of its increased income target and is actively pursuing several opportunities and seeking further savings, which it expects to be sufficient to mitigate this pressure in 2014/15.

Environment & Infrastructure

Table 8: Summary of the revenue position for Environment & Infrastructure services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-10.0	-8.9	1.1	-24.1	-15.3	-24.2	-0.1
Expenditure	60.4	57.1	-3.3	153.4	96.8	153.9	0.5
Net	50.4	48.3	-2.1	129.3	81.5	129.7	0.4
Summary by service							
Environment	32.4	32.2	-0.2	82.1	49.7	81.9	-0.2
Highways	17.1	14.8	-2.3	45.2	31.0	45.8	0.6
Other Directorate Costs	0.9	1.3	0.4	2.0	0.7	2.0	0.0
Total by service	50.4	48.3	-2.1	129.3	81.5	129.7	0.4

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

29. As at 31 August 2014 Environment & Infrastructure services (E&I) has a -£2.1m year to date underspend and forecasts +£0.4m overspend at year end.

30. The forecast overspend is in highways services and includes:

- increases in insurance claims following flooding damage; and
- under recovery of streetworks income.

Business Services

Table 9: Summary of the revenue position for Business Services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-6.0	-6.7	-0.7	-16.5	-10.1	-16.8	-0.3
Expenditure	38.6	37.4	-1.2	98.8	60.9	98.3	-0.5
Net	32.6	30.7	-1.9	82.3	50.8	81.5	-0.8
Summary by service							
Property	12.0	11.6	-0.4	32.0	20.3	31.9	-0.1
Information Management & Technology	9.9	9.6	-0.3	25.0	15.4	25.0	0.0
Human Resources & OD	3.8	2.7	-1.1	9.1	5.7	8.4	-0.7
Finance	3.7	3.7	0.0	8.9	5.2	8.9	0.0
Shared Services	1.8	1.7	-0.1	4.0	2.3	4.0	0.0
Procurement & Commissioning	1.4	1.4	0.0	3.3	1.9	3.3	0.0
Total by service	32.6	30.7	-1.9	82.3	50.8	81.5	-0.8

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

31. As at 31 August 2014 Business Services has a -£1.9m year to date underspend and forecasts a -£0.8m underspend at year end.
32. Of the year to date underspend -£1.1m is in HR, including -£0.6m for apprenticeships & training and £0.5m for leadership development programmes and staffing. The full year effect of the apprenticeships underspend is -£0.4m, of which HR would like to carry forward £0.2m to ensure it meets the target of 50 apprentices a year. HR expects leadership development volumes to rise later in the year to leave a small underspend. The rest of the forecast underspend relates to early achievement of staffing efficiencies.

Chief Executive's Office

Table 10: 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	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-17.4	-15.5	1.9	-42.6	-27.6	-43.1	-0.5
Expenditure	28.1	25.4	-2.7	68.6	43.2	68.6	0.0
Net	10.8	9.9	-0.8	26.0	15.6	25.5	-0.5
Summary by service							
Strategic Leadership	0.2	0.2	0.0	0.4	0.2	0.4	0.0
Magna Carta	0.1	0.0	-0.1	0.3	0.3	0.3	0.0
Emergency Management	0.2	0.2	0.0	0.5	0.4	0.6	0.1
Communications	0.9	0.7	-0.2	2.1	1.4	2.1	0.0
Legal & Democratic Services	3.8	3.7	-0.1	9.1	5.3	9.0	-0.1
Policy & Performance	1.1	1.1	0.0	2.7	1.6	2.7	0.0
Cultural services	4.4	4.0	-0.4	10.6	6.1	10.1	-0.5
Public Health	0.0	0.0	0.0	0.3	0.3	0.3	0.0
Total by service	10.8	9.9	-0.8	26.0	15.6	25.5	-0.5
Public Health – income	-11.8	-9.7	2.1	-28.9	-19.3	-28.9	-0.1
Public Health - expenditure	11.8	9.7	-2.1	29.2	19.6	29.3	0.1
Public Health - net expenditure	0.0	0.0	0.0	0.3	0.3	0.3	0.0

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

33. As at 31 August 2014 Chief Executive's Office (CEO) has a -£0.8m year to date underspend and forecasts a -£0.5m underspend at year end.
34. CEO's forecast underspend is mainly due to vacancies in Libraries and deferring improvement projects, partly offset by Emergency Management's costs of responding to flooding (which it will include as part of Surrey's Bellwin Scheme claim).
35. The issue of the £3.3m misallocated genitourinary medicine (GUM) funding has now been satisfactorily resolved, with the six Clinical Commissioning Groups (CCGs) passing the necessary funds across to Public Health (PH) for 2014/15. As a result, PH management has reviewed expenditure plans for the remainder of the year to ensure it now undertakes projects it had put on hold until funds were secured.
36. The £0.3m difference between the full year income and expenditure budgets is for the SADAS (Surrey Alcohol & Drug Advisory Service) contract jointly funded by ASC and PH. PH is the lead service and holds the net expenditure budget.

37. In 2014/15, PH is on target to spend its core government grant fully and to achieve £0.5m efficiency savings by using grant to fund the activities shown in Table 11.

Table 11 – Efficiency savings planned through Public Health 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 school nursing (Children and Adolescents Mental Health Service)	£100,000	CSF services	Children 5-19
Substance misuse adults	£255,621	ASC services	Substance misuse
	£500,000		

Central Income & Expenditure

Table 12: Summary revenue position

Central Income & Expenditure	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Sep - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-176.9	-177.9	-1.0	-229.9	-52.0	-229.9	0.0
Expenditure	4.8	5.4	0.6	58.0	52.0	57.4	-0.6
Net	-172.1	-172.5	-0.4	-171.9	0.0	-172.5	-0.6
Local Taxation	-251.0	-251.0	0.0	-615.8	-364.8	-615.8	0.0
Total net	-423.1	-423.5	-0.4	-787.7	-364.8	-788.3	-0.6

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

38. As at 31 August 2014 Central Income & Expenditure (CIE) has a -£0.4m year to date underspend and forecasts a -£0.6m year end underspend.
39. The year to date underspend is mainly due to the net interest receivable from the long-term capital strategy investment properties, offset by an overspend on voluntary redundancy, which will reduce in the latter half of the year.
40. The forecast -£0.6m full year underspend is mainly due to reductions in the costs of relocation allowances and protected pay as fewer employees receive them.
41. The council has received additional government grant income not known when setting the Medium Term Financial Plan. These grants are not ringfenced and include:
- -£0.8m Special Educational Needs (SEN) Reform Grant; and
 - -£0.1m Fostering New Burdens Grant.

Revolving Infrastructure & Investment Fund

Table 13: Summary revenue and capital expenditure positions

Revenue expenditure summary	YTD actual £m	Full year forecast £m
Income	-1.3	-3.3
Expenditure	0.1	0.3
Net income before funding	-1.2	-3.0
Funding	1.0	2.4
Net income after funding	-0.2	-0.6
 Capital expenditure	 5.2	 8.0

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

42. As at 31 August 2014 Revolving Infrastructure & Investment Fund (RIIF) has year to date net income -£0.2m and forecasts net income of -£0.6m at year end (after deducting funding costs).
43. RIIF is generating this net income through the joint venture project to regenerate Woking town centre and various property acquisitions for future service delivery. It is anticipated the council will reinvest the net income in the Revolving Infrastructure and Investment Fund at the year-end.
44. Capital expenditure for the year to date is on the purchase of 61 High Street, Staines (£3.8m) and loans to the Woking Bandstand Joint Venture company (£1.4m). The forecast year end position of £8.0m assumes an additional £2.2m in loans to the joint venture company.

Staffing costs

45. 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.
46. 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.
47. 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.
48. 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.
49. The council's total full year budget for staffing is £306.5m based on 8,081 budgeted FTEs. The year to date budget to 31 August 2014 is £129.1m and the expenditure incurred is £126.9m. At 31 August 2014, the council employed 7,348 FTE contracted staff.
50. Table 14 shows the staffing expenditure and FTEs for the period to 31 August 2014 against budget, analysed across services for the three staff categories. It includes the transfer of 532 funded FTE cultural services posts from Customer and Communities to Chief Executive's Office. 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 14: Staffing costs and FTEs to 31 August 2014

	Staffing budget to Aug 2014 £m	Staffing spend by category					Variance £m	Budget FTE	August 2014 occupied contracted FTE
		Contracted £m	Agency £m	Bank & casual £m	Total £m				
Adult Social Care	29.7	26.8	1.4	1.0	29.3	-0.5	2,145	1,876	
Children Schools & Families	44.5	39.3	1.8	1.7	42.8	-1.7	2,828	2,531	
Customer and Communities	15.5	14.4	0.3	0.6	15.3	-0.2	922	876	
Environment & Infrastructure	9.0	9.2	0.3	0.2	9.7	0.7	501	493	
Business Services and Central Income & Expenditure	17.3	15.8	1.4	0.0	17.3	-0.0	900	822	
Chief Executive's Office	13.1	11.4	0.1	1.1	12.6	-0.5	785	750	
Total	129.1	116.9	5.4	4.6	126.9	-2.2	8,081	7,348	

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

51. Table 15 shows there are 539 “live” vacancies, for which active recruitment is currently taking place, with 409 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 14. 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 14 (agency staff and bank & casual staff)

Table 15: full time equivalents in post and vacancies

	August FTE
Budget	8,081
Occupied contracted FTE	7,348
“Live” vacancies (i.e. actively recruiting)	539
Vacancies not occupied by contracted FTEs	194

52. Occupied contracted FTEs has increased by 24 since June. Live vacancies have reduced again following completion of the large adult social care campaign in June 2014.

Efficiencies

53. The council's overall efficiencies target is £72.3m. Against this, the council forecasts achieving £68.7m by year end, a -£3.6m under achievement.
54. 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 – additional one off savings found during the year to support the programme, but are not sustainable in subsequent years.
55. Figure 3 and Table 16 show most services are on track for achieving their planned efficiencies. ASC, E&I and Fire services plan to supporting their programmes with £1.6m additional one off efficiencies. The appendix to this annex gives further details.

Figure 3: 2014/15 overall risk rated efficiencies

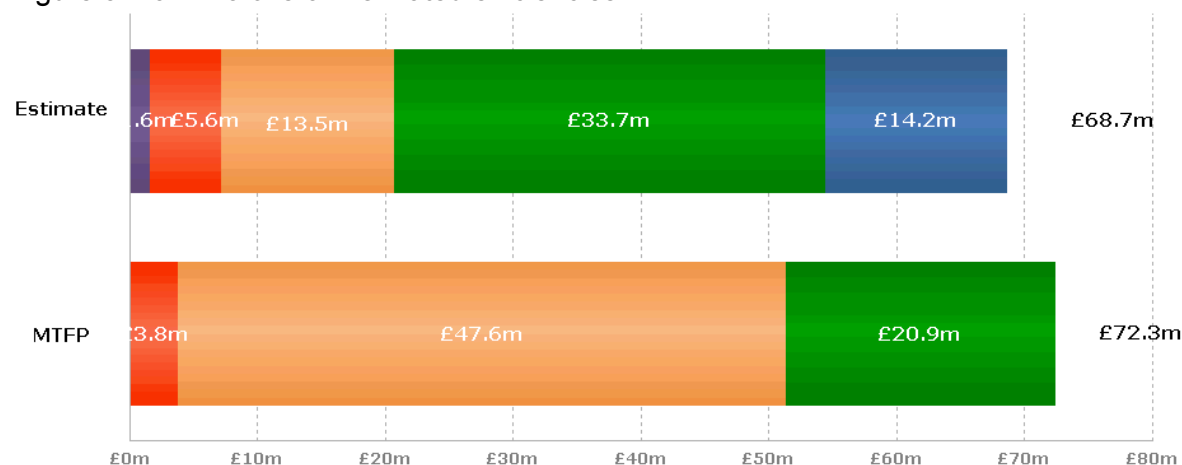


Table 16: 2014/15 Efficiency programme forecasts

	MTFP £m	Forecast £m	Additional £m	Variance £m
Adult Social Care	45.8	42.2	0.3	-3.3
Children, Schools & Families	9.6	9.6	0.0	0.0
Customer & Communities	1.9	1.0	0.9	0.0
Environment & Infrastructure	4.0	3.2	0.4	-0.4
Business Services	2.2	2.4	0.0	+0.2
Chief Executive's Office	1.2	1.2	0.0	0.0
Central Income & Expenditure	7.6	7.5	0.0	-0.1
Total	72.3	67.1	1.6	-3.6

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

Capital

56. By planning significant capital investment as part of MTFP 2014-19, the council demonstrated its firm long term commitment to supporting Surrey's economy.
57. The council initially approved the 2014/15 capital expenditure budget at £217m and the 2014-19 MTFP capital programme at £759m. On 22 July 2014 Cabinet approved reprofiling of the capital programme as shown in Table 17.

Table 17: Reprofiled capital programme 2014-19

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £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 capital programme	195	189	158	116	122	780

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

58. Table 18 shows current forecast expenditure for the service capital programme and long term investments of £204.6m against a budget of £197.0m. There are no significant variances to report on the service capital programme. Approved investment strategy spending is expected to be £8.0m in 2014/15. Cabinet will receive further investment project proposals for spending approval during the year. The capital budget for 2014/15 has increased by £1.1m due to school expenditure funding capital.

Table 18: Forecast capital expenditure 2014/15

	Revised full year budget £m	Apr - Aug actual £m	Sep - Mar projection £m	Full year forecast £m	Full year variance £m
Adult Social Care	1.4	0.3	0.9	1.2	-0.2
Children, Schools & Families	5.5	2.3	3.2	5.5	0.0
Customer & Communities	5.7	0.7	4.9	5.6	-0.1
Environment & Infrastructure	70.8	52.1	65.7	70.8	0.0
School Basic Need	54.3	29.4	24.8	54.2	-0.1
Business Services	47.0	14.0	33.0	47.0	0.0
Chief Executive Office	12.3	7.2	5.1	12.4	0.0
Service capital programme	197.0	106.0	90.6	196.6	-0.4
Long term investments	0.0	5.2	2.8	8.0	8.0
Overall capital programme	197.0	111.2	93.4	204.6	7.6

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

Appendix to Annex

Contents

Corporate performance scorecard – finance

Efficiencies & service reductions

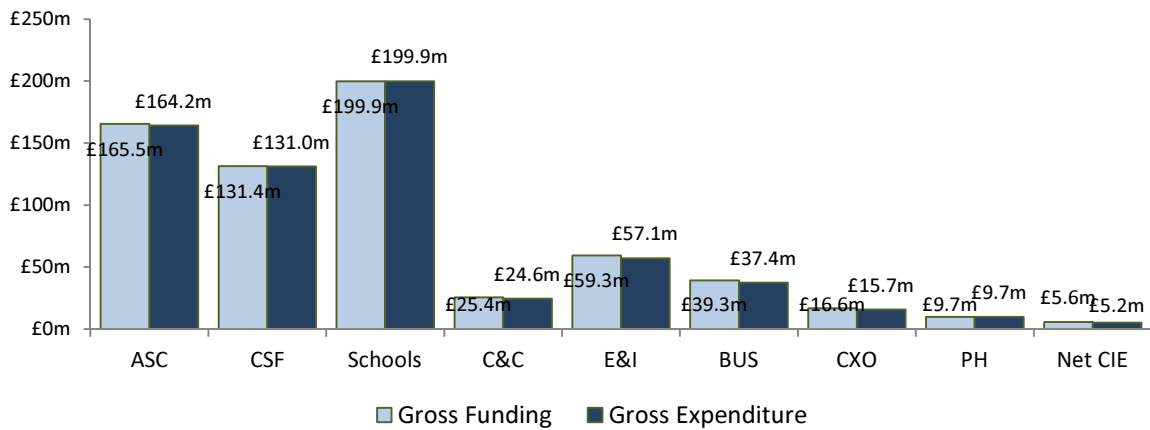
Updated budget - revenue

Corporate performance scorecard – finance

App 1. Figure App 1 shows the gross funding and expenditure for the council for the year to 31 August 2014. 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. Net CIE comprises Central Income & Expenditure, local taxation and the Revolving Infrastructure & Investment Fund.

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

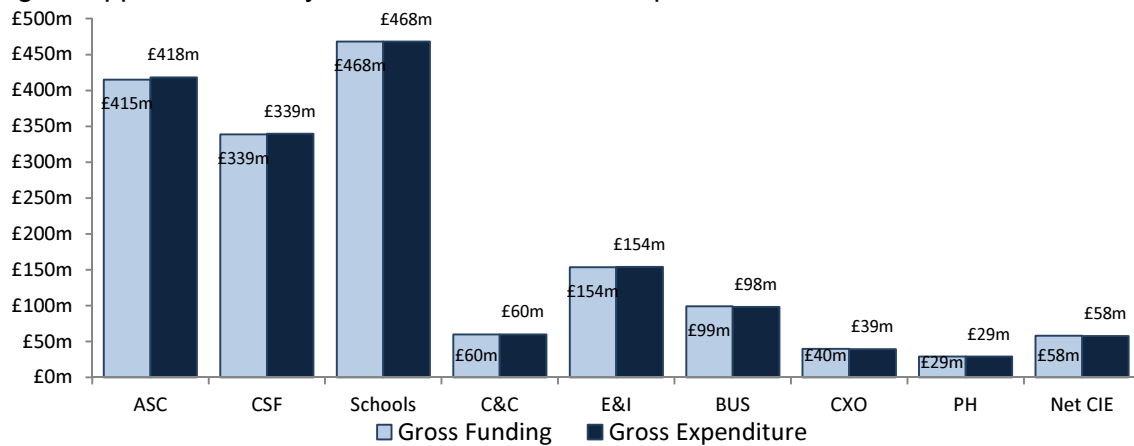
Figure App 1: Year to date revenue position



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App 3. Figure App 2 shows services’ forecast position.

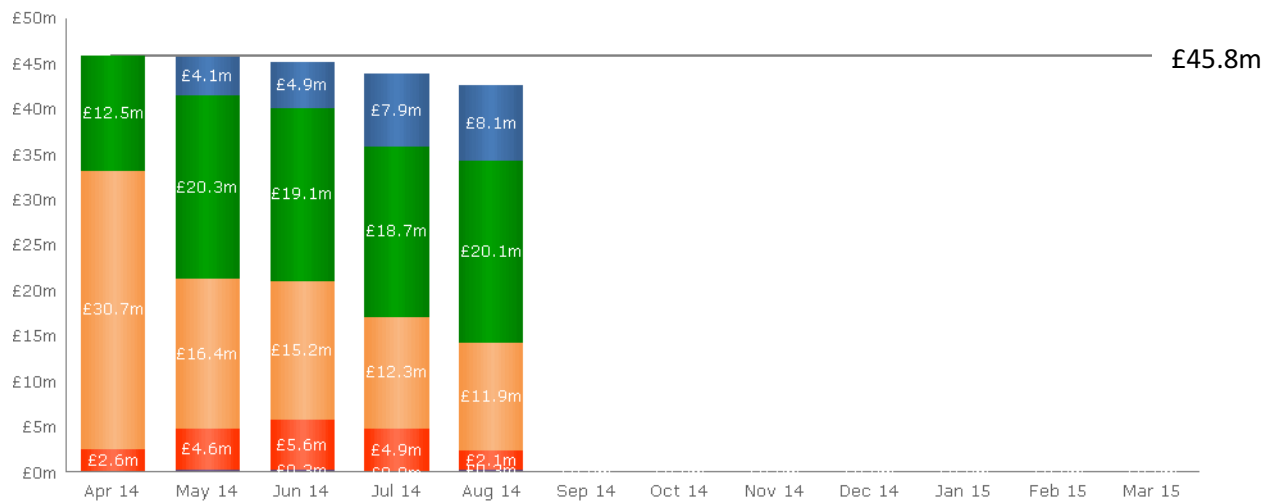
Figure App 2: Services’ year end forecast revenue position



Efficiencies and service reductions

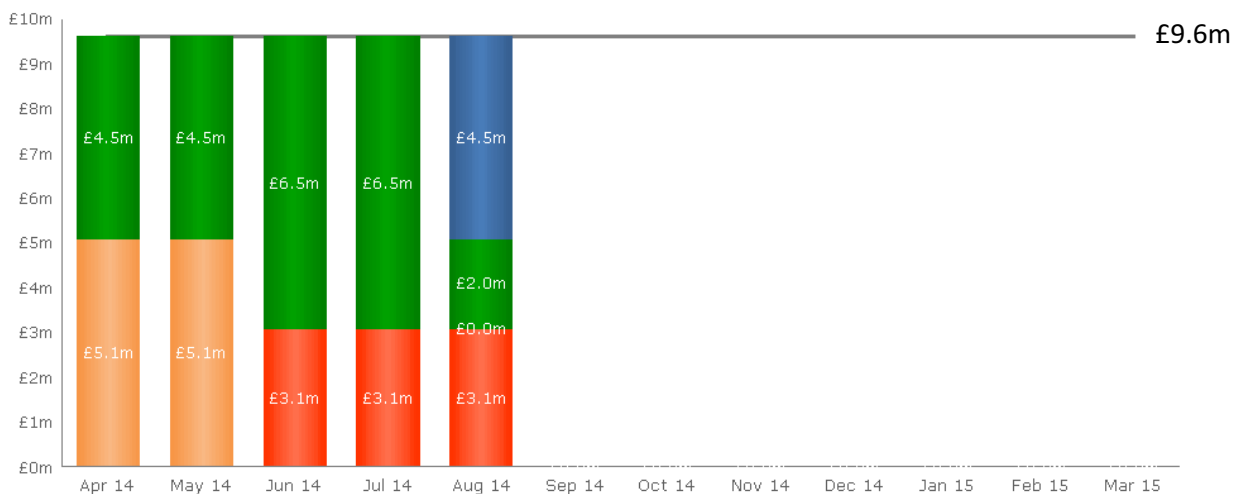
- App 4. The graphs below track progress against MTFP 2014-19's ragged expenditure efficiencies and service reductions over the first four months of 2014/15.
- App 5. All the graphs use the same legend:
 Red – At risk, Amber – Some issues, Green – Progressing, Blue – Achieved.
 Purple - additional one-off efficiency projects to those planned in the MTFP
- App 6. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



App 7. ASC forecasts a shortfall of -£3.3m against its £45.8m efficiencies target. ASC has already achieved savings of £8.1m by 31 August 2014 and is on target to achieve a further £20.1m by year end. Issues remain with £11.9m of efficiencies and £2.1m is at risk.

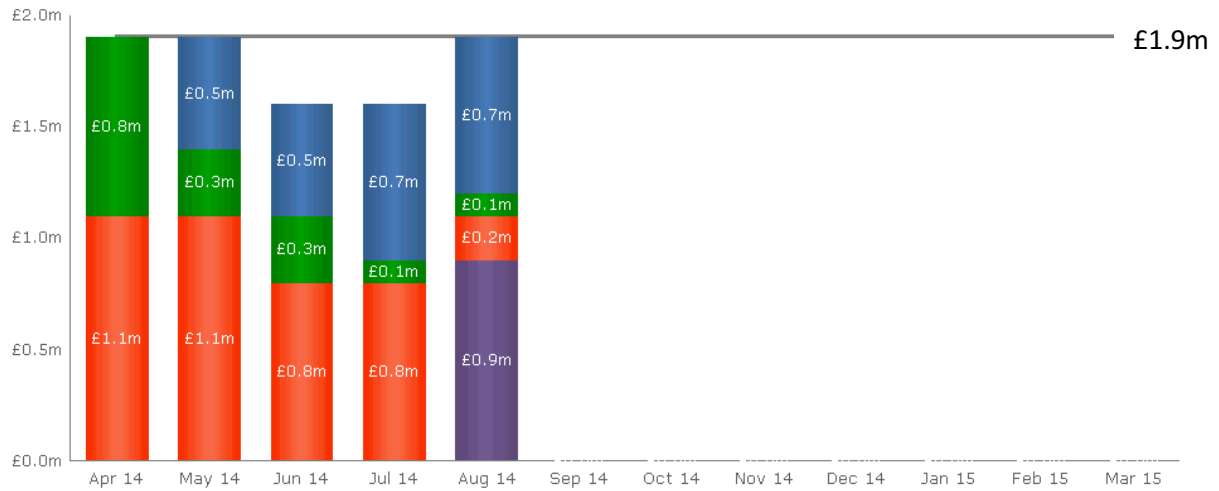
Children, Schools & Families



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App 8. CSF forecasts to meet its £9.6m efficiencies target. About one third of CSF efficiencies are at risk as Children’s Services has not been able to contain spending within its budget.

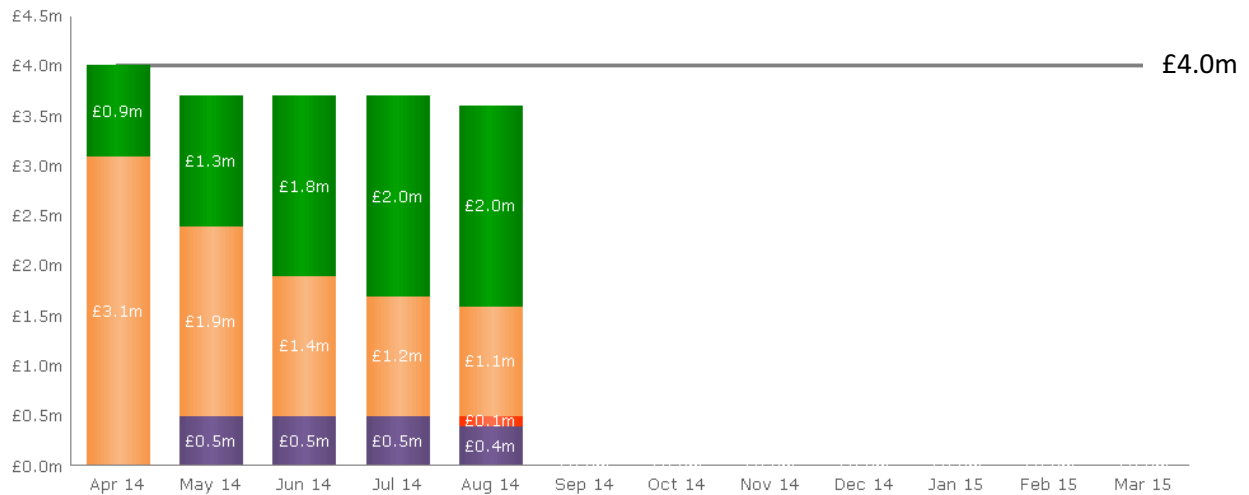
Customer & Communities



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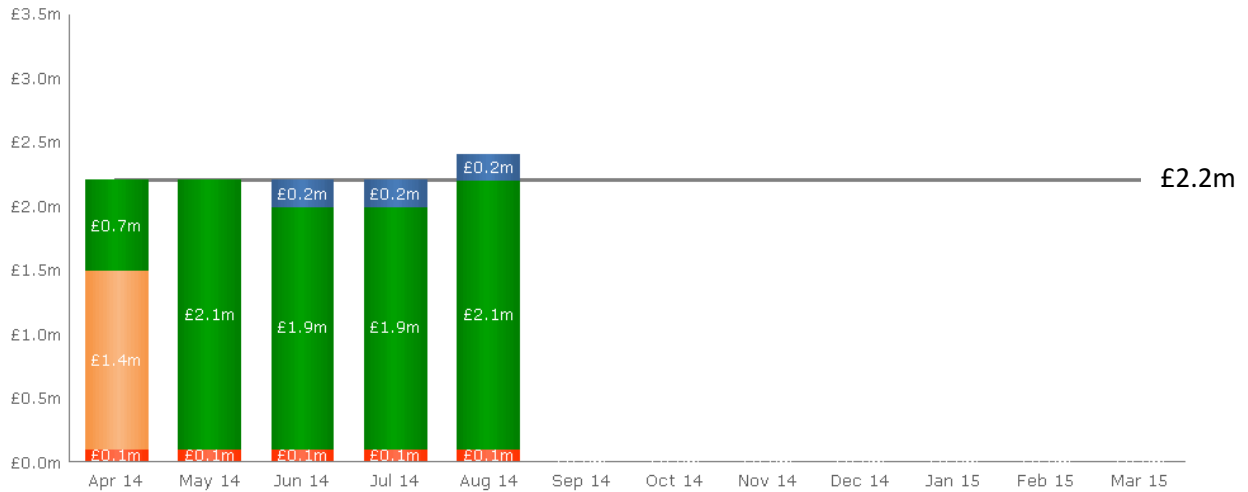
App 9. C&C forecasts to meet its efficiencies target after including £0.9m one-off savings to balance the current financial year. Fire has plans in place to achieve part of its increased income target which leaves an estimated £0.25m shortfall for 2014/15. Delays to the fire station reconfiguration efficiency leave a £0.65m shortfall in 2014/15 (it is expected to be completed in 2015/16). C&C has either achieved or expects to achieve all its other efficiencies.

Environment & Infrastructure



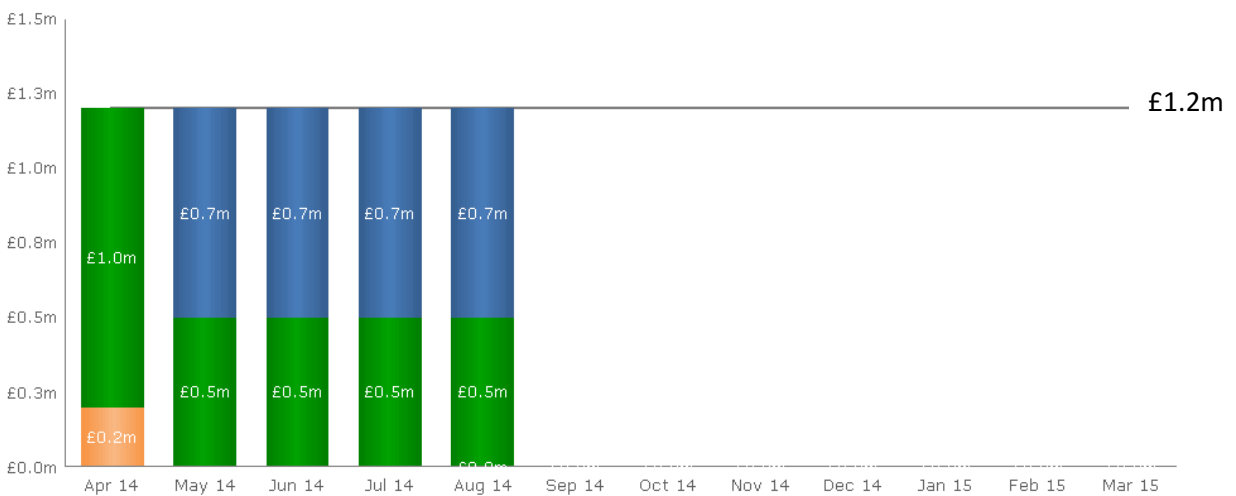
App 10. E&I forecasts a shortfall of -£0.4m against its efficiencies target, after taking into account compensating one-off savings. E&I has established a Savings & Efficiency Panel to oversee the delivery of its efficiencies. The panel scrutinises efficiencies plans to ensure they are robust and stretching and is examining several risks. The panel will continue to investigate the shortfall in 2014/15 and the potential for other offsetting savings.

Business Services



App 11. Business Services' budget includes £2.2m efficiency savings and increased income targets. It has achieved £0.2m of these efficiencies and is on target to achieve another £2.1m savings. The Managed Print Service efficiency (£0.1m) is subject to close monitoring and implementation is back on track. New devices have been installed in Merrow and the installation is likely to be complete by the end of June 2015. Business Services' largest single saving is property maintenance (£0.8m) and it has made plans to achieve this.

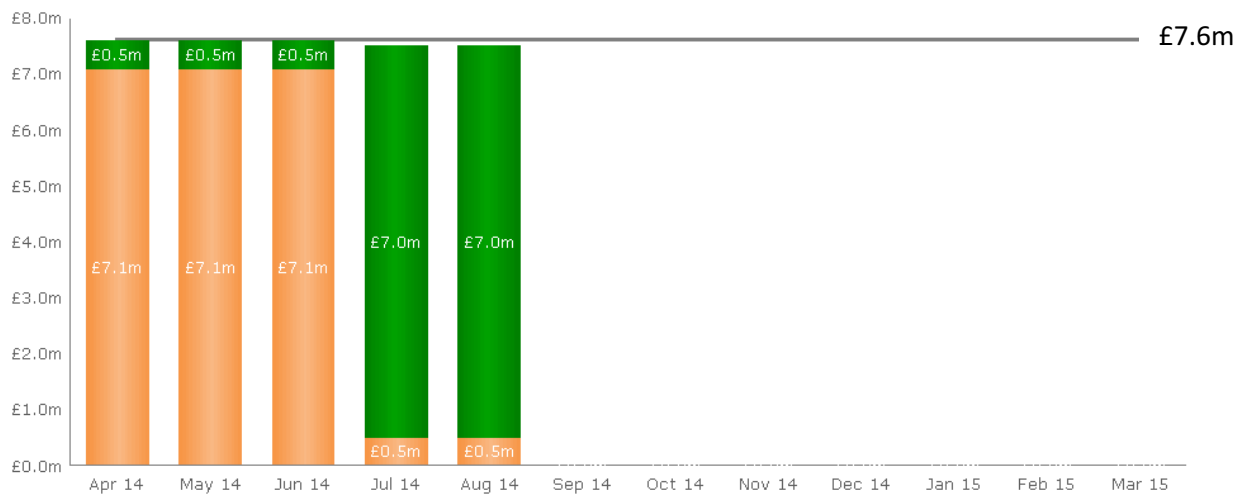
Chief Executive's Office



App 12. CEO is on target to achieve its £1.2m planned efficiencies in 2014/15.

10

Central Income & Expenditure



App 13. CIE forecasts a -£0.1m shortfall against its £7.6m efficiencies target. The communications review has identified £0.4m efficiencies against its £0.5m efficiency target in 2014/15. The shortfall also means the £0.5m efficiencies planned for 2015/16 are at risk. The likely continuation of the council’s internal borrowing strategy in 2014/15 means a further £6.6m efficiencies are on track.

10

Updated budget - revenue

App 14. 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 as at 30 June to £1,651.6m. In July and August 2014, the council made 91 virements as summarised in Table App 1. These increased the budget to £1,659.5m.

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	
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
<u>July & August 2014 changes</u>						
Severe Weather and capital funding virement	-6.3	6.3			0.0	2
In year reallocation of CHC saving target	-1.2	1.2				1
Transfers of income and expenditure	0.9	-0.9			0.0	87
Surrey Choices transfer	-1.3	1.3			0.0	1
Updated budget - August 2014	-1,633.6	1,659.5	0.0	0.0	25.9	185

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

App 15. When council agreed MTFP 2014-19 in February 2014, some government departments had not determined the final amount for some grants. So, services estimated their likely grant. The general principle agreed by Cabinet was any changes in final grants, whether higher or lower, would be reflected in the service's income and expenditure budget.

App 16. 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 17. Virements above £250,000 require the approval of the relevant Cabinet Member, except where they are in accordance with prior Cabinet approval. There were four virements above £250,000 in July and August.

- £6,331,087 net figure for the severe weather and flooding damage as approved by Cabinet in July (two virements),
- £1,236,604 increases Adult Social Care for the reallocation of saving for the continuing health care service savings targets.
- £1,293,300 virements to create the local authority trading company (LATC) Surrey Choices, following Cabinet approval in December 2013 and start of business in August 2014. These vire budgets transferring between services and recognise services being supplied to the LATC in order to create the commissioning budget required to purchase the agreed services from Surrey Choices.

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

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-73.8	416.0	342.3
Children, Schools & Families	-150.6	336.8	186.2
Schools	-468.2	468.2	0.0
Customers and Communities	-12.2	59.7	47.5
Environment & Infrastructure	-24.1	153.4	129.3
Business Services	-16.5	98.8	82.3
Chief Executive's Office	-42.6	68.6	26.1
Central Income & Expenditure	-845.7	58.0	-787.7
Service total	-1,633.6	1,659.5	25.9

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

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

Table App 3: 2014/15 Revenue budget forecast position as at 31 August 2014

	YTD budget £m	YTD actual £m	YTD variance £m	Full year budget £m	Sep - Mar forecast spend £m	Outturn forecast £m	Forecast variance £m
Income:							
Local taxation	-251.0	-251.0	0.0	-615.8	-364.8	-615.8	0.0
Government grants	-451.5	-432.1	19.5	-859.2	-427.4	-859.4	-0.2
Other income	-61.0	-70.6	-9.6	-158.5	-90.0	-160.6	-2.1
Income	-763.5	-753.6	9.9	-1,633.6	-882.3	-1,635.9	-2.3
Expenditure:							
Staffing	129.1	126.9	-2.2	306.5	180.8	307.7	1.2
Service provision	327.1	317.9	-9.2	884.8	570.3	888.2	3.4
Non schools sub-total	456.2	444.8	-11.4	1,191.3	751.1	1,195.9	4.6
Schools expenditure	206.3	199.9	-6.4	468.2	268.3	468.2	0.0
Total expenditure	662.6	644.7	-17.9	1,659.5	1,019.4	1,664.1	4.6
Movement in balances	-100.9	-108.9	-8.0	25.9	137.2	28.3	2.4

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

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