Budget monitoring period 6 2014/15 (September 2014)

Summary recommendations

Cabinet is asked to note the following.

1. The council forecasts a +£0.4m overspent revenue position for 2014/15 (paragraph 2).
2. Services forecast achieving £69.0m efficiencies and service reductions by year end (paragraph 54).
3. The council forecasts investing £207m through its capital programme in 2014/15 (paragraph 58).
4. Quarter end balance sheet as at 30 September 2014 and movements in earmarked reserves and debt outstanding (paragraphs 61 to 63).
5. Services' management actions to mitigate overspends (throughout this report).

Cabinet is asked to approve the following adjustments to the revenue budget.

6. Virement of £1.1m gross expenditure budget from Human Resources & Organisational Development to Shared Services (£1m) and Finance (£0.1m) to realign budgets and service responsibilities (paragraphs 33 to 35);

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 30 September 2014, the council forecasts a +£0.4m overspend for 2014/15 after taking mitigating actions.

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 cover 80% of service spend and concluded the key strategies were valid. To maintain the good progress in the rigour and robustness of services' savings plans and in managing the risks in the MTFP, the support sessions will continue.

The Chief Executive and Director of Finance will continue to report progress on the medium term financial planning process at the council's regular briefings to all members. In response to the scale of the challenge facing local government in the current financial climate of Government reductions in funding and pressures on services, Cabinet will continue to consider strategic financial planning options for 2015-20 ahead of setting the next Medium Term Financial Plan early in 2015.

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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). As at 30 September 2014, services forecast to achieve £69.0 m 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 six months of 2014/15.

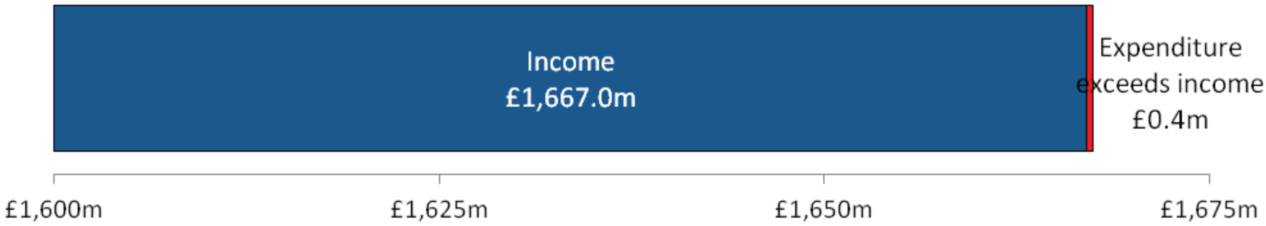
As at 30 September 2014, the council forecasts +£6.5m overspend against 2014/15's reprofiled capital budget. This includes the +£7.5m forecast spend on long term capital investments.

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 30 September 2014, services forecast a +£0.4m overspent net revenue budget position. This is a £2.0m improvement over the position forecast last month.

Figure 1 Forecast 2014/15 net revenue position



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3. The forecast 2014/15 budget variance as at 30 September 2014 is +£0.4m overspent mainly due to the following variances.

   - Adult Social Care forecasts +£2.7m overspend (an improvement of £0.6m largely because of projected for fees & charges income). This total overspend includes a forecast +£2.8m overspend on the Family, Friends & Community support strategy;
   - Children's services forecasts a +£1.8m 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 +£0.7m overspend mainly due to under recovery of streetworks income and additional employee costs partly offset by travel and transport underspends.
   - Schools & Learning forecasts -£3.2m underspend. This underspend is mainly on county funded central budgets and Commercial Services, offset by an overspend on transport, mainly for children with SEN;
   - Business Services forecasts -£1.1m underspend, mainly 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 staff relocation allowances and protected pay.

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

August Forecast variance £m		YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Oct – Mar remaining forecast £m	Full year forecast £m	Full year variance £m
3.3	Adult Social Care	168.0	165.7	-2.4	341.9	179.0	344.7	2.7
0.6	Children, Schools & Families	91.6	87.7	-3.9	187.3	98.7	186.4	-0.9
0.0	Schools (gross exp £468m)	-4.1	-4.1	0.0	0.0	4.1	0.0	0.0
0.0	Customer & Communities	5.9	5.2	-0.7	11.9	6.8	12.0	0.1
	Fire & Rescue	18.0	18.0	0.0	35.5	17.5	35.5	0.0
0.4	Environment & Infrastructure	60.3	56.8	-3.5	129.3	73.2	130.0	0.7
-0.8	Business Services	38.8	37.2	-1.6	82.4	44.1	81.3	-1.1
-0.5	Chief Executive's Office	12.5	11.4	-1.0	26.1	14.2	25.6	-0.5
-0.6	Central Income & Expenditure	-154.4	-154.4	0.0	-172.7	-18.9	-173.3	-0.6
2.4	**Service net budget**	**236.7**	**223.5**	**-13.1**	**641.7**	**418.7**	**642.1**	**0.4**
0.0	Local taxation	-312.9	-312.9	0.0	-615.8	-302.9	-615.8	0.0
0.0	Revolving Infrastructure & Investment Fund	0.0	-0.3	-0.3	0.0	0.3	0.0	0.0
2.4	**Overall net budget**	**-76.2**	**-89.7**	**-13.5**	**25.9**	**116.1**	**26.3**	**0.4**

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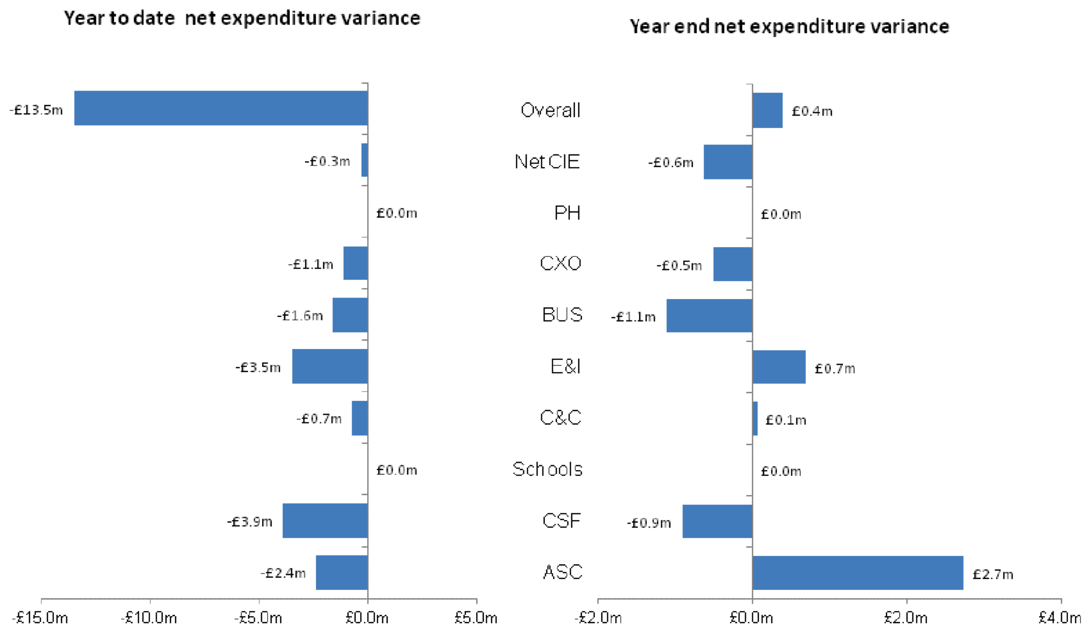
Note: Fire & Rescue was reported as part of Customer & Communities in the period up to 31 August 2104
All numbers have been rounded - which might cause a casting error

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

6. 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



7. 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	Oct -Mar forecast £m	Full year projection £m	Full year variance £m
Income	-33.8	-32.8	1.1	-73.8	-40.5	-73.2	0.5
Expenditure	201.8	198.4	-3.4	415.7	219.5	417.9	2.3
Net position	**168.0**	**165.7**	**-2.4**	**341.9**	**179.0**	**344.7**	**2.7**
Service summary							
Income	-33.8	-32.8	1.1	-73.8	-40.5	-73.2	0.5
Older People	82.1	79.8	-2.3	168.5	88.6	168.4	-0.1
Physical Disabilities	23.7	23.1	-0.6	48.1	24.5	47.6	-0.5
Learning Disabilities	61.5	61.5	0.0	130.0	70.5	132.0	2.0
Mental Health	5.2	4.2	-1.0	10.8	6.6	10.8	0.0
Other expenditure	29.3	29.8	0.5	58.3	29.2	59.0	0.7
Total by service	**168.0**	**165.6**	**-2.3**	**341.9**	**179.0**	**344.7**	**2.7**

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

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8. As at 30 September 2014, Adult Social Care services (ASC) has a -£2.4m year to date underspend with +£2.7m forecast overspend at year end. This is a reduction from the £3.3m projected overspend reported as at 31 August 2014. The key change since last month's forecast is ASC now projects a surplus for fees and charges income based on the year to date trend in line with a continued rise in service user numbers.

9. ASC has a significant savings target in 2014/15 of £42m plus a target to generate an additional of £4m income. Since the beginning of the year, ASC has incurred +£0.5m of extra demand pressures for Transition clients, meaning it requires £42.5m total savings. ASC has made good progress in many of its savings actions and judges it has achieved or will achieve savings of £26.4m without needing further management action.

10. The year end efficiencies forecast as at 30 September 2014 relies on ASC implementing £13.3m 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 other FFC related savings in order to offset in-year programme delays. One strand of this catch up work is a focus on preventative measures to help

manage demand for new services. As at 30 September 2014, ASC expects this work to deliver £0.3m savings in 2014/15. ASC aims to achieve a further £2m of catch up savings in the remainder of the year. 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 - Sep £m**	**Forecast Oct - Mar £m**	**Full year forecast £m**	**2014/15 variance £m**	**Full year target £m**	**Full year effect £m**	**Full year variance £m**
New packages non-transition	-3.5	-0.3	-1.0	-1.3	2.2	-3.5	-4.4	-0.9
Reassessments	-6.4	-1.2	-2.2	-3.4	3.0	-6.4	-10.1	-3.7
FFC DP surplus	-3.0	-3.1	-1.4	-4.5	-1.5	0.0	0.0	0.0
FFC catch up	0.0	0.0	-2.0	-2.0	-2.0	0.0	0.0	0.0
FFC demand management	0.0	-0.1	-0.2	-0.3	-0.3	0.0	0.0	0.0
Sub-total	**-12.9**	**-4.7**	**-6.8**	**-11.5**	**1.4**	**-9.9**	**-14.5**	**-4.6**
New packages transition	-0.4	1.1	-0.1	1.0	1.4	-0.4	0.7	1.1
Total	-13.3	-3.6	-6.9	-10.5	2.8	-10.3	-13.8	-3.5

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

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13. Table 3 shows savings are progressing in all areas other than new transition care packages (those for individuals who transferred from Children's, Schools & Families to ASC in 2014/15). Care costs for these individuals are historically volatile and the number of high costs cases ASC has picked up so far this year have led to £1.1m additional costs. Excluding new transition packages, the other FFC streams have achieved £4.8m savings to date with £11.5m forecast for the whole year.

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 this aim.
- Identification of £2.6m of additional savings to go meet the target for savings ASC had not identified during the budget planning process. 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 30 September 2014, ASC has no firm plans in place to deliver these savings. As such, ASC has reduced the savings forecast to £0.85m.
- ASC anticipates the correct application of continuing health care arrangements will deliver £1.1m of savings in the remainder of 2014/15. Progress is improving slowly in this savings stream but challenges remain in delivering the full value of savings in the rest of the year.
- As outlined above ASC aims to deliver £2.0m of FFC catch up savings in the remainder of 2014/15 to offset slippage against the original savings target. As at 30 September 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 £4.1m 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		-0.5
		-42.5
Total efficiency savings achieved (or needing no further management action) to date		-26.4
Efficiency savings forecast for the rest of the year through use of FFC	-5.4	
FFC applied to direct payments reclaims	-1.4	
Other efficiency savings for the rest of the year needing management actions	-6.5	
		-13.3
Total efficiency savings forecast in remainder of year		-39.7
Under(+)/over(-) performance against MTFP target		2.7

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

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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	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-70.9	-70.2	0.7	-152.3	-83.8	-154.0	-1.7
Expenditure	162.5	157.9	-4.6	339.6	182.5	340.4	0.8
Net position	**91.6**	**87.7**	**-3.9**	**187.3**	**98.7**	**186.4**	**-0.9**
Service summary							
Income	-70.9	-70.2	0.7	-152.3	-83.8	-154.0	-1.7
Strategic Services	2	2.3	0.3	4.3	2.6	4.9	0.6
Children’s Services	45.9	45.8	-0.1	93.6	50.4	96.2	2.6
Schools and Learning	100.7	95.7	-5.0	213.8	115.5	211.2	-2.6
Services for Young People	13.9	14.1	0.2	27.9	14.0	28.1	0.2
Total by service	**91.6**	**87.7**	**-3.9**	**187.3**	**98.7**	**186.4**	**-0.9**

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

16. As at 30 September 2014 Children, Schools & Families services (CSF) has a -£3.9m year to date underspend and forecasts -£0.9m year end underspend. This represents a reduction of -£1.5m compared to the forecast overspend as at 31 August 2014. There has been a general reduction in forecast overspends across the directorate together with a £0.5m improvement in the position of Commercial Services.

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 & Learning. However, there has been a further reduction in the Children’s Services overspend of £0.2m.

Children's Services

19. Children's Services' forecast overspend is now +£1.8m net of income. The overspend relates mainly to care provided for children who are or have been in Surrey's care:

- +£0.6m agency placements, although numbers have stabilised at a similar level to last year there have been particularly high cost secure accommodation placements exerting particular pressure on this budget;
- +£0.3m 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.

20. In addition CSF expects a +£0.6m overspend in services for children with disabilities mainly due pressure on care packages and increasing complexity. The -£0.4m short breaks efficiency is on track to be achieved following the tendering exercise.

Schools & Learning

21. Overall Schools & Learning forecasts a -£3.2m underspend (net of income) on county funded services at 30 September 2014. The main underspend is on the centrally held demographics and inflation budget. In addition Commercial Services are forecast to underspend by -£0.5m mainly as a result of delays in recruitment of the staff required to fulfil demand for free infant meals. These underspends are partly 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	Oct-Mar forecast £m	Full year projection £m	Full year variance £m
Income	-243.0	-247.1	-4.1	-468.3	-225.2	-472.4	-4.1
Expenditure	238.9	243.0	4.1	468.3	229.3	472.4	4.1
Net position	**-4.1**	**-4.1**	**0.0**	**0.0**	**4.1**	**0.0**	**0.0**

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

22. 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	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-0.5	-0.6	-0.1	-0.9	-0.3	-0.9	0.0
Expenditure	6.5	5.9	-0.6	12.8	7.0	12.9	0.1
Net position	**6.0**	**5.3**	**-0.7**	**11.9**	**6.7**	**12.0**	**0.1**
Summary by service							
Customer Services	1.7	1.6	-0.1	3.3	1.7	3.3	0.0
Trading Standards	1.0	1.0	0.0	2.0	1.2	2.2	0.2
Community Partnerships & Safety	1.9	1.4	-0.5	3.7	2.3	3.7	0.0
County Coroner	0.8	0.7	-0.1	1.6	0.8	1.5	-0.1
C&C Directorate Support	0.6	0.6	0.0	1.3	0.7	1.3	0.0
Total by service	**6.0**	**5.3**	**-0.7**	**11.9**	**6.7**	**12.0**	**0.1**

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

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23. As at 30 September 2014 Customer & Communities services (C&C) had -£0.7m year to date underspend and forecast a small year end overspend.

24. The forecast small overspend position includes: +£0.2m income shortfalls in Trading Standards for recovery of court costs and proceeds of crime, +£0.1m 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, partly offset by staffing savings from secondments and retirements and delays in applicants meeting Community Improvement Fund grant conditions.

25. The -£0.7m year to date underspend is mainly due to timing of expenditure on third party grants and member allocations plus staffing underspends.

Fire & Rescue

Table 8: Summary of the revenue position for Fire & Rescue services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-5.6	-5.7	-0.1	-11.3	-5.7	-11.4	-0.1
Expenditure	23.6	23.7	0.1	46.8	23.2	46.9	0.1
Net position	**18.0**	**18.0**	**0.0**	**35.5**	**17.5**	**35.5**	**0.0**
Summary by service							
Rescue Operations	14.7	14.4	-0.3	28.9	14.7	29.1	0.2
Fire Support Functions	0.6	0.7	0.1	1.2	0.5	1.2	0.0
Community Fire Safety	0.6	0.6	0.0	1.2	0.6	1.2	0.0
Emergency Planning	0.1	0.2	0.1	0.2	0.0	0.2	0.0
FF Pension Fund	2.0	2.1	0.1	4.0	1.7	3.8	-0.2
Total by service	**18.0**	**18.0**	**0.0**	**35.5**	**17.5**	**35.5**	**0.0**

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

26. As at 30 September 2014 Fire & Rescue services (F&R) has a balanced year to date position and forecasts a balanced year end position.

27. F&R has plans in place to achieve part of its increased income target. It is currently expecting a shortfall of £0.1m due to delays in securing new income sources. F&R is actively pursuing several additional opportunities and seeking further savings which it expects to be sufficient to mitigate this pressure in the current financial year. F&R is absorbing the 2014/15 station reconfiguration efficiency in the current financial year through a mix of vacant posts and managed savings.

Environment & Infrastructure

Table 9: Summary of the revenue position for Environment & Infrastructure services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-12.1	-10.9	1.2	-24.1	-14.3	-25.2	-1.1
Expenditure	72.4	67.7	-4.7	153.4	87.5	155.2	1.8
Net	**60.3**	**56.8**	**-3.5**	**129.3**	**73.2**	**130.0**	**0.7**
Summary by service							
Environment	38.8	38.3	-0.5	82.2	43.5	81.8	-0.4
Highways	20.4	17.0	-3.4	44.9	28.4	45.4	0.5
Other Directorate Costs	1.1	1.5	0.4	2.2	1.3	2.8	0.6
Total by service	**60.3**	**56.8**	**-3.5**	**129.3**	**73.2**	**130.0**	**0.7**

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

28. As at 30 September 2014 Environment & Infrastructure services (E&I) has a -£3.5m year to date underspend, primarily relating to Highway works. This includes several highway budgets including: road repairs, drainage and local schemes, where E&I has planned works for later in the year.

29. E&I forecasts to overspend by +£0.7m at the end of the year. This is primarily due to:

- +£0.6m additional employee costs being incurred across E&I, some of which will be funded through additional income and recharges, including use of grants;
- +£0.6m highways pressures including a shortfall in streetworks income and capital recharges (for costs of staff involved in capital schemes) and increased insurance costs; and
- -£0.5m travel & transport underspends, including refund of prior year Park & Ride costs, and income from the Police and NHS.

Business Services

Table 10: Summary of the revenue position for Business Services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-7.4	-8.4	-1.0	-16.5	-8.0	-16.4	0.1
Expenditure	46.2	45.6	-0.6	98.9	52.1	97.7	-1.2
Net	**38.8**	**37.2**	**-1.6**	**82.4**	**44.1**	**81.3**	**-1.1**
Summary by service							
Property	14.4	13.6	-0.8	31.9	18.0	31.6	-0.3
Information Management & Technology	11.9	11.9	0.0	25.0	13.1	25.0	0.0
Human Resources & OD	4.1	3.4	-0.7	9.1	4.9	8.3	-0.8
Finance	4.6	4.6	0.0	9.1	4.5	9.1	0.0
Shared Services	2.1	2.0	-0.1	4.0	2.0	4.0	0.0
Procurement & Commissioning	1.7	1.7	0.0	3.3	1.6	3.3	0.0
Total by service	**38.8**	**37.2**	**-1.6**	**82.4**	**44.1**	**81.3**	**-1.1**

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

9

30. As at 30 September 2014 Business Services has a -£1.6m year to date underspend and forecasts a -£1.1m underspend at year end.

31. Business Services forecasts -£1.1m year end underspend, including making -£0.2m of 2015/16 efficiency savings early. The other underspends are one off, such as apprentices, rebates from contract negotiations and utilities. The service would like to carry forward £0.2m of this.

32. The -£1.6m year to date underspend includes -£0.7m in Property and -£0.7m in HR. Property's underspend comprises -£0.5m maintenance and -£0.2m utilities. HR's underspend comprises -£0.3m for apprenticeships, -£0.2m training and -£0.2m staffing. HR is recruiting 48 apprentices. Their start dates mean the full year effect of the apprenticeships underspend is -£0.4m. HR would like to carry forward £0.2m to ensure continuation of the target of 50 apprentices a year. HR forecasts -£0.2m staffing underspend through early achievement of 2015/16 efficiencies.

Virement request

33. Following changes in management responsibilities, Business Services requests a virement of £1.1m gross expenditure to realign budgets with their revised areas of service delivery. This virement reflects the movement of £1.1m for the Pensions Administration team from Human Resources & Organisational Development (HR&OD) to Shared Services (£1.0m) and to Finance (£0.1m).

34. In line with the directorate strategy to bring teams with high volume transactional services into the SE Shared Services partnership the majority of the Pensions Administration team is moving from HR&OD to Shared Services. This move also brings the pensions team for East Sussex CC and Surrey CC into the same service, a service with a commercial team able to bid for and win new clients so expanding our ability to offer efficient pensions services to the public sector. This move will create further opportunities for efficiencies through economies of scale, continuous improvement and a sustained focus on customer improvement through the

established Shared Services operating model. The net expenditure budget transferring is -£0.2m: expenditure £1.0m, income -£1.2m.

35. The element of the Pensions Administration team that advises on employer pension issues, admission agreements, Pension Fund Board reports, KPIs, early retirement and severance issues, is transferring to the Pensions & Treasury Management team within the Finance Service. This means the pension fund management and commissioning of pensions administration is in the same team. The expenditure budget to transfer is £0.1m and the income budget is -£0.1m.

Chief Executive's Office

Table 11: Summary of the revenue position for Chief Executive's Office services

9

	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-20.3	-21.7	-1.4	-42.7	-21.4	-43.1	-0.4
Expenditure	32.6	33.0	0.4	68.7	35.6	68.6	-0.1
Net	**12.3**	**11.3**	**-1.0**	**26.0**	**14.2**	**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	0.3	0.3	0.0	0.5	0.3	0.6	0.1
Communications	0.9	0.9	0.0	2.1	1.2	2.1	0.0
Legal & Democratic Services	4.5	4.3	-0.2	9.1	4.8	9.1	0.0
Policy & Performance	1.4	1.3	-0.1	2.7	1.3	2.6	-0.1
Cultural services	4.6	4.0	-0.6	10.6	6.1	10.1	-0.5
Public Health	0.3	0.3	0.0	0.3	0.2	0.4	0.0
Total by service	12.3	11.3	-1.0	26.0	14.2	25.5	-0.5
Public Health – income	-12.9	-13.9	-1.0	-28.9	-15.1	-29.0	-0.1
Public Health - expenditure	13.2	14.2	1.0	29.2	15.1	29.3	0.1
Public Health - net expenditure	**0.3**	**0.3**	**0.0**	**0.3**	**0.0**	**0.3**	**0.0**

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

36. As at 30 September 2014 Chief Executive's Office (CEO) has a -£1.0m year to date underspend and forecasts a -£0.5m underspend at year end.

37. 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. The -£1.0m year to date underspend is mainly due to staff underspends in Legal Services and Libraries.

38. The £0.3m difference between Public Health's (PH) full year income and expenditure budgets is for the SADAS (Surrey Alcohol & Drug Advisory Service) contract jointly funded by PH and ASC. PH is the lead service and holds the net expenditure budget.

39. Public Health (PH) expenditure is on target to spend its core government grant fully and to achieve -£0.5m efficiency savings by funding the activities shown in Table 12.

Table 12 – 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
Total	**£500,000**		

40. During September, PH began budget planning for the next three years and undertaking a thorough review of the forecast outturn position for 2014/15. The allocations for 2015/16 were recently announced and confirm continued ring fencing of PH funding for one more year. The funding value remains the same as in 2014/15, removing the 10% increases previously expected. On current plans, this creates a budget pressure for future years. 9

Central Income & Expenditure

Table 13: Summary revenue position

Central Income & Expenditure	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Oct - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-186.8	-187.2	-0.4	-229.8	-42.6	-229.8	0.0
Expenditure	32.4	32.8	0.4	57.1	23.7	56.5	-0.6
Net	**-154.4**	**-154.4**	**0.0**	**-172.7**	**-18.9**	**-173.3**	**-0.6**
Local taxation	-312.8	-312.8	0.0	-615.8	-303.0	-615.8	0.0
Total net	**-467.2**	**-467.2**	**0.0**	**-788.5**	**-321.9**	**-789.1**	**-0.6**

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

41. As at 30 September 2014 Central Income & Expenditure (CIE) has a balanced year to date position and forecasts -£0.6m year end underspend.

42. The balanced year to date position is mainly due to the net interest receivable from the long-term capital strategy investment properties, offset by an overspend on redundancy and compensation, which will reduce in the second half of the year.

43. 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) and Minimum Revenue Provision (money set aside for debt repayment).

Revolving Infrastructure & Investment Fund

Table 14: Summary revenue and capital expenditure positions

Revenue expenditure summary	**YTD actual £m**	**Full year forecast £m**
Income	-1.6	-3.3
Expenditure	0.1	0.3
Net income before funding	-1.5	-3.0
Funding	1.2	2.5
Net income after funding	**-0.3**	**-0.5**
Capital expenditure	**5.2**	**7.5**

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

44. As at 30 September 2014 Revolving Infrastructure & Investment Fund (RIIF) has -£0.3m year to date net income and forecasts -£0.5m net income at year end (after deducting funding costs).

9

45. 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.

46. Capital expenditure for the year to date includes the purchase of 61 High Street, Staines, loans to the Woking Bandstand Joint Venture company and preliminary costs associated with developing the Thales site in Crawley (Cabinet approved the submission of a detailed planning application and contract tender for the first phase of development in September.

Staffing costs

47. 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.

48. 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.

49. 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.

50. 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.

51. The council's total full year budget for staffing is £306.5m based on 7,823 budgeted FTEs. The year to date budget to 30 September 2014 is £154.7m and expenditure incurred is £151.7m. At 30 September 2014, the council employed 7,155 FTE contracted staff.

52. Table15 shows the staffing expenditure and FTEs for the period to 30 September 2014 against budget, analysed across services for the three staff categories. It includes the transfer of 532 cultural services FTE from Customer & Communities to Chief Executive's Office and the movement of 258 FTE to Surrey Choices. The table includes staff costs and FTEs 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 15: Staffing costs and FTEs to 30 September 2014

	Staffing budget to Sep 2014 £m	Staffing spend by category							
		Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	Budget FTE	Sep 2014 occupied contracted FTE
Adult Social Care	**35.1**	31.6	1.7	1.2	**34.5**	**-0.6**	1,887	1,647
Children Schools & Families	**52.9**	47.1	2.1	2.0	**51.2**	**-1.7**	2,828	2,563
Customer and Communities	**18.6**	17.3	0.4	0.8	**18.4**	**-0.2**	922	872
Environment & Infrastructure	**11.0**	11.0	0.4	0.2	**11.6**	**0.6**	501	492
Business Services and Central Income & Expenditure	**21.2**	18.9	2.0	0.1	**21.0**	**-0.2**	900	826
Chief Executive's Office	**15.8**	13.6	0.1	1.3	**15.1**	**-0.8**	785	755
Total	**154.7**	**139.5**	**6.7**	**5.5**	**151.7**	**-3.0**	**7,823**	**7,155**

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

53. Table 16 shows there are 605 "live" vacancies, for which active recruitment is currently taking place, with 447 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 15. 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 in Table 15 (agency staff and bank & casual staff).

Table 16: Full time equivalents in post and vacancies

	Sep 2014 FTE
Budget	7,823
Occupied contracted FTE	7,155
"Live" vacancies (i.e. actively recruiting)	605
Vacancies not occupied by contracted FTEs	63

9

Efficiencies

54. The council's overall efficiencies target is £72.3m. Against this, the council forecasts achieving £69.0m by year end, a -£3.3m under achievement.

55. 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.

56. Figure 3 and Table 17 show most services are on track for achieving their planned efficiencies. ASC, E&I and Fire services plan to support their programmes with £1.4m additional one off efficiencies. The appendix to this annex gives further details.

Figure 3: 2014/15 overall risk rated efficiencies

Table 17: 2014/15 Efficiency programme forecasts

	MTFP £m	Forecast £m	Additional £m	Variance £m
Adult Social Care	45.8	42.8	0.3	-2.7
Children, Schools & Families	9.6	9.6		0.0
Customer & Communities	0.8	0.8		0.0
Fire & Rescue	1.1	0.3	0.7	-0.1
Environment & Infrastructure	4.0	3.1	0.4	-0.5
Business Services	2.2	2.4		0.2
Chief Executive's Office	1.2	1.2		0.0
Central Income & Expenditure	7.6	7.5		-0.1
Total	**72.3**	**67.6**	**1.4**	**-3.3**

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

Capital

57. By planning significant capital investment as part of MTFP 2014-19, the council demonstrated its firm long term commitment to supporting Surrey's economy.

58. On 22 July 2014 Cabinet approved reprofiling of the 2014-19 capital programme. Table 18 shows current forecast expenditure for the service capital programme and long term investments of £206.7m against a revised budget of £200.3m. There are no significant variances to report on the service capital programme. Approved investment strategy spending is expected to be £7.5m 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 £3.2m due to the Redhill Balanced Network.

Table 18: Forecast capital expenditure 2014/15

	Revised full year budget £m	Apr - Sep actual £m	Oct - Mar projection £m	**Full year forecast £m**	**Full year variance £m**
Adult Social Care	**1.4**	0.4	0.8	1.2	-0.2
Children, Schools & Families	**6.1**	3.6	2.5	6.1	0.0
Customer & Communities	**0.4**	0.1	0.3	0.4	0.0
Fire & Rescue	**5.3**	0.7	3.7	4.4	-0.9
Environment & Infrastructure	**73.3**	58.9	13.8	72.7	-0.6
School Basic Need	**54.3**	32.8	21.5	54.3	0.0
Business Services	**47.2**	18.7	29.6	48.3	1.1
Chief Executive Office	**12.3**	6.2	5.6	11.8	-0.5
Service capital programme	**200.3**	121.4	77.8	199.2	-1.0
Long term investments	**0.0**	3.8	3.7	7.5	7.5
Overall capital programme	**200.3**	125.2	81.5	206.7	6.5

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

Balance sheet

59. The council's balance sheet as at 30 September 2014 shows an increase in net assets of £128m since 31 March 2014. This is mainly due to an increase in cash & cash equivalents and short-term investments from the receipt of the majority of the annual Revenue Support Grant in quarter 1. Table App 4 shows details of the balance sheet at 30 September 2013.

Reserves

60. The council's earmarked reserves reduced by £26m in the quarter to 30 September 2014. This was mainly due to drawing down reserves as planned in the MTFP and outlined in paragraph 1. Table App 5 shows details of the council's earmarked reserves as at 30 September 2014.

Debt

61. During the quarter to 30 September 2014, the council raised invoices totalling £106.4m.

62. The council's total debt outstanding at 30 September 2014 is £30.4m, split between care related debt and non-care related debt. Table App 6 shows details of debtor groups and debt age profile. The average number of debtor days for the period 1 April to 30 September was 29 days.

63. Between 1 April and 30 September 2014 the Director of Finance wrote off 203 debts under delegated authority with a total value of £281,562, comprising £207,890 care related debt and £73,672 non care related debt.

Appendix to Annex

Contents

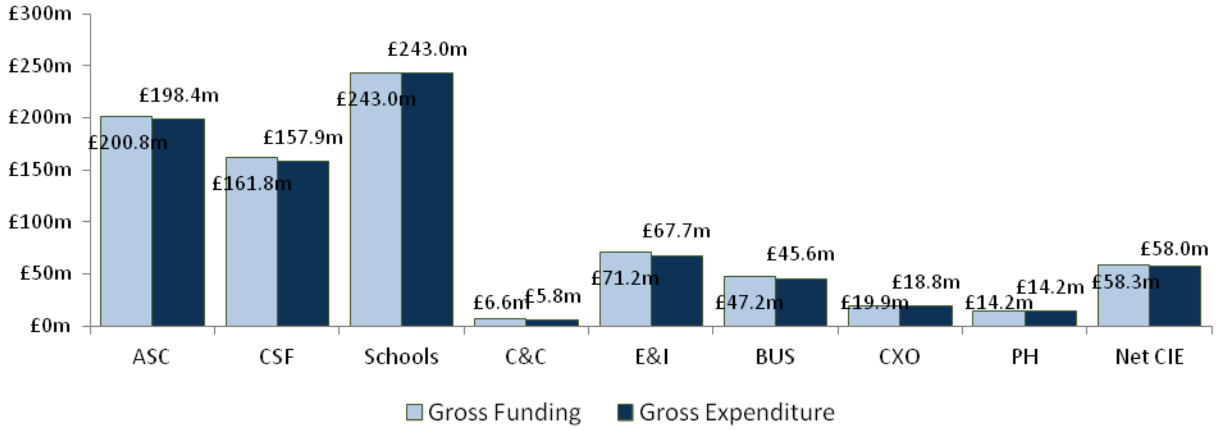
9

Corporate performance scorecard – finance

App 1. Figure App 1 shows the gross funding and expenditure for the council for the year to 30 September 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.

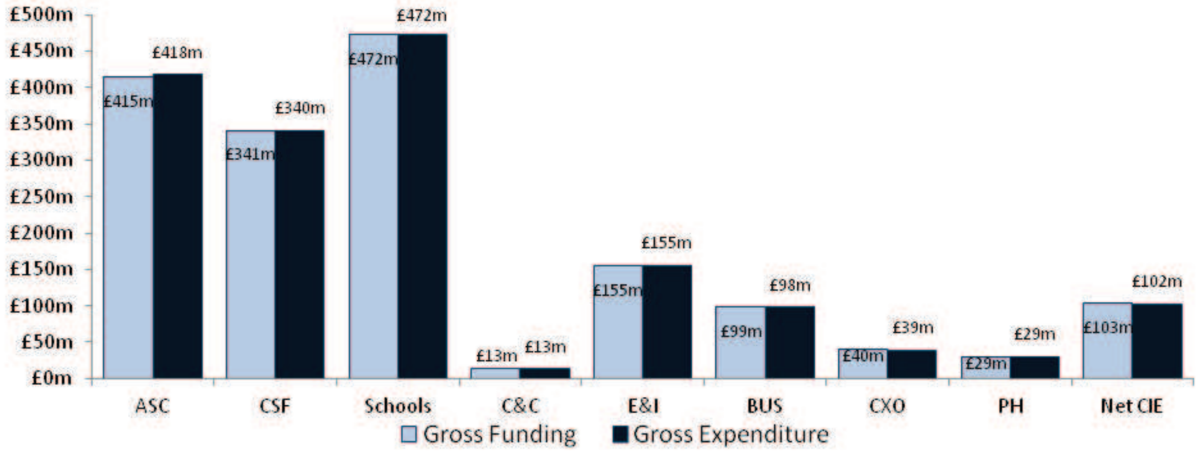
App 2. The corporate performance scorecard, shown above in the main annex in Figure 2, also includes the year end forecast revenue position.

Figure App 1: Year to date revenue position



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

Figure App 2: Services' year end forecast revenue position



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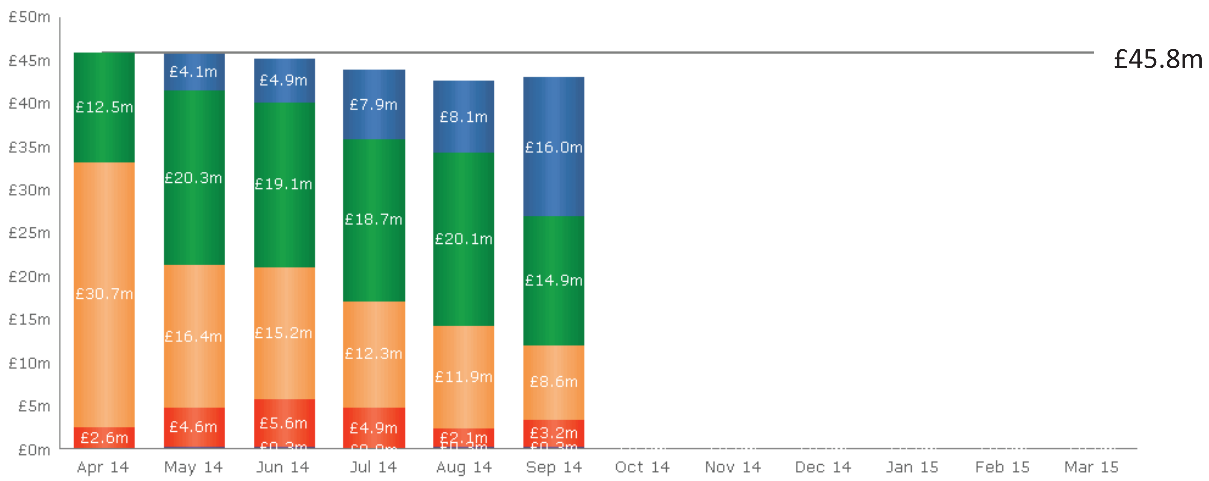
Efficiencies and service reductions

App 4. The graphs below track progress against MTFP 2014-19's ragged expenditure efficiencies and service reductions over the first six 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

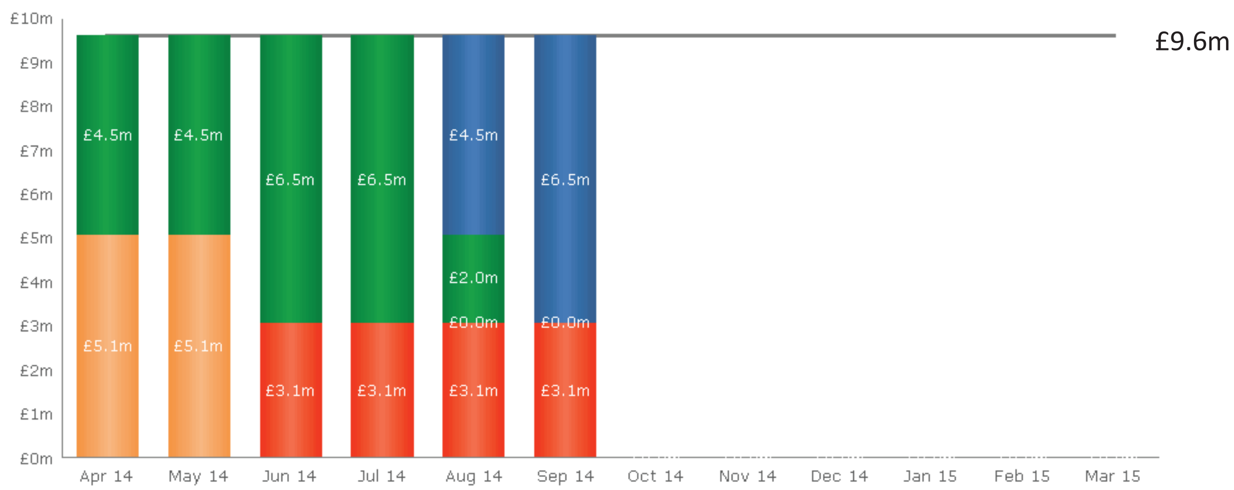
App 6. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



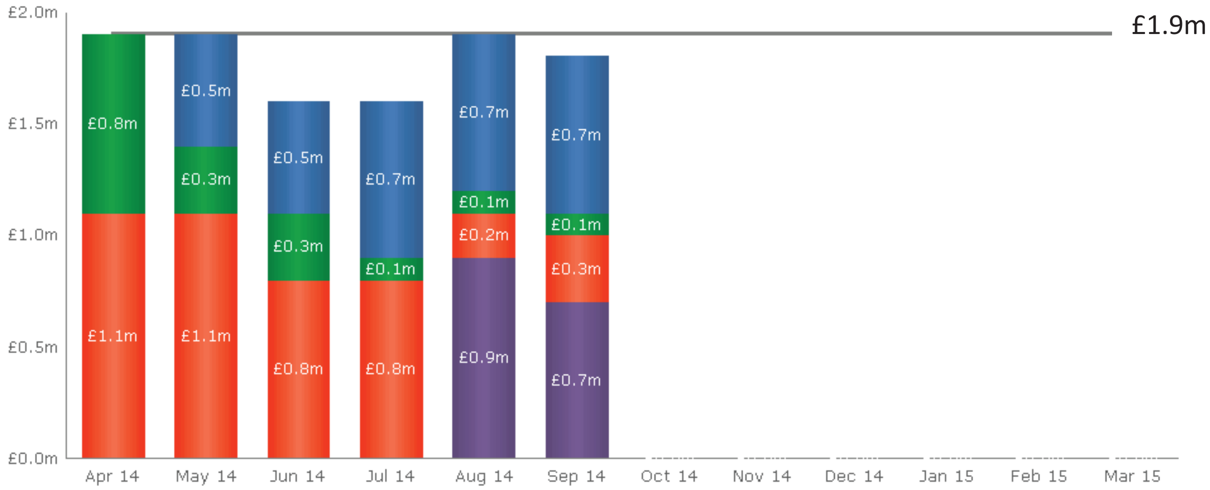
App 7. ASC forecasts a shortfall of -£2.7m against its £45.8m efficiencies target. ASC has already achieved savings of £16.0m by 30 September 2014 and is on target to achieve a further £14.9m by year end. Issues remain with £8.6m of efficiencies £3.2m is at risk and £1.3m is one off.

Children, Schools & Families



App 8. CSF forecasts to meet its £9.6m efficiencies target. CSF has achieved about two thirds of its efficiencies target, the remaining third are at risk.

Customer & Communities, including Fire & Rescue



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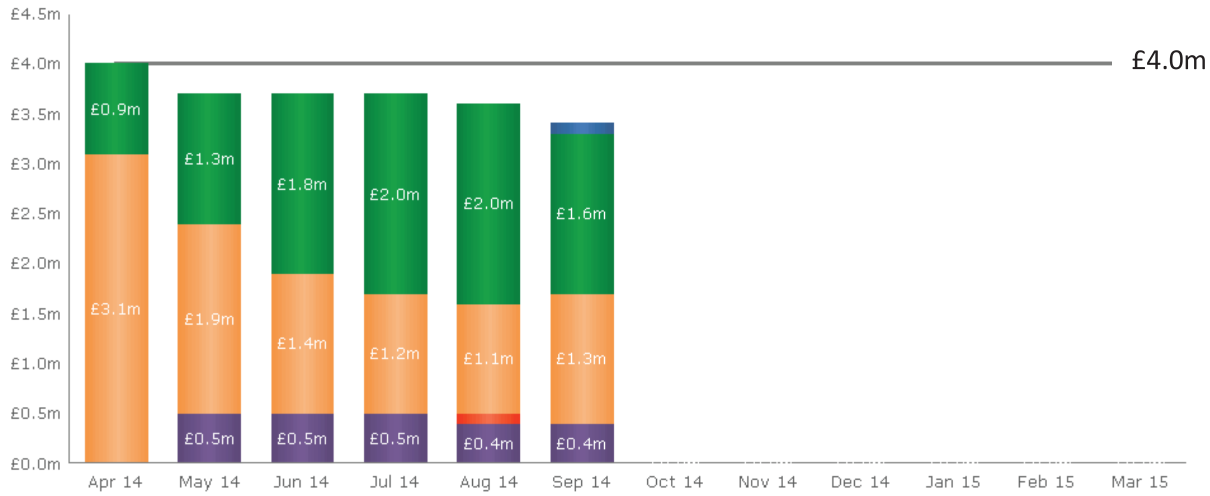
App 9. C&C forecasts to meet its efficiencies target after including £0.9m one-off savings to balance the current financial year. C&C has either achieved or expects to achieve all its other efficiencies.

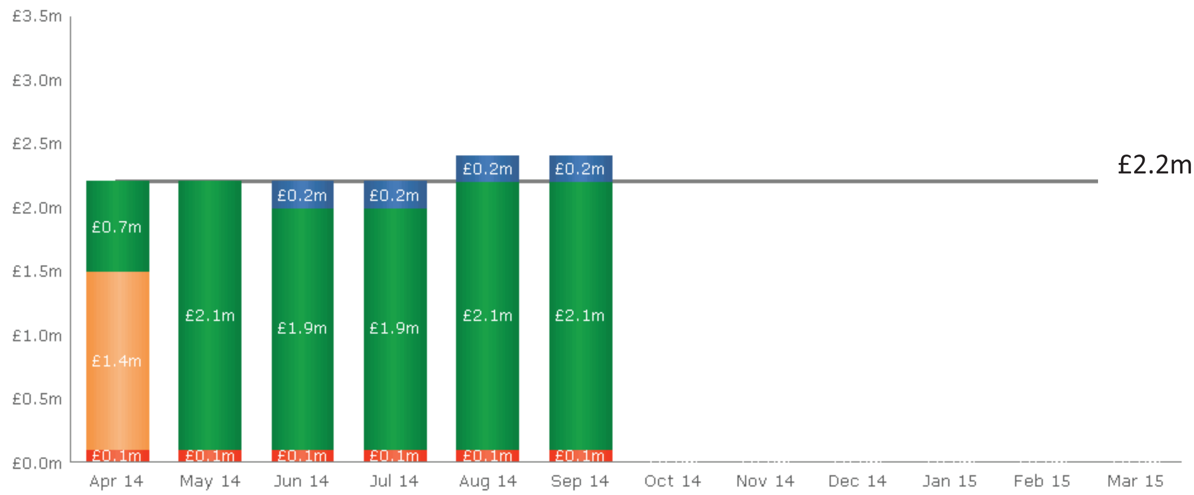
App 10. F&R forecasts a shortfall of £0.8m. F&R has plans in place to achieve part of its increased income target, leaving an estimated £0.14m shortfall for 2014/15. Delays to the fire station reconfiguration efficiency leave a £0.65m shortfall in 2014/15 (it is expected to be completed in 2015/16). However F&R has identified one-off savings to contain this pressure within the current financial year.

Environment & Infrastructure



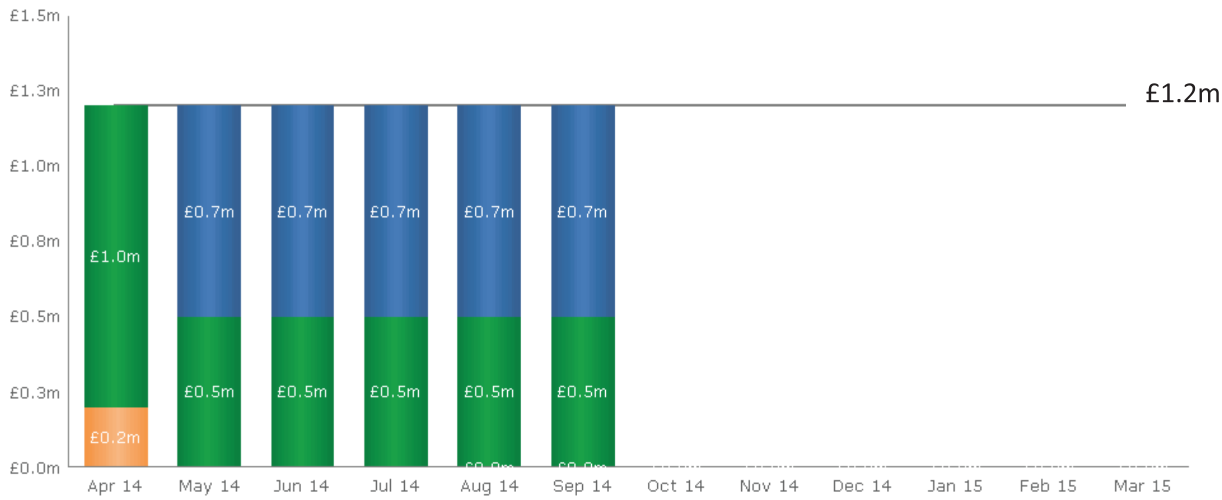
App 11. E&I forecasts a shortfall of -£0.5m against its efficiencies target, after taking into account £0.4m compensating one-off savings. E&I has established a Savings & Efficiency Panel to oversee the delivery of its efficiencies. The panel scrutinises efficiencies plans to ensure they are robust and 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



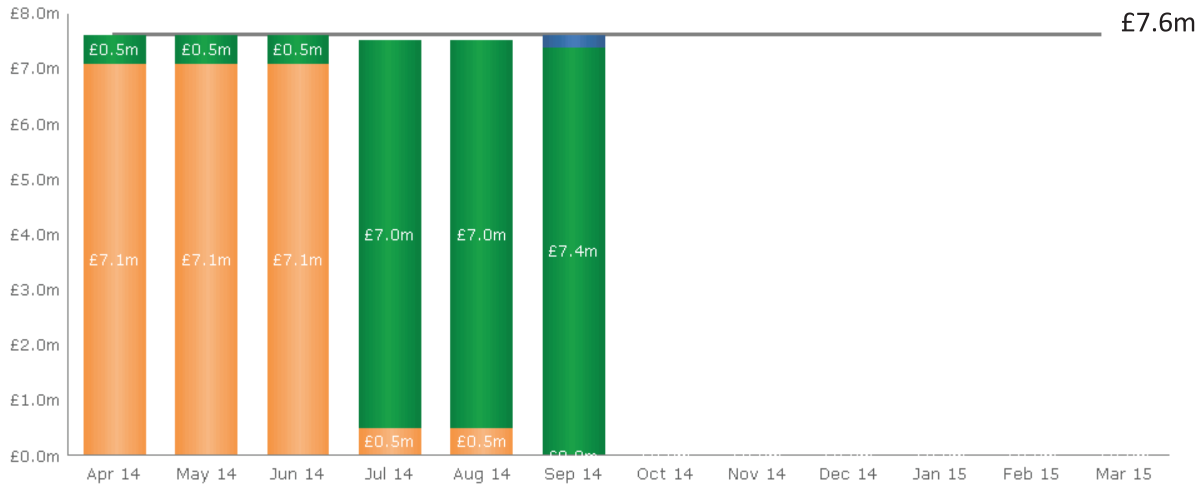
9 App 12. Business Services' budget includes £2.2m efficiency savings and increased income targets. It has achieved £0.2m of these efficiencies and is on target to achieve another £2.1m savings. The Managed Print Service efficiency (£0.1m) is subject to close monitoring and implementation is back on track. New devices have been installed in Merrow and the installation is likely to be complete by the end of June 2015.

Chief Executive's Office



App 13. CEO is on target to achieve its £1.2m planned efficiencies in 2014/15.

Central Income & Expenditure



App 14. CIE forecasts a -£0.1m shortfall against its £7.6m efficiencies target. The likely continuation of the council's internal borrowing strategy in 2014/15 means £6.6m efficiencies are on track. Planned public health activities to achieve £0.5m efficiencies in other services (Table 12 above) has achieved £0.17m to date. The communications review has identified £0.4m efficiencies against its £0.5m efficiency target in 2014/15. This shortfall also means the £0.5m efficiencies planned for 2015/16 are at risk. 9

9

Updated budget - revenue

App 15. 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 quarter 2, the council made 129 virements as summarised in Table App 1. These increased the budget to £1,662.8m.

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**
Quarter 2 changes					0.0	
Severe Weather and capital funding virement	-6.3	6.3			0.0	2
In year reallocation of CHC saving target	-1.2	1.2			0.0	1
Surrey Choices transfer	-1.3	1.3			0.0	1
CSF new grants	-1.9	1.9			0.0	1
Transfers of income and expenditure	-0.5	0.5			0.0	121
Updated budget - Sep 2014	**-1,636.9**	**1,662.8**			25.9	**220**

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

App 16. 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 17. In controlling the budget during the year, budget managers occasionally need to transfer, or vire, budgets from one area to another. In most cases these are administrative or technical in nature, or of a value approved by the Director of Finance.

App 18. In October, Council agreed changes to Financial Regulations, such that virements above £500,000 require the approval of the relevant Cabinet Member, except where they are in accordance with prior Cabinet approval. There were three virements above £500,000 in September:

- family services grant income increased by £1,113,800;
- additional SEN reform grant of £805,176; and
- additional government grants of £1,888,810 to Children's Services and Schools & Learning.

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

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-73.8	415.7	341.9
Children, Schools & Families	-152.3	339.6	187.3
Schools	-468.3	468.3	0.0
Customers and Communities	-12.2	59.6	47.4
Environment & Infrastructure	-24.1	153.4	129.3
Business Services	-16.5	98.9	82.4
Chief Executive's Office	-42.6	68.7	26.1
Central Income & Expenditure	-847.2	58.7	-788.5
Service total	**-1,637.0**	**1,662.9**	**25.9**

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

App 19. Table App 3 shows the year to date and forecast year end revenue position supported by general balances.

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Table App 3: 2014/15 Revenue budget forecast position as at 30 September 2014

	YTD budget £m	YTD actual £m	YTD variance £m	Full year budget £m	Oct - Mar forecast spend £m	Outturn forecast £m	Forecast variance £m
Income:							
Local taxation	-312.9	-312.9	**0.0**	-615.8	-302.9	-615.8	**0.0**
Government grants	-506.0	-496.0	**10.0**	-862.3	-358.8	-854.8	**7.5**
Other income	-75.1	-90.3	**-15.2**	-158.6	-80.1	-170.4	**-11.8**
Income	-894.0	-899.2	**-5.2**	-1,636.6	-741.8	-1,641.1	**-4.5**
Expenditure:							
Staffing	154.7	151.7	**-3.0**	308.1	154.6	306.3	**-1.8**
Service provision	424.2	414.8	**-9.4**	886.1	474.0	888.7	**2.6**
Non schools sub-total	578.9	566.5	**-12.4**	1,194.2	628.6	1,195.0	**0.8**
Schools expenditure	238.9	243.0	**4.1**	468.3	229.3	472.4	**4.1**
Total expenditure	817.8	809.5	**-8.3**	1,662.5	857.9	1,667.4	**4.9**
Movement in balances	**-76.2**	**-89.7**	**-13.5**	**25.9**	**116.1**	**26.3**	**0.4**

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 Sep 2014 £m**
1,280.0	1,318.6	Property, plant & equipment	1,367.8
0.7	0.7	Heritage assets	0.7
	29.2	Investment property	29.2
5.9	4.3	Intangible assets	4.0
0.2	0.3	Long term investments	0.4
8.8	10.6	Long term debtors	13.3
1,295.6	**1,363.7**	**LONG TERM ASSETS**	**1,415.4**
104.1	74.0	Short term investments	91.2
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	139.9
114.1	7.4	Cash & cash equivalents	82.6
376.4	**212.3**	**CURRENT ASSETS**	**320.6**
-82.1	-51.3	Short term borrowing	-30.5
-234.3	-212.4	Creditors	-236.3
-3.3	-4.7	Provisions	-3.5
-0.2	-0.1	Revenue grants receipts in advance	-0.1
-0.6	-1.0	Capital grants receipts in advance	-1.0
-3.2	-6.1	Other short term liabilities	-6.1
-323.7	**-275.6**	**CURRENT LIABILITIES**	**-277.5**
-7.2	-9.4	Provisions	-9.6
-238.1	-237.9	Long term borrowing	-267.8
-1,142.2	-1,295.6	Other long term liabilities	-1,295.8
-1,387.5	**-1,542.9**	**LONG TERM LIABILITIES**	**-1,573.2**
-39.2	**-242.5**	**NET ASSETS / (-) LIABILITIES**	**-114.7**
-288.4	-278.6	Usable reserves	-383.1
327.6	521.0	Unusable reserves	497.8
39.2	**242.5**		**114.7**

Earmarked reserves

Table App 5: Earmarked revenue reserves

	Opening balance 1 Apr 2014 £m	Balance at 30 Sep 2014 £m	Forecast 31 Mar 2015 £m
Investment Renewals Reserve	13.0	12.7	10.9
Equipment Replacement Reserve	3.4	1.4	1.7
Vehicle Replacement Reserve	5.4	6.0	2.9
Waste Site Contingency Reserve	0.3	0.0	0.0
Budget Equalisation Reserve	33.6	0.8	0.8
Financial Investment Reserve	1.6	0.6	0.6
Street lighting PFI Reserve	6.2	5.8	5.8
Insurance Reserve	8.8	9.6	9.6
Eco Park Sinking Fund	14.6	14.6	18.9
Revolving Infrastructure & Investment Fund	20.2	20.2	20.8
Child Protection Reserve	3.1	1.9	1.9
Interest Rate Reserve	4.7	1.0	1.0
Economic Downturn Reserve	6.0	4.2	4.2
General Capital Reserve	7.7	7.5	6.7
Pension Stabilisation Reserve	0.0	1.1	1.1
Business Rates Appeals Reserve	0.0	1.3	1.3
Total earmarked revenue reserves	**128.6**	**88.7**	**85.8**

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

9

Debt

App 20. During the second quarter of 2014/15, the Accounts Payable team raised invoices totalling £106.4m.

Table App 6: Age profile of the council's debts as at 30 September 2014

Account group	<1 month £m	2-12 months £m	1-2 years £m	+2 years £m	Total £m	Overdue debt £m
Care debt – unsecured	4.0	2.4	1.2	2.7	10.4	6.4
Care debt - secured	0.1	1.5	1.6	2.8	6.1	
Total care debt	**4.2**	**4.0**	**2.8**	**5.6**	**16.5**	**6.4**
Schools, colleges and nurseries	1.2	0.3	0.0	0.0	1.5	0.3
Clinical commissioning groups	1.7	4.9	0.3	0.1	7.0	5.3
Other local authorities	0.5	0.5	0.0	0.0	1.0	0.5
General debt	3.9	0.5	0.0	0.0	4.4	0.5
Total non-care debt	**7.2**	**6.2**	**0.4**	**0.1**	**13.8**	**6.6**
Total debt	**11.1**	**10.1**	**3.3**	**5.7**	**30.4**	**13.0**

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

App 21. The amount outstanding on these invoices was £30.4m of gross debt at 30 September 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 net debt figures shown in Table App 7.

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

	2014/15 Q2 £m	2014/15 Q1 £m	2013/14 Q4 £m	2012/13 Q4 £m	2011/12 Q4 £m	2010/11 Q4 £m
Care related debt	6.4	6.5	6.5	7.6	6.1	6.8
Non care related debt	6.6	4.2	3.1	3.8	3.0	3.9
Total	**13.0**	**10.7**	**9.6**	**11.4**	**9.1**	**10.7**

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

App 22. 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 September 2014 was 29 days.

App 23. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q2 2014/15) the Director of Finance has written off 80 such debts with a total value of £109,406, of which £89,487 is care related and £19,919 is non care related debt.

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Treasury management

Borrowing

App 24. 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 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	30.0
Loans repaid	0.0
Current balance as at 30 September 2014	**267.2**

App 25. During September 2014 the council raised a fixed rate loan of £30m from the Public Works Loan Board. Recent financial market turmoil and geopolitical concerns led to a sharp dip in the cost of long term debt. The council took this opportunity to borrow funds required to meet the cost of ongoing capital projects.

App 26. The council is able to undertake temporary borrowing for cash flow purposes, no such borrowing occurred during the quarter ending September 2014.

App 27. The council also manages cash on behalf of Surrey Police Authority (£31.7m as at 30 September 2014) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 28. 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 £m	**Operational boundary £m**
Gross borrowing	267.2	267.2
Limit / boundary	797.0	719.0
Headroom	**529.8**	**451.8**

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Capital Financing Requirement

App 29. 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 £131m 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**	
£659m	£770m	£808m	£131m

Maturity profile

App 30. 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%	3%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	2%
Repayable in 25-50 years	100%	25%	95%

Early debt repayment and rescheduling

App 31. There has been no early repayment or rescheduling in 2014/15.

Investments

App 32. The council had an average daily level of investments of £282.2m throughout 2013/14, with a projection of £163m expected for 2014/15. The balance of funds managed on behalf of schools within this figure was £53m at 30 September 2014.

App 33. 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 September 2014 is given in Table App 12.

Table App 12: Borrowing activity up to 30 September 2014

Timed deposits	**Number**	**Average value £m**	
Deals using a broker	12	7.1	
Direct deal facilities	9	1.4	
Deals with DMO	3	13.9	
Instant access	**Number**	**Individual limit £m**	**Total limit £m**
- Active call accounts	2	60.0	120.0
- Active money market funds	5	20.0	100.0
- Local authorities	-	20.0	-

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App 34. The weighted average return on all investments received to the end of the second quarter in 2014/15 is 0.43%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.36% for the equivalent period. Table App13 shows the comparison.

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

	Average 7-day LIBID	**Weighted return on investments**
Quarter 2	0.36%	0.43%
2014/15 total	**0.35%**	**0.43%**
2013/14 total	0.36%	0.41%