Budget monitoring period 9 2014/15 (December 2014)

Summary recommendations

Cabinet is asked to note the following.

1. The council forecasts an improved revenue position for 2014/15 of -£3.5m underspend, up from -£2.7m at 30 November 2014 (paragraph 3). This forecast includes the need to fund planned commitments that will continue beyond 2014/15.

2. Services forecast achieving efficiencies and service reductions by year end of £69.0m (paragraph 67).

3. The council forecasts investing £202m through its capital programme in 2014/15 (paragraphs 71 and 72).

4. The quarter end balance sheet as at 31 December 2014 and movements in earmarked reserves and debt outstanding (paragraphs 74 to 78).

5. Services' management actions to mitigate overspends (throughout this report).

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. During 2014/15 the council has made virements to update the initial budget, increasing both income and expenditure by £23.7m.

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 December 2014, the council forecasts a -£3.5m underspend 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

9 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 are 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 has considered strategic financial planning options for setting the MTFP 2015-20.

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 December 2014, services forecast to achieve £69.0m efficiencies by year end.

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 £6.0m in the period to 31 December 2014.

As at 31 December 2014, the council forecasts a year end position of:

- £194.8m spend against 2014/15's reprofiled mainstream capital budget of £204.8m; and
- £7.5m spend on long term capital investments.

Revenue budget

Introduction and overview

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. During 2014/15 the council has made virements to the initial budget, to increase both income and expenditure by £23.7m. This brings the revised total income budget to -£1,649.6m and the revised total expenditure budget to £1,675.5m. Table 1 summarises the revised revenue budget as at 31 December 2014. Services' income includes specific grants plus fees, charges and reimbursements.

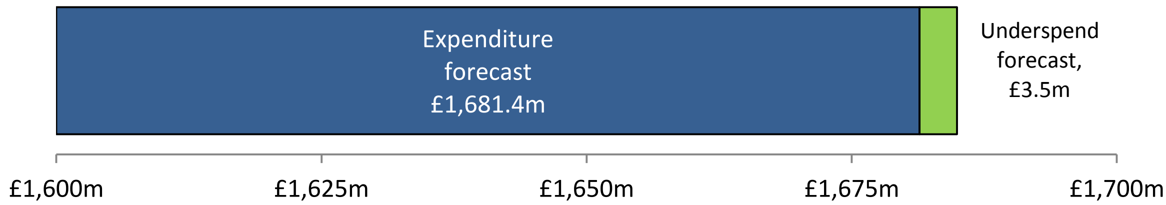
Table 1: 2014/15 updated revenue budget as at 31 December 2014

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-73.6	415.6	342.0
Children, Schools & Families	-154.6	341.6	187.0
Schools	-479.6	479.6	0.0
Customers & Communities	-0.9	12.8	11.9
Fire & Rescue	-11.3	46.7	35.4
Environment & Infrastructure	-24.3	153.2	128.9
Business Services	-16.6	98.8	82.2
Chief Executive's Office	-42.7	68.5	25.8
Central Income & Expenditure	-845.9	58.5	-787.4
Service total	-1,649.6	1,675.4	25.8

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

3. As at 31 December 2014, services forecast a -£3.5m underspend net revenue budget position. This is a £0.8m improvement over the position forecast at 30 November 2014.

Figure 1 Forecast 2014/15 net revenue position.



4. The forecast 2014/15 budget variance as at 31 December 2014 is -£3.5m underspent mainly due to the following variances.

- Adult Social Care forecasts +£4.9m overspend, an increase of +£1.5m from the projected overspend reported as at 30 November. The key change is a reduction in savings forecast to be achieved by the end of the financial year for the Family, Friends & Community programme.
- Children's services forecasts a +£0.5m overspend net of income mainly on agency placements, pressures on fostering and adoption allowances and increases in numbers of care leavers and asylum seekers.

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- Schools & Learning forecasts -£4.2m underspend net of income. This underspend is mainly on county funded central budgets and Commercial Services, offset by an overspend on transport, mainly for children with SEN.
- Environment & Infrastructure forecasts +£0.3m overspend mainly due to a shortfall in expected recharges to grant funded capital schemes and highways pressures partly offset by travel and transport underspends.
- Business Services forecasts -£4.5m underspend, mainly as a result of one-off savings in property, IT & property project implementation delays and in HR including underspends on the apprenticeship programme, training and early achievement of staffing efficiencies;
- Chief Executive's Office forecasts -£0.9m underspend, mainly due to vacancies in Libraries Legal and Policy & Performance;

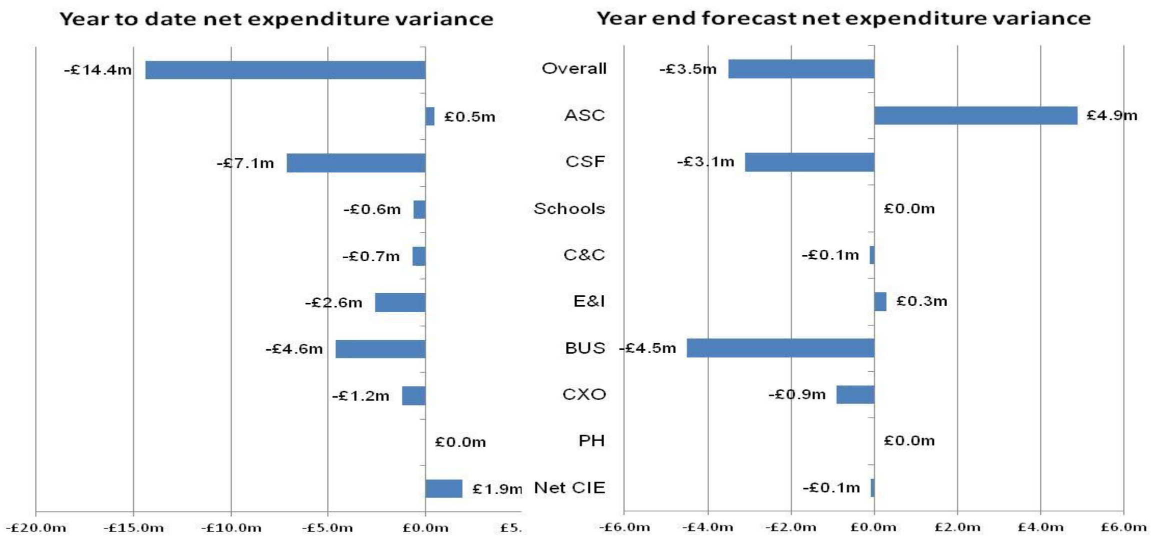
5. Table 2 and Figure 2 show the year to date and forecast year end net revenue position for services and the council overall.

Table 2: 2014/15 net revenue budget

Nov forecast variance		YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
3.4	Adult Social Care	256.3	256.7	0.5	342.0	90.2	346.9	4.9
-3.1	Children, Schools & Families	139.1	132.0	-7.1	187.0	51.9	183.9	-3.1
0.0	Schools (gross exp £468m)	0.0	-0.6	-0.6	0.0	0.6	0.0	0.0
-0.1	Customer & Communities	8.7	8.1	-0.6	11.9	3.6	11.8	-0.1
-0.1	Fire	26.7	26.0	-0.7	35.4	9.3	35.3	-0.1
0.5	Environment & Infrastructure	92.2	89.6	-2.6	128.9	39.6	129.2	0.3
-2.3	Business Services	60.0	55.4	-4.6	82.2	22.3	77.7	-4.5
-0.6	Chief Executive's Office	19.6	18.4	-1.2	25.8	6.5	24.9	-0.9
-0.4	Central Income & Expenditure	-174.5	-171.5	3.0	-171.6	-0.1	-171.6	0.0
-2.7	**Service net budget**	**428.1**	**414.1**	**-14.0**	**641.6**	**224.0**	**638.1**	**-3.5**
	Local taxation	-441.2	-441.2	0.0	-615.8	-174.6	-615.8	0.0
	Revolving Infrastructure & Investment Fund	0.0	-0.4	-0.4	0.0	0.4	0.0	0.0
-2.7	**Overall net budget**	**-13.1**	**-27.5**	**-14.4**	**25.8**	**50.5**	**22.3**	**-3.5**

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

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



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

7. Table App 2 in the appendix shows the overall income and expenditure for the year to date and year end forecast positions.

8. 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.

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Service commentaries

Adult Social Care

Table 3: Summary of Adult Social Care services' revenue position

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-53.1	-53.9	-0.8	-73.6	-20.4	-74.3	-0.7
Expenditure	309.4	310.6	1.2	415.6	110.6	421.2	5.6
Net position	**256.3**	**256.7**	**0.5**	**342.0**	**90.2**	**346.9**	**4.9**
Summary by service							
Income	-53.1	-53.9	-0.8	-73.6	-20.4	-74.3	-0.7
Older People	125.6	126.5	0.9	168.5	45.3	171.8	3.3
Physical Disabilities	36.1	35.3	-0.8	48.1	12.1	47.4	-0.7
Learning Disabilities	96.0	96.9	0.9	130.1	36.3	133.2	3.1
Mental Health	8.1	8.5	0.4	10.9	2.4	10.9	0.0
Other Expenditure	43.6	43.4	-0.2	58.0	14.5	57.9	-0.1
Total by service	**256.3**	**256.7**	**0.4**	**342.0**	**90.2**	**346.9**	**4.9**

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

9. As at 31 December 2014, Adult Social Care services (ASC) has a +£0.5m year to date overspend with +£4.9m forecast overspend at year end, an increase of +£1.5m from the projected overspend reported last month. The key change from the November position is a reduction in savings forecast to be achieved by the end of the financial year for the Family, Friends & Community programme.

10. Work has been ongoing to review and correct the year to date position which was previously showing an underspend. However the year to date position remains understated due to certain care costs that are paid for and recorded retrospectively combined with adjustments required following final sign-off of this year's Whole Systems Partnership agreement. The year to date position will be amended to reflect these issues so that the January report should reflect a truer year to date position to compare against the full year projection.

11. 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 +£1.7m of extra demand pressures for Transition clients, meaning it requires £43.7m total savings. ASC has made good progress in many of its savings actions and judges it has achieved or will achieve savings of £28.8m without needing further management action.

12. The current year end projection relies on ASC implementing £4.3m of management action savings. Table 5 outlines a full list of the management actions included in the December projections.

13. The most significant element of ASC's savings plans in 2014/15 is the Family, Friends and 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.

14. Table 4 summarises performance of the programme streams.

Table 4: Financial performance of FFC programme streams

	<---------------- Performance in 2014/15				----------------->	Forecast future <----- performance ----->		
	2014/15 target £m	**Achieved Apr -Dec £m**	**Forecast Jan - 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	-0.6	-0.3	-0.8	2.7	-3.5	-1.4	2.1
Reassessments	-6.4	-2.3	-0.7	-2.9	3.5	-6.4	-9.9	-3.5
FFC DP surplus	-3.0	-4.1	-0.4	-4.5	-1.5	0.0	0.0	0.0
Sub-total	**-12.9**	**-6.9**	**-1.3**	**-8.2**	**4.6**	**-9.9**	**-11.2**	**-1.3**
New packages transition	-0.4	1.2	-0.1	1.1	1.6	-0.4	-0.9	-0.4
Total	-13.3	-5.7	-1.4	-7.1	6.2	-10.3	-12.1	-1.8

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

15. Table 4 shows savings are progressing in all areas other than new transition care packages (for individuals who transferred from Children, 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 £1.2m additional costs. Excluding new transition packages, the other FFC streams have achieved £6.9m savings to date with £8.2m forecast for the whole of 2014/15.

16. Although re-assessments have not been completed as quickly as originally planned, there is clear evidence that the approach is working as the average saving per reassessment is 20%. Savings for new packages of care excluding transition continue to be challenging with reductions being lower than the 20% target. This area is under close review by the service.

17. Challenges remain in three other significant areas of planned savings.

- Identification of £2.6m of additional savings to meet the target for savings ASC had not identified during the budget planning process. ASC originally hoped renegotiation 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 but currently no firm plans are in place to deliver these savings. As such, ASC has reduced the savings forecast to £0.7m.
- ASC anticipates the correct application of continuing health care arrangements will deliver £0.7m 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.
- The Learning Disabilities (LD) Public Value Review plans to secure £1.5m of savings in 2014/15 and to date £1.1m has been achieved. The remaining £0.4m relies on other local authorities agreeing to pick up the funding for a number of

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Ordinary Residence cases. The Strategic Director is liaising with the relevant directors in these authorities and Legal Services is supporting ASC in negotiating the funding transfers. However, there is a risk ASC will not conclude all the transfers by year end.

18. In recognition of the challenges outlined above, a risk contingency of £0.8m has been included within the management actions to account for the possibility of an element of these risks of not achieving the efficiency savings materialising.

Table 5: Summary of ASC management actions to achieve efficiency savings

	£m	£m
MTFP efficiency savings target		-42.0
Revised savings requirement		-1.7
		-43.7
Total efficiency savings achieved (or needing no further management action) to date		-28.8
Efficiency savings forecast for the rest of the year through use of FFC	-0.9	
FFC applied to direct payments reclaims	-0.4	
Other efficiency savings for the rest of the year needing management actions	-3.7	
Risk contingency of savings not being achieved	+0.8	
Total additional savings forecast through Management actions		-4.3
Total savings forecast		-38.8
Under(+)/over(-) performance against MTFP target		+4.9

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

Children, Schools & Families

Table 6: Summary of the revenue position for Children, Schools & Families services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-112.3	-113.2	-0.9	-154.6	-42.5	-155.7	-1.1
Expenditure	251.4	245.2	-6.2	341.6	94.4	339.6	-2.0
Net position	**139.1**	**132.0**	**-7.1**	**187.0**	**51.9**	**183.9**	**-3.1**
Summary by service:							
Income	-112.3	-113.2	-0.9	-154.6	-42.5	-155.7	-1.1
Strategic Services	3.0	3.2	0.2	4.3	1.6	4.8	0.5
Children’s Services	69.5	69.8	0.3	93.4	24.7	94.5	1.1
Schools and Learning	158.0	152.0	-6.0	216.1	60.4	212.4	-3.7
Services for Young People	20.9	20.2	-0.7	27.8	7.7	27.9	0.1
Total by service	**139.1**	**132.0**	**-7.1**	**187.0**	**51.9**	**183.9**	**-3.1**

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

19. As at 31 December 2014 Children, Schools & Families services (CSF) has a -£7.1m year to date underspend and forecasts -£3.2m year end underspend. This is an increase in underspend of -£0.1m compared to the position at 30 November 2014.

20. The underspend position includes lower than anticipated spend against the service transformation grants for adoption reform and the reforms for children with special educational needs and disabilities (SEND) being implemented from September 2014. These grants carry ongoing, planned commitments that continue beyond 2014/15, bringing the underlying position for CSF down to -£1.7m underspend, a slightly lower variance than reported at 30 November 2014. The services will seek to carry this grant funding forward into future financial years as detailed in paragraphs 24 and 26.

21. CSF's transformation plans account for the +£0.5m overspend on Strategic Services. This includes the final phase of the public value programme.

Children's Services

22. Children's Services' forecast overspend is now +£0.5m net of income. This includes -£1.0m underspend on adoption reform, bringing the underlying position to +£1.5m. The underlying overspend relates mainly to care provided for children who are or have been in Surrey's care:

- +£0.4m agency placements, the forecast has increased slightly due to five new placements. The main reason for the overspend this year is ongoing high cost secure accommodation placements exerting particular pressure on this budget,
- +£0.2m continuing pressures on fostering allowances and cost of adoption allowances;
- +£0.6m for leaving care and asylum seekers, as the number of care leavers continues at a similar level to that experienced in 2013/14 also occurred.
- +£0.6m for asylum seekers, which continues to rise and is partly due to a grant shortfall of and children with no recourse to public funds.

23. In addition CSF expects a +£0.8m overspend in services for children with disabilities mainly due pressure on care packages and increasing complexity. Offsetting this, Children's Services expects to underspend its staffing budget by -£0.9m, mainly due to a high number of vacancies early in the year.

24. It is unlikely Children's services will spend the Adoption Reform Grant fully this year due to delays in recruitment to the planned family assessment service. The grant is to support local authorities adapt to new timescales and expectations around adoption and permanency for looked after children. Children's services intended to use the grant to develop services to meet the new requirements (for example, increasing the number of adopters) over two to three years as the service becomes self sustaining through reductions in costs The service will seek to carry forward £1.0m of this grant funding to sustain the adoption reforms in future years, particularly the creation of a family assessment service, with the intention of making the reforms sustainable through reductions in timescales, assessment and care costs.

Schools & Learning

25. Overall Schools & Learning forecasts a -£4.2m underspend (net of income) on county funded services at 31 December 2014. The main underspend is on the centrally held budget to cover demographic and inflationary increases. In addition Commercial Services forecasts to underspend by -£0.9m 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 a +£1.1m overspend on transport, mainly for children with SEN.

26. Schools & Learning now expects an underspend of -£0.5m against the £2.1m SEND reform grant intended to support the introduction of Education, Health and Care Plans from September 2014 as well as other aspects of the reforms. The service has encountered difficulties recruiting to short term posts to manage the transfer of all statements to the new plans. The service will seek to carry the unspent grant forward into 2015/16 when the transfer work will continue.

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Delegated schools budget

Table 7: Summary of the revenue position for the delegated schools budget

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-375.6	-375.6	0.0	-479.6	-104.0	-479.6	0.0
Expenditure	375.6	375.0	-0.6	479.6	104.6	479.6	0.0
Net position	**0.0**	**-0.6**	**-0.6**	**0.0**	**0.6**	**0.0**	**0.0**

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

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

Customer & Communities

Table 8: Summary of the revenue position for Customer & Communities services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-0.7	-1.1	-0.4	-0.9	-1.2	-2.3	-1.4
Expenditure	9.4	9.1	-0.3	12.8	5.0	14.1	1.3
Net position	**8.7**	**8.1**	**-0.6**	**11.9**	**3.6**	**11.8**	**-0.1**
Summary by service							
Customer Services	2.5	2.4	-0.1	3.3	0.9	3.3	0.0
Trading Standards	1.5	1.5	0.0	2.1	0.6	2.1	0.0
Community Partner & Safety	2.6	2.2	-0.4	3.7	1.5	3.7	0.0
County Coroner	0.9	1.1	0.2	1.6	0.3	1.4	-0.2
C&C Directorate Support	1.2	0.9	-0.3	1.2	0.4	1.3	0.1
Total by service	**8.7**	**8.1**	**-0.6**	**11.9**	**3.7**	**11.8**	**-0.1**

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

28. As at 31 December 2014 Customer & Communities services (C&C) had -£0.6m year to date underspend and forecasts a small underspend of -£0.1m at year end.

29. The reported position includes staff savings within Directorate Support and Customer Services of -£0.2m, offset by income pressures within Trading Standards, for the recovery of court costs and proceeds of crime.

30. The -£0.6m year to date underspend is mainly due to timing of expenditure on third party grants and member allocations plus staffing underspends.

Repair and Renewal Grant

31. The Repair and Renewal Grant is a £5,000 grant from the Department for the Environment, Fisheries and Agriculture (DEFRA) for households and businesses affected by last year's flooding as a contribution to resilience measures. The original guidance required local authorities to have paid these grants for work completed by 31 March 2015. The council's Community Partnership and Safety team is administering this on behalf of 10 of the 11 boroughs and districts due to the scale of flooding, with over 1,600 properties affected.

32. The Surrey County Council Leader, Cabinet Members and a number of other Surrey local authorities made direct requests to Government, asking for an extension to the grant beyond the original deadline of 31 March 2015, citing the

difficulties residents flooded in Surrey had experienced responding within this timeframe. In January the Department for the Environment and Rural Affairs (DEFRA) ministers agreed to an extension to the deadline for reimbursement of claims to the Repair and Renew grant to 30 June. This extension materially reduces the risk of financial loss to the council through works not being completed on time and non-reimbursement by DEFRA.

Fire & Rescue

Table 9: Summary of the revenue position for Fire & Rescue services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-8.5	-8.7	-0.2	-11.3	-2.8	-11.5	-0.2
Expenditure	35.2	34.7	-0.5	46.7	12.1	46.8	0.1
Net position	**26.7**	**26.0**	**-0.7**	**35.4**	**9.3**	**35.3**	**-0.1**
Summary by service							
Rescue Operations	21.7	21.1	-0.6	28.8	7.8	28.9	0.1
Fire Support Functions	0.9	0.9	0	1.2	0.3	1.2	0
Community Fire Safety	0.8	0.9	0.1	1.2	0.3	1.2	0
Emergency Planning	0.2	0.2	0	0.2	0	0.2	0
FF Pension Fund	3.0	2.8	-0.2	4.0	1	3.8	-0.2
Total by service	**26.7**	**26.0**	**-0.7**	**35.4**	**9.3**	**35.3**	**-0.1**

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

33. As at 31 December 2014 Fire & Rescue services (F&R) has a year to date underspend of -£0.7m and forecasts an underspend of -£0.1m at year end .

34. The year to date underspend is due to the timing of income receipts and expenditure (including pension lump sums and training). The year end position remains changeable due to on-going strike action. F&R is absorbing the 2014/15 station reconfiguration efficiency in the current financial year through a mix of vacant posts and managed savings. The service is actively pursuing a number of additional opportunities and seeking further savings.

Environment & Infrastructure

Table 10: Summary of the revenue position for Environment & Infrastructure services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-18.2	-17.0	1.2	-24.3	-8.1	-25.1	-0.8
Expenditure	110.4	106.6	-3.8	153.2	47.7	154.3	1.1
Net position	**92.2**	**89.6**	**-2.6**	**128.9**	**39.6**	**129.2**	**0.3**
Summary by service							
Environment	57.8	60.1	2.3	82.0	21.1	81.2	-0.8
Highways	32.4	27.1	-5.3	44.2	18.0	45.1	0.9
Other Directorate Costs	2.0	2.4	0.4	2.7	0.5	2.9	0.2
Total by service	**92.2**	**89.6**	**-2.6**	**128.9**	**39.6**	**129.2**	**0.3**

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

35. As at 31 December 2014 Environment & Infrastructure services (E&I) has a -£2.6m year to date underspend. The main reason for the variance is Highway works including road repairs, drainage, street lighting and winter maintenance.

9

36. E&I forecasts to overspend by +£0.3m at the end of the year. This is mainly due to:

- +£0.4m shortfall in expected recharges to grant funded capital schemes
- +£0.9m highways pressures including increased insurance costs and a shortfall in streetworks income;
- -£0.9m travel & transport underspends, including refund of prior year Park & Ride costs, and income from the Police and NHS; and
- -£0.1m a number of other variations.

Business Services

Table 11: Summary of the revenue position for Business Services

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-12.0	-13.6	-1.6	-16.6	-3.8	-17.4	-0.8
Expenditure	72.0	69.0	-3.0	98.8	26.1	95.1	-3.7
Net position	**60.0**	**55.4**	**-4.6**	**82.2**	**22.3**	**77.7**	**-4.5**
Summary by service							
Property	23.0	20.5	-2.5	31.5	8.7	29.2	-2.3
Information Management & Technology	17.8	17.3	-0.5	25.1	7.1	24.4	-0.7
Human Resources & OD	6.7	5.2	-1.5	9.2	2.8	8.0	-1.2
Finance	7.0	7.0	0.0	9.2	2.2	9.2	0.0
Shared Services	3.0	2.8	-0.2	3.8	0.8	3.6	-0.2
Procurement & Commissioning	2.5	2.6	0.1	3.4	0.7	3.3	-0.1
Total by service	**60.0**	**55.4**	**-4.6**	**82.2**	**22.3**	**77.7**	**-4.5**

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

37. As at 31 December 2014 Business Services has a -£4.6m year to date underspend and forecasts a -£4.5m underspend at year end. The year to date underspend primarily relates to Property and HR. This is reflected in the full year forecast underspend.

38. Business Services is currently forecasting a full year underspend of -£4.5m, an increase of -£2.2m. Business Services continually challenges its service delivery and budgets to come up with more efficient and cost effective ways of working. It has successfully reduced costs and increased income on an ongoing basis and it will deliver its current MTFP savings of £2.2m and a further £1.8m of new efficiency savings. This is an increase of £0.3m since November which is due to the effective management of building maintenance orders through the newly implemented asset management system. In addition to these efficiency savings Business Services forecasts -£2.7m of one-off underspends, an increase of -£1.9m since last month. The increases are from building maintenance and the IMT Modern Worker projects.

39. There have been some delays to the £3.6m corporate planned maintenance programme due to resources being focussed on delivering schools related schemes and contract tender issues. As a result the service is estimating a full year underspend of -£0.6m and would like to carry forward -£0.5m of this to complete the schemes in 2015/16.

40. The council is investing £4m in the IMT Modern Worker programme, the service is on track to deliver £3.5m of this in 2014/15. However, due to some technical

difficulties, £0.5m is likely to be spent in 2015/16. The service would therefore like to request a carry forward of this estimated -£0.5m underspend.

41. Business Services would also like to carry forward the estimated underspend on managed print service (-£0.4m) as the completion date is likely to be in 2015/16.

Chief Executive's Office

Table 12: 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	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-30.2	-29.9	0.3	-42.7	-13.5	-43.4	-0.7
Expenditure	49.8	48.3	-1.5	68.5	20.0	68.3	-0.2
Net	**19.6**	**18.4**	**-1.2**	**25.8**	**6.5**	**24.9**	**-0.9**
Summary by service							
Strategic Leadership	0.3	0.3	0.0	0.4	0.1	0.4	0.0
Magna Carta	0.2	0.1	-0.1	0.3	0.1	0.2	-0.1
Emergency Management	0.4	0.5	0.1	0.5	0.0	0.5	0.0
Communications	1.5	1.4	-0.1	2.1	0.6	2.0	-0.1
Legal & Democratic Services	6.9	6.6	-0.3	9.0	2.1	8.7	-0.3
Policy & Performance	2.2	2.1	-0.1	2.8	0.5	2.6	-0.2
Cultural Services	7.7	7.1	-0.6	10.3	3.0	10.1	-0.2
Public Health	0.3	0.3	0.0	0.3	0.0	0.3	0.0
Total by service	**19.6**	**18.4**	**-1.2**	**25.8**	**6.5**	**24.9**	**-0.9**
Public Health - Income	-20.0	-19.1	0.9	-28.9	-10.1	-29.1	-0.3
Public Health - expenditure	20.3	19.4	-0.9	29.2	10.1	29.5	0.3
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

42. As at 31 December 2014 Chief Executive's Office (CEO) has a -£1.2m year to date underspend and forecasts a -£0.9m underspend at year end.

43. CEO's forecast year end underspend is mainly due to holding -£0.5m staff vacancies in Libraries, Legal and Policy & Performance during restructures in preparation for next year's efficiency savings and -£0.1m due to the timing of events in relation to the Magna Carta anniversary in June 2015. The service will request a £0.1m budget carry forward to align the budget to planned activities.

44. The -£1.2m year to date underspend is mainly due the timing of income receipts within Cultural Services and staff underspends in Legal Services and Libraries.

45. 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.

46. PH expenditure is on target to achieve -£0.5m efficiency savings by funding the activities shown in Table 13.

9

Table 13 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
Substance misuse adults	£355,621	ASC services	Substance misuse
Total	**£500,000**		

47. Public Health services are continuing to be delivered across the county covering sexual health, substance misuse (including alcohol), school nursing, obesity, physical activity, smoking and health checks.

48. The GUM (Genito Urinary Medicine) funding received late in the financial year is set to be spent in full before the end of the financial year. However, as receipt of this funding was not certain in April 2014 a prudent approach was applied to other aspects of the government grant expenditure, with these being held from starting immediately. Due to delays receiving the GUM funding, some of these projects may need to continue into the next financial year. The current estimate of the amount that will need to be carried forward into the next financial year for these projects is £3m.

Central Income & Expenditure

Table 14: Summary revenue position for Central Income & Expenditure

	YTD budget £m	YTD actual £m	YTD variance £m	Full year (revised) budget £m	Jan - Mar forecast £m	Full year projection £m	Full year variance £m
Income	-214.3	-218.9	-4.6	-230.1	-15.2	-234.1	-4.0
Expenditure	39.8	47.4	7.6	58.5	15.1	62.5	4.0
Net	**-174.5**	**-171.5**	**3.0**	**-171.6**	**-0.1**	**-171.6**	**0.0**
Local Taxation	-441.2	-441.2	0.0	-615.8	-174.6	-615.8	0.0
Net position	**-615.7**	**-612.7**	**3.0**	**-787.4**	**-174.7**	**-787.4**	**0.0**

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

49. As at 31 December 2014 Central Income & Expenditure (CIE) has a year to date overspend of £3.0m and forecasts a balanced position at year end.

50. The year to date overspend is due mainly to the misprofiling of budgets relating to revenue contributions to capital and risk contingency, which will be resolved in the next reporting period.

51. The full year projected variance is for a small overspending of less than £0.1m. Ahead of the year end and the preparation of the financial accounts, officers have been reviewing the potential liabilities the council faces and the provisions for these. There are two provisions for liabilities that the council faces, but the timing of the payment is uncertain. These are in respect of fire fighters injury payments and retrospective equal pay claims.

52. The fire fighter injury claim relates to an over claim and payment of Fire Fighter Pension Top up grant over the last eight years. This totals £9m over the period and has been caused by a change in the regulations in 2006. Of this, £1.4m was

accrued in 2013/14. There are a number of authorities who have also over claimed due to a lack of clarity from DCLG about the change in regulations. Whilst the council will vigorously contest the repayment of this grant, it is prudent, and in line with accounting best practice for the council to make a provision.

53. The council faces a number of possible claims around equal pay in relation to overnight allowances and holiday pay for bank staff. The council already has a provision of £1.6m, but a reassessment of the potential liability in recent months has increased this to £4.0m.

54. The interest payable budget is also projected to underspend. In setting the budget, the council assumed that it would use its cash balances to fund capital expenditure in place of borrowing externally. However, a provision was made against any external borrowing being undertaken. The council has been able to maintain its internal borrowing strategy and reduced the amount of external borrowing taken out during 2014/15. This is addition to borrowing being taken out at lower interest rates than anticipated in the MTFP has resulted in a forecast underspend on interest payable of -£2.6m.

55. A review of the balance sheet has identified an overstatement of creditor balances in previous years. In agreement with the council's external auditor, this balance of -£1.9m has been written back to the revenue account.

56. The council included a risk contingency budget of £5m in the budget for this year in case of an underachievement of savings targets led to an overspending at the year end. This contingency will now not be required.

57. In early December the council received confirmation had been successful in its claim for Bellwin funding from central government to compensate for a proportion of the costs incurred as a result of the flooding in December 2013 and January 2014. £2.4m was received in early December and has been added to the Budget Equalisation Reserve to support future years' budgets. The majority of the spending on flooding was incurred during 2013/14 and was funded by general balances.

Revolving Infrastructure & Investment Fund

Table 15: Summary revenue and capital expenditure positions for Revolving Infrastructure & Investment Fund

Revenue expenditure summary	YTD actual £m	Full year forecast £m
Income	-2.5	-3.3
Expenditure	0.2	0.3
Net income before funding	-2.3	-3.0
Funding	1.9	2.5
Net income after funding	**-0.4**	**-0.5**
Capital expenditure summary	**6.0**	**7.5**

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

58. Net income of -£0.4m (after the deduction of funding costs) is being generated this financial year by the Joint Venture project to deliver regeneration in Woking town centre and from various property acquisitions that have been made for future service delivery. It is anticipated that the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year end.

59. Capital expenditure year to date is on the purchase of 61 High Street, Staines and loans to the Woking Bandstand Joint Venture company. The forecast position of £7.5m assumes additional loans to the Joint Venture company and preliminary costs associated with the development of the Thales site in Crawley. In September Cabinet approved the submission of a detailed planning application and contract tender for the first phase of development.

Staffing costs

60. 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.

61. 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.

62. 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.

63. 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.

64. The council's total full year budget for staffing is £316.1m based on 7,823 budgeted FTEs. The year to date budget to 31 December 2014 is £231.6m and expenditure incurred is £227.2m. At 31 December 2014, the council employed 7,240 FTE contracted staff.

65. Table16 shows the staffing expenditure and FTEs for the period to 31 December 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 in Table App 2.

Table 16: Staffing costs and FTEs to 31 December 2014

	Staffing budget to Dec 2014 £	Staffing spend by category Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	*Budget FTE*	*Dec 2014 occupied contracted FTE*
Adult Social Care	**51.2**	46.8	2.6	1.7	**51.0**	**-0.2**	*1,887*	*1,651*
Children Schools & Families	**79.8**	71.1	3.4	2.9	**77.5**	**-2.3**	*2,828*	*2,636*
Customer and Communities	**27.8**	25.4	0.6	1.2	**27.2**	**-0.6**	*922*	*869*
Environment & Infrastructure	**16.8**	16.2	0.6	0.3	**17.1**	**0.3**	*501*	*487*
Business Services and Central Income & Expenditure	**32.1**	28.4	3.0	0.1	**31.5**	**-0.6**	*900*	*850*
Chief Executive's Office	**23.9**	20.3	0.3	2.2	**22.9**	**-1.1**	*785*	*747*
Total	**231.7**	**208.3**	**10.4**	**8.4**	**227.2**	**-4.4**	***7,823***	***7,240***

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

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66. Table 17 shows there are 613 “live” vacancies, for which active recruitment is currently taking place, with 467 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 16. 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 16 (agency staff and bank & casual staff).

Table 17: Full time equivalents in post and vacancies

	Dec 2014 FTE
Budget	7,823
Occupied contracted FTE	7,240
“Live” vacancies (i.e. actively recruiting)	613

Efficiencies

67. The council's overall efficiencies target is £72.3m. Against this, the council forecasts achieving £69.0m by year end, a reduction of £1.0m on November's position.

68. 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 – compensating and one off savings found during the year to support the programme.

69. Figure 3 and Table 18 show services overall are on track to achieve the planned efficiencies and the level of risk for efficiencies projects fell during December:

• BLUE - action taken to achieve the saving	rose by £5.6m to	£32.5m;
• GREEN - plans in place to achieve the saving	fell by £1.5m to	£26.2m;
• AMBER - potential barriers to success	fell by £3.4m to	£8.4m;
• RED - barriers preventing the saving	fell by £1.7m to	£1.1m;
• PURPLE - compensating and one off efficiencies	rose by £0.1m to	£0.9m.

Figure 3: 2014/15 overall risk rated efficiencies

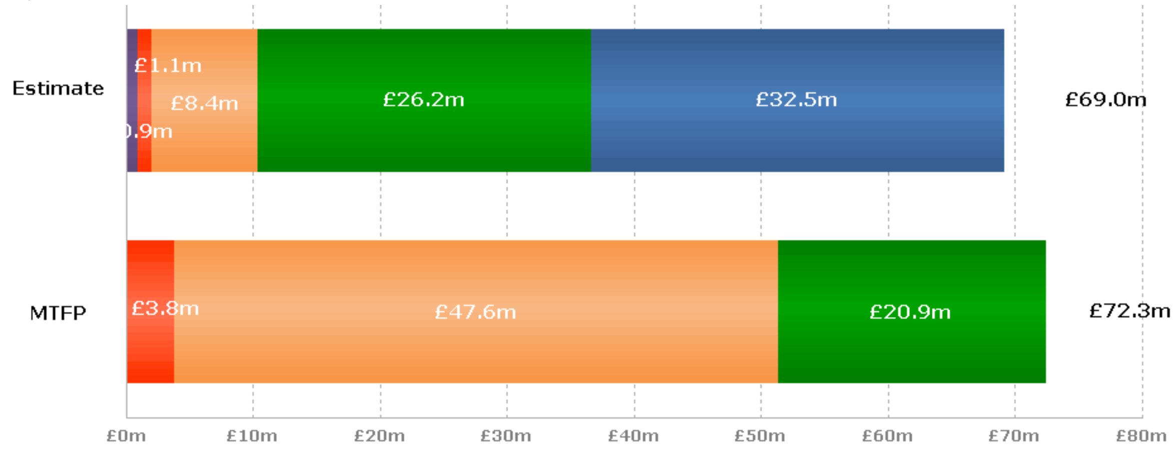

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Table 18: 2014/15 Efficiency programme forecasts

	MTFP £m	Forecast £m	Compensating and one off efficiencies £m	Variance £m
Adult Social Care	45.8	40.4	0.5	-4.9
Children, Schools & Families	9.6	9.6		0.0
Customer & Communities	0.8	0.8		0.0
Fire & Rescue	1.1	1.1		0.0
Environment & Infrastructure	4.0	3.1	0.4	-0.5
Business Services	2.2	4.0		1.8
Chief Executive's Office	1.2	1.5		0.3
Central Income & Expenditure	7.6	7.5		-0.1
Total	**72.3**	**68.1**	**0.9**	**-3.3**

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

Capital

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

71. On 22 July 2014 Cabinet approved reprofiling of the 2014-19 capital programme. The capital budget for 2014/15 has increased by £4.4m due to £2.2m of school funded expenditure, £2.0m for Woking and Guildford fire stations. Table 19 shows current forecast expenditure for the service capital programme of £194.8m against a revised budget of £204.8m.

72. Approved investment strategy capital spending is expected to be £7.5m in 2014/15. Cabinet will receive further investment project proposals for spending approval during the year.

Table 19: Forecast capital expenditure 2014/15

	Revised full year budget £m	Apr - Dec actual £m	Jan - Mar projection £m	**Full year forecast £m**	**Full year variance £m**
Adult Social Care	**1.4**	0.6	0.5	**1.1**	**-0.3**
Children, Schools & Families	**8.5**	6.6	1.6	**8.2**	**-0.3**
Customer & Communities	**0.4**	0.2	0.2	**0.4**	**0.0**
Fire & Rescue	**5.2**	3.6	0.8	**4.4**	**-0.8**
Environment & Infrastructure	**73.4**	65.2	3.5	**68.7**	**-4.7**
School Basic Need	**54.3**	45.3	9.0	**54.3**	**0.0**
Business Services	**49.3**	30.9	14.8	**45.7**	**-3.6**
Chief Executive Office	**12.3**	9.3	2.7	**12.0**	**-0.3**
Service programme	**204.8**	**161.7**	**33.1**	**194.8**	**-10.0**
Long term investments	**0.0**	6.0	1.5	**7.5**	**7.5**
Overall capital programme	**204.8**	**167.7**	**34.6**	**202.3**	**-2.5**

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

73. There is currently a forecast service capital programme underspend of -£10.0m for the year. This underspend is due to reprofiling the capital programme, rather than an underspend against the five year programme (which remains at £780m in total). Table 20 shows the significant capital programme variances.

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Table 20: Significant capital programme variances 2014/15

	November position	Movement	December position
The fire vehicle and equipment replacement programme experienced a delay in the officer cars replacement programme for a review of overall requirements to reduce future pressure on the replacement reserve.	-£0.8m		-£0.8m
The Redhill Balanced Network scheme reprofiled to coincide with adjacent works.	-£0.6m		-£0.6m
An increase in the useful life of IMT assets enables re-phasing of future years' IMT Equipment Replacement Reserve spend on: laptops, servers and other IMT equipment.	-£1.3m		-£1.3m
Land payment for waste will now be in early 2015/16.	-£0.8m		-£0.8m
The SEN strategy is expected to be ahead of schedule at year end and will need to bring forward 2015/16 capital.	+£0.8m	-£0.3m	+£0.5m
Additional costs of Guildford Fire Station due to flooding and delays from archaeological finds earlier in the year result in a forecast overspend.	+£0.3m		+£0.3m
Small variances in Discrimination Disability Act works, replacing aged modular buildings, other non school projects and Magna Carta.	-£2.0m	+£0.3m	-£1.7m
Re-phasing the Corporate Planned Maintenance Programme. The maintenance team is responsible for the successful delivery of the schools' kitchen and maintenance programme, mainly over the summer, this has led to delays to the corporate programme	-£1.0m	-£0.6m	-£1.6m
Cabinet has allocated the Economic Regeneration budget to support Local Growth Deal schemes and is unlikely to be required in full in 2014/15	-£2.0m		-£2.0m
Flanchford Bridge strengthening delayed and re-profiled into 2015/16	-£0.8m		-£0.8m
Highways' additional road and safety improvements in advance of the Magna Carta celebrations	+£0.3m		+£0.3m
Closed landfill sites		-£0.3m	- £0.3m
Asset Planning group		-£0.8m	-£0.8m
Capital variance	**-£8.3m**	**-£1.7m**	**£10.0m**

Balance sheet

74. The council's balance sheet as at 31 December 2014 shows an increase in net assets of £21m 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 3 shows details of the balance sheet at 31 December 2014.

Reserves

75. The council's earmarked reserves reduced by £38m in the quarter to 31 December 2014. This was mainly due to drawing down reserves as planned in the MTFP and outlined in paragraph 1. Table App 4 shows details of the council's earmarked reserves as at 31 December 2014.

Debt

76. During the quarter to 31 December 2014, the council raised invoices totalling £178.5m.

77. The council's total debt outstanding at 31 December 2014 is £33.2m, split between care related debt and non-care related debt. Table App 5 shows details of debtor groups and debt age profile. The average number of debtor days for the period 1 April to 31 December was 54 days. This increase is due to a few large invoices being raised to clinical commissioning groups as outlined in paragraph App 24.

78. Between 1 April and 31 December 2014 the Director of Finance wrote off 270 debts under delegated authority with a total value of £325,104, comprising £251,214 care related debt and £73,890 non care related debt.

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Appendix to Annex

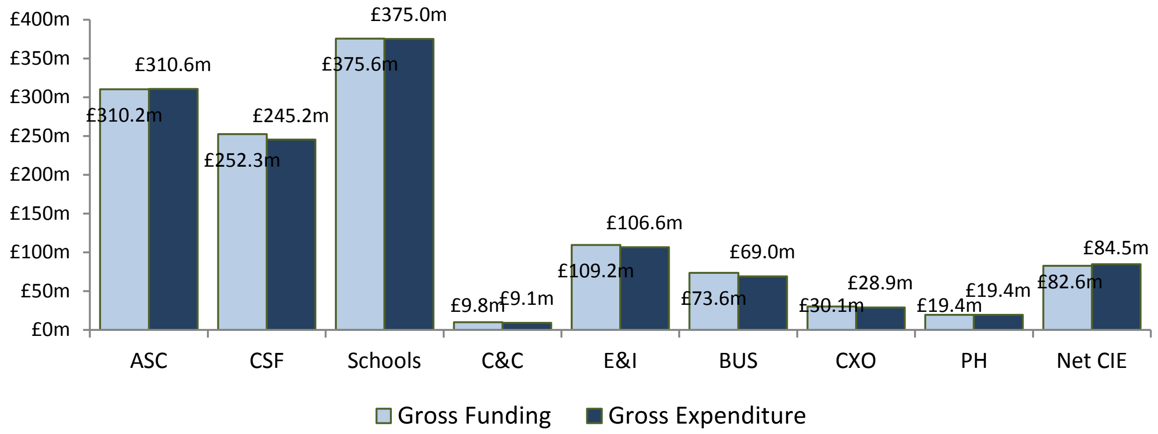
Contents

Corporate performance scorecard – finance

App 1. Figure App 1 shows the gross funding and expenditure for the council for the year to 31 December 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.

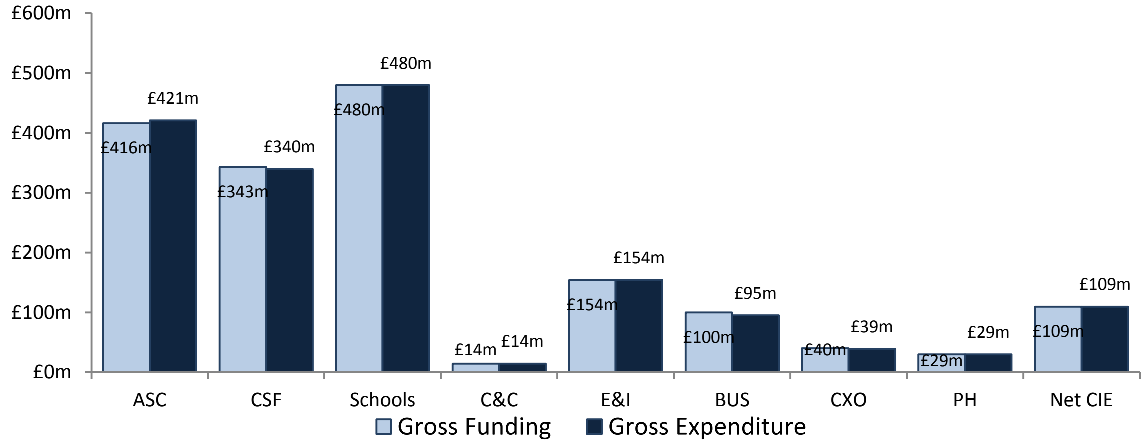
App 2. The corporate performance scorecard, shown above in the main annex in Figure 2, also includes the year end forecast revenue position.

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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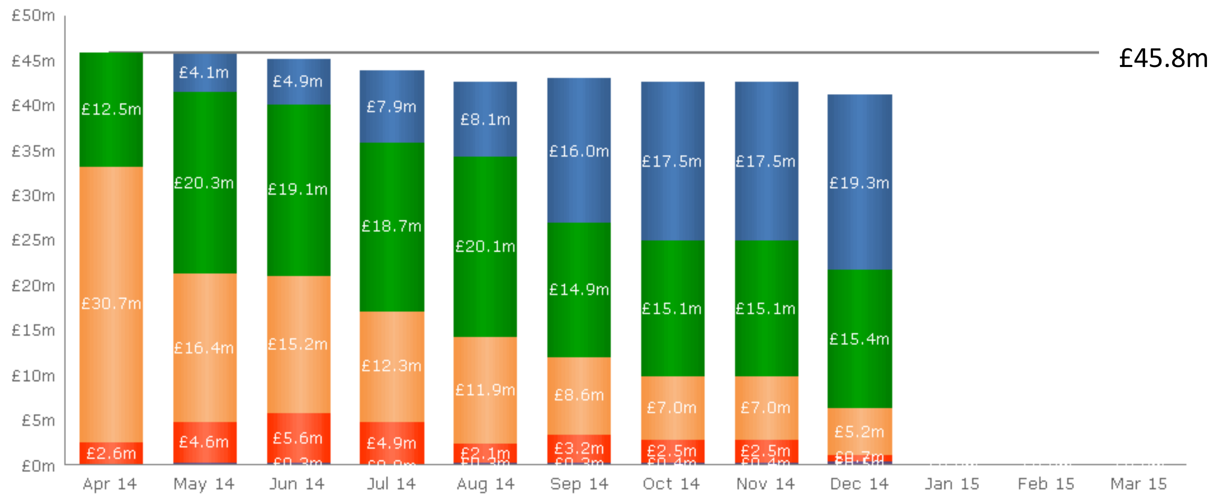
Efficiencies and service reductions

App 4. The graphs below track progress against MTFP 2014-19's risk rated efficiencies and service reductions over the nine months to 31 December 2014.

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

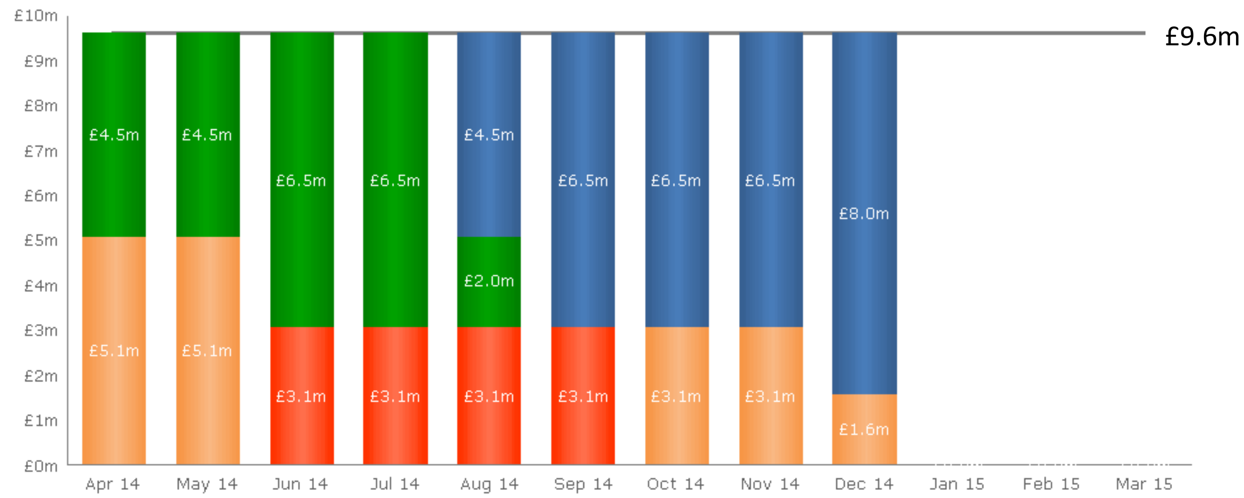
App 6. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



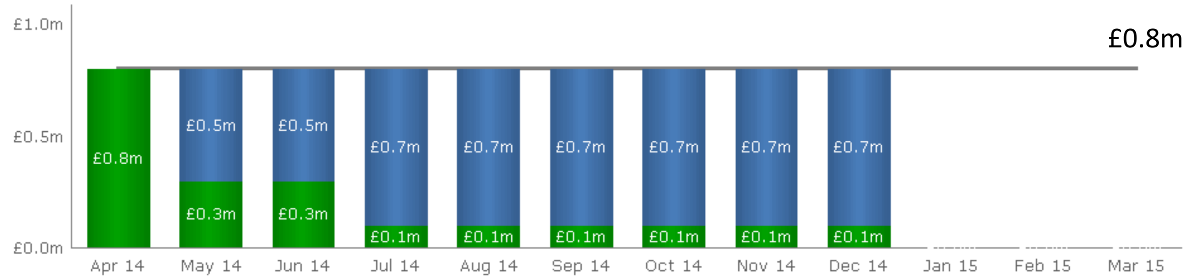
App 7. ASC forecasts a shortfall of -£4.9m against its £45.8m efficiencies target. ASC has already achieved savings of £19.3m by 31 December 2014 and is on target to achieve a further £15.4m by year end. Issues remain with £6.4m of efficiencies £0.7m is at risk and £0.5m is one off.

Children, Schools & Families



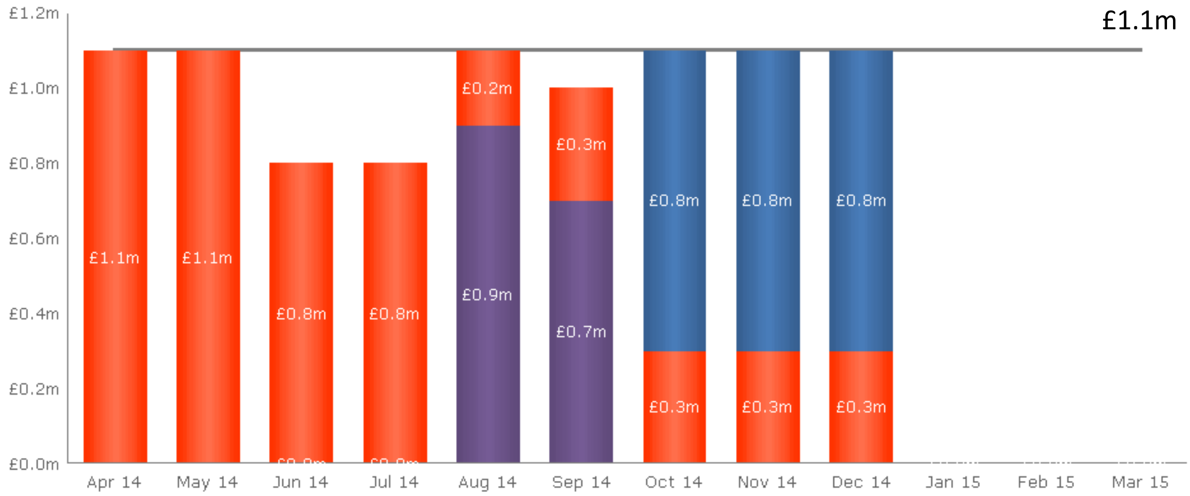
App 8. CSF forecasts to meet its £9.6m efficiencies target. CSF has achieved about 80% of its efficiencies target, the remaining fifth has some issues.

Customer & Communities



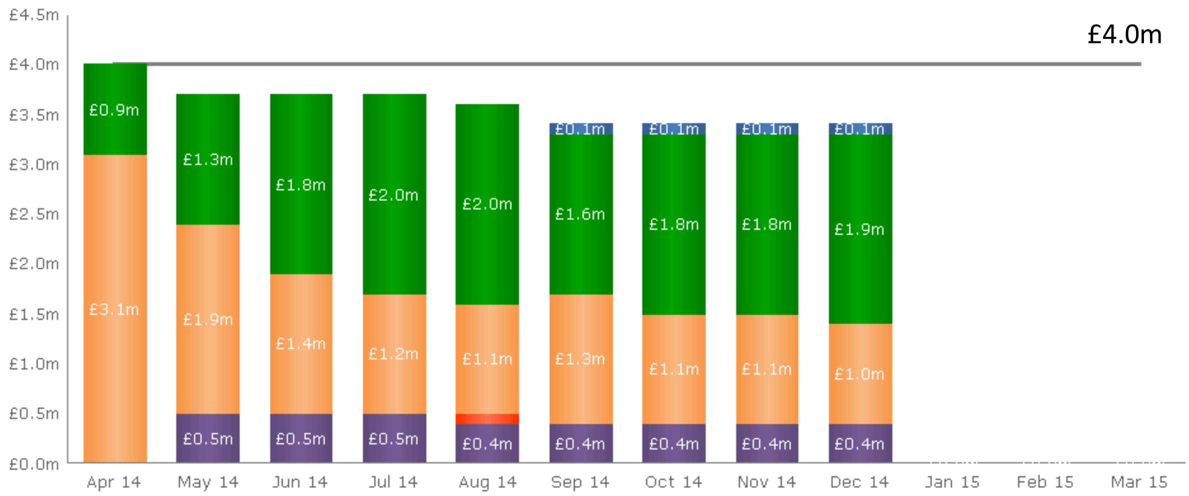
App 9. C&C has either achieved or expects to achieve all planned efficiencies.

Fire and Rescue Service



App 10. F&R has plans in place to achieve part of their increased income target which currently leaves a shortfall estimated at £0.1m for 14/15 for which the service is actively pursuing a number of opportunities. The Fire reconfiguration efficiency has been delayed and is expected to be achieved in 2015/16.

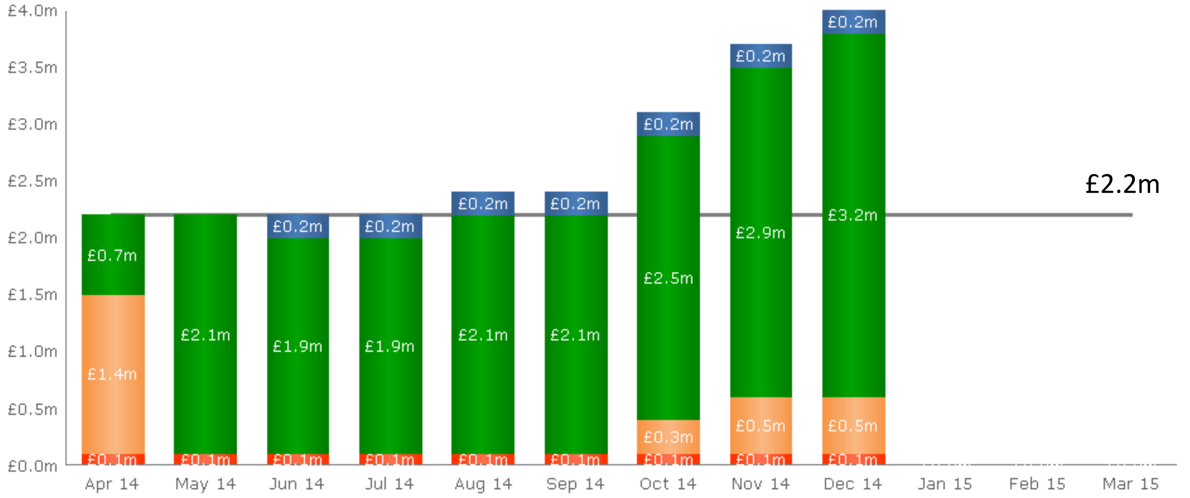
Environment & Infrastructure



App 11. E&I has established a Savings and Efficiency Panel to oversee the delivery of efficiency savings. The panel is scrutinising plans to deliver savings to ensure they are robust and stretching. Currently, after taking into account compensating

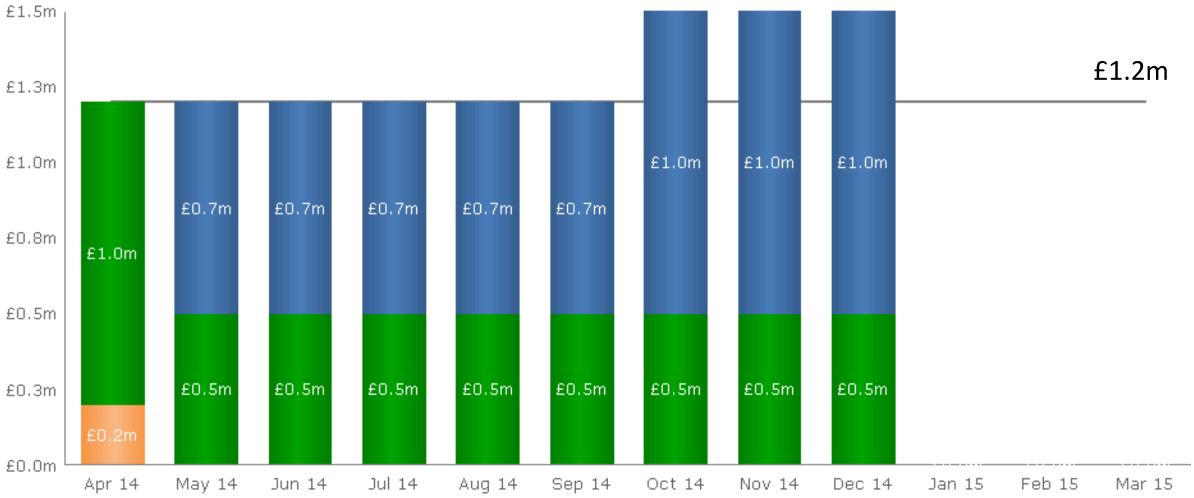
9 savings, there is an expected shortfall of £0.5m primarily as a result of a number of smaller savings being delayed and only partially achieved this year. The panel will continue to investigate this and the potential for other offsetting savings.

Business Services



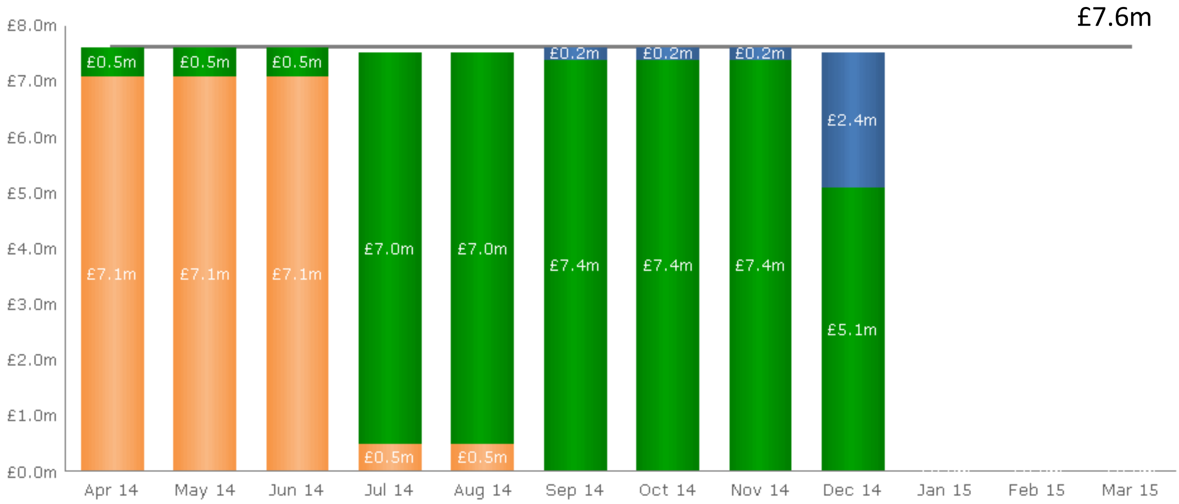
App 12. Business Services' budget includes challenging efficiency savings and increased income targets of £2.2m. It is on target to achieve £2.1m of these savings and £1.8m of 2015/16 savings this year. This is an increase of £0.3m since last month, mainly on staffing and building maintenance.

Chief Executive's Office



App 13. CEO is on target to achieve its £1.2m planned efficiencies in 2014/15. Cultural Services has achieved £0.3m of future years' on going savings early.

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 £2.1m has been achieved and the rest (£4.5m) is on track. Planned public health activities to achieve £0.5m efficiencies in other services (Table 13 above) has achieved £0.3m 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 2016/17 are at risk.

9

Updated budget - revenue

App 15. The council's 2014/15 revenue expenditure budget was initially approved at £1,651.8m. Virement changes in quarters one and two and October and November increased the budget to £1,664.1m. In December the council made 31 virements which increased the budget to £1,675.5m.

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
Quarter 2 changes	-11.2	11.2	0.0	0.0	0.0	126
Oct and Nov changes	-1.3	1.3				43
Updated budget - Oct 2014	**-1,638.2**	**1,664.1**	**0.0**	**0.0**	**25.9**	**263**
December changes						
School budget adjustments	-11.4	11.4			0.0	1
Transfer of income and expenditure	0.0	0.0			0.0	30
Updated budget -Dec 2014	**-1,649.6**	**1,675.5**			25.9	**294**

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 2014, Council agreed changes to Financial Regulations, such that virements above £500,000 require Cabinet approval except where they are in accordance with prior Cabinet approval. In December there was one virement which had received Cabinet approval - £7.6m for the Universal Infant Free School Meals grant.

App 19. Table App 2 shows the year to date and forecast year end revenue position supported by general balances.

Table App 2: 2014/15 Revenue budget forecast position as at 31 December 2014

	YTD budget £m	**YTD actual £m**	**YTD variance £m**	**Full year budget £m**	**Jan - Mar forecast £m**	**Full year projection £m**	**Full year variance £m**
Income:							
Local taxation	-441.2	-441.2	**0.0**	-615.8	-174.6	-615.8	**0.0**
Government grants	-708.0	-689.4	**18.6**	-873.6	-168.5	-857.9	**15.7**
Other income	-117.0	-145.3	**-28.3**	-160.2	-40.1	-185.4	**-25.2**
Income	-1,266.2	-1,275.9	**-9.7**	-1,649.6	-383.2	-1,659.1	**-9.5**
Expenditure:							
Staffing	231.7	227.2	**-4.4**	316.1	83.7	310.9	**-5.2**
Service provision	645.8	646.1	**0.3**	879.7	244.8	890.9	**11.2**
Non schools sub-total	877.5	873.4	**-4.1**	1,195.8	328.4	1,202.8	**6.0**
Schools expenditure	375.6	375.0	**-0.6**	479.6	104.6	479.6	**0.0**
Total expenditure	1,253.1	1248.4	**-4.7**	1,675.4	433.0	1,681.4	**6.0**
Movement in balances	**-13.1**	**-27.5**	**-14.4**	**25.8**	**49.8**	**22.3**	**-3.5**

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

App 20. Table 1 shows the council’s updated revenue budget by services as at 31 December 2014

9

Balance sheet

App 21. The council's balance sheet as at 31 December 2014 shows an increase in net assets of £21m since 31 March 2014. Net assets have increased as a result of in year capital expenditure and a reduction in current liabilities. These increases are partially offset by an increase in long term liabilities from borrowing and contributions to provisions. Table App 3 shows details of the balance sheet at 31 December 2014.

Table App 3: Balance sheet

As at 31 Mar 2013 £m	**As at 31 Mar 2014 £m**		**As at 31 Dec 2014 £m**
1,280.0	1,318.6	Property, plant & equipment	1,354.3
0.7	0.7	Heritage assets	0.7
	29.2	Investment property	32.9
5.9	4.3	Intangible assets	3.9
0.2	0.3	Long term investments	0.4
8.8	10.6	Long term debtors	13.9
1,295.6	**1,363.7**	**LONG TERM ASSETS**	**1,406.2**
104.1	74.0	Short term investments	21.5
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	130.6
114.1	7.4	Cash & cash equivalents	46.7
376.4	**212.3**	**CURRENT ASSETS**	**205.7**
-82.1	-51.3	Short term borrowing	-35.3
-234.3	-212.4	Creditors	-184.2
-3.3	-4.7	Provisions	-2.2
-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**	**-228.9**
-7.2	-9.4	Provisions	-20.8
-238.1	-237.9	Long term borrowing	-287.8
-1,142.2	-1,295.6	Other long term liabilities	-1,295.7
-1,387.5	**-1,542.9**	**LONG TERM LIABILITIES**	**-1,604.3**
-39.2	**-242.5**	**NET ASSETS / (-) LIABILITIES**	**-221.3**
-288.4	-278.6	Usable reserves	-313.9
327.6	521.0	Unusable reserves	535.2
39.2	**242.5**		**221.3**

Earmarked reserves

Table App 4: Earmarked revenue reserves

	Opening balance 1 Apr 2014 £m	Balance at 31 Dec 2014 £m	Forecast 31 Mar 2015 £m
Revolving Infrastructure & Investment Fund	20.2	20.2	20.8
Eco Park Sinking Fund	14.6	14.6	18.9
Investment Renewals Reserve	13.0	12.6	10.9
Insurance Reserve	8.8	9.7	9.7
General Capital Reserve	7.7	7.8	6.7
Budget Equalisation Reserve	33.6	3.2	7.2
Street lighting PFI Reserve	6.2	5.8	5.8
Economic Downturn Reserve	6.0	4.2	4.2
Vehicle Replacement Reserve	5.4	6.1	2.9
Child Protection Reserve	3.1	1.9	1.9
Equipment Replacement Reserve	3.4	2.9	1.7
Business Rate Appeals Reserve	0.0	1.3	1.3
Pensions Stabilisation Reserve	0.0	1.1	1.1
Interest Rate Reserve	4.7	1.0	1.0
Financial Investment Reserve	1.6	0.6	0.6
Waste Site Contingency Reserve	0.3	0.0	0.0
Total earmarked revenue reserves	**128.6**	**93.0**	**94.7**

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

Debt

App 22. During the third quarter of 2014/15, the Accounts Payable team raised invoices totalling £72.1m, making a total for the year of £178.5m.

Table App 5: Age profile of the council's debts as at 31 December 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	2.5	4.0	1.5	2.9	11.0	8.5
Care debt – secured	0.1	1.3	1.4	2.9	5.8	
Total care debt	**2.6**	**5.3**	**3.0**	**5.8**	**16.8**	**8.5**
Schools, colleges and nurseries	0.4	0.1	0.0	0.0	0.5	0.1
Clinical commissioning groups	1.1	19.9	0.3	0.1	21.4	20.3
Other local authorities	0.5	0.9	0.0	0.0	1.5	1.0
General debt	2.6	3.1	0.0	0.0	5.9	3.3
Total non-care debt	**4.6**	**24.1**	**0.4**	**0.1**	**29.2**	**24.7**
Total debt	**7.2**	**29.4**	**3.4**	**5.9**	**46.0**	**33.2**

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

App 23. The amount outstanding on these invoices was £46.0m of gross debt at 31 December 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 6.

App 24. The council raised an invoice for £18.3m to NHS England in November. It is a substantial part of the £19.9m Clinical Commissioning Groups' debt aged 2-12 months in Table App 5. This is for the 2014/15 Whole Systems & Integration funding and will be paid by the end of January 2015. It also significantly contributes to the increase in debtor days quoted in paragraphs 78 andApp 24 App 25.

9

Table App 6: Overdue debt summary as at 31 December 2014

	2014/15 Q3 £m	2014/15 Q2 £m	2014/15 Q1 £m	2013/14 Q1 £m	2012/13 Q4 £m	2011/12 Q4 £m
Care related debt	8.5	6.4	6.5	6.5	7.6	6.1
Non care related debt	24.7	6.6	4.2	3.1	3.8	3.0
Total	**33.2**	**13.0**	**10.7**	**9.6**	**11.4**	**9.1**

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

App 25. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April to 31 December 2014 was 54 days.

App 26. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q3 2014/15) the Director of Finance has written off 67 such debts with a total value of £43,542, of which £43,324 is care related and £218 is non care related debt.

Treasury management

Borrowing

App 27. 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 7: Long-term borrowing

	£m
Debt outstanding as at 1 April 2014	237.2
Loans raised	50.0
Loans repaid	0.0
Current balance as at 30 September 2014	**287.2**

App 28. During December 2014 the council raised a fixed rate loan of £20m from the Public Works Loan Board with a 50 year duration at a rate of 3.36%. The total new borrowing added during 2014/15 is £50m as at 31 December 2014.

App 29. The council is able to undertake temporary borrowing for cash flow purposes, no such borrowing occurred during the quarter ending December 2014.

App 30. The council also manages cash on behalf of Surrey Police Authority (£27m as at 31 December 2014) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 31. 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 8: Borrowing against the authorised limit and operational boundary

	Authorised limit £m	**Operational boundary £m**
Gross borrowing	287.2	287.2
Limit / boundary	797.0	719.0
Headroom	**509.8**	**431.8**

Capital Financing Requirement

App 32. 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 9. The current borrowing position shows a net position of £235m more in borrowing than we hold in short term deposits.

Table App 9: The council's position against the estimated CFR

Capital Financing Requirement			**Net borrowing**
2014/15	**2015/16**	**2016/17**	
£682m	£752m	£830m	£235m

Maturity profile

App 33. 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 10. This excludes balances invested on behalf of Surrey Police Authority.

Table App 10: 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 34. There has been no early repayment or rescheduling in 2014/15.

9

Investments

App 35. The council had an average daily level of investments of £282m throughout 2013/14, with a projection of £144m expected for 2014/15. The balance of funds managed on behalf of schools within this figure was £50m at 31 December 2014.

App 36. 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 31 December 2014 is given in Table App 11.

Table App 11: Borrowing activity up to 31 December 2014

Timed deposits	**Number**	**Average value £m**	
Deals using a broker	28	5.5	
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	-

App 37. The weighted average return on all investments received to the end of the third quarter in 2014/15 is 0.44%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.35% for the equivalent period. Table App 12 shows the comparison.

Table App 12: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	**Weighted return on investments**
Quarter 3	0.36%	0.44%
2014/15 total	**0.35%**	**0.43%**
2013/14 total	0.36%	0.41%