Budget monitoring outturn 2014/15

Summary recommendations

Cabinet is asked to note the following.

1. The council achieved -£13.0m underspend for 2014/15, down from -£13.4m at 28 February 2015 (Annex 1, paragraph 3). This includes £8.0m of carry forward requests for spending on planned service commitments that continue beyond 2014/15. Excluding the carry forward requests, the underspend is -£5.0m. This is less than 1% of the council's total expenditure budget of £1,675m.

2. Services achieved £74.1m efficiencies and savings (Annex 1, paragraph 85) up from £73.9m forecast at 28 February 2015 and the planned target of £72.3m.

3. The council invested £199.3m through its capital programme in 2014/15 (Annex 1, paragraphs 88 and 89).

4. The council's balance sheet, year end reserves and balances and debt analysis (Annex 1, Appendix 1, paragraphs App 17 to App 21).

Cabinet is asked to approve the following.

5. £1.8m school virement requests, reflecting grant adjustments (Annex 1, paragraph 12).

6. £8.0m revenue carry forward requests and transfer funding to the Budget Equalisation Reserve (Annex 1, paragraph 4 and Annex 2).

7. £5.0m transfer of remaining revenue underspend to the Budget Equalisation Reserve also (Annex 1, paragraph 4).

8. £30,000 allocation from the Central Income & Expenditure budget to Surrey Arts (Annex 1, paragraph 60)

9. £0.4m transfer of Revolving Infrastructure and Investment Fund net income back into the fund (Annex 1, paragraph 76).

10. £17.8m capital programme adjustments, comprising £17.5m net effect of schemes brought forward and carried forward and £0.3m of extended schemes (Annex 1, paragraph 88 and Annex 2).

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 use of £20.1m from previous years' underspends and £5.8m from other reserves to support 2014/15. During 2014/15 the council made adjustments to update the initial budget, for example to reflect additions and reductions to grants. These adjustments (summarised in Table App 1) increased both budgeted income and expenditure by £23.5m.

The council's 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; and
- 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 fifth year in succession, the council ended 2014/15 with a small underspend, demonstrating its tight grip on financial management. The outturn is -£13.0m underspend for 2014/15. Services have requested transfers of some of this underspent budget to 2015/16 to fund completion of projects and schemes that straddle the year end.

In 2014/15, the council sought further efficiency savings of £72.3m as part of 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 held support sessions with strategic directors and heads of service focusing on the areas of the MTFP presenting the biggest risks. The sessions covered 80% of service spend and concluded the key strategies are valid.

To maintain good progress in the rigour and robustness of services' savings plans and in managing the risks in the MTFP, the sessions will continue. The Chief Executive and Director of Finance will also continue to report progress on the medium term financial planning process at the council's regular briefings to all members.

Continuously drive the efficiency agenda

The council has significantly increased the quality of its monitoring information by improving the timeliness to report outturn a month earlier than for 2013/14. Using consistent reporting schedules and processes and continuous monitoring and regular reporting combined with an efficient and effective closing programme has enabled this improvement.

A key objective of MTFP 2014-19 is to increase the council's financial resilience, including reducing long term reliance on government grants. The council's plans for efficiencies in 2014/15 totalled £72.3m (£253m for 2014-19). Services achieved £74.1m 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 severe weather and flooding. Part of this preparedness is maintaining adequate balances and reserves. The council maintained £21m in general balances throughout 2014/15.

Capital summary

Maximising our investment in Surrey

A key element of the 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 aims to reduce its reliance on council tax by generating other income. To do this, it invested £40.2m in long term capital investment assets in 2013/14 and a further £7.8m in 2014/15.

The capital outturn position is £191.5m spent against 2014/15's reprofiled mainstream capital budget of £209.5m; and £7.8m spent 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 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.

2. During 2014/15 the council made adjustments to the initial budget (for example to reflect additions and reductions to grants) to increase both income and expenditure by £23.5m. This brought the revised total income budget to -£1,651.5m and the revised total expenditure budget to £1,675.0m. Table 1 summarises the final updated revenue budget for 2014/15. Services' income includes specific grants plus fees, charges and reimbursements.

Table 1: 2014/15 final updated revenue budget

	Income £m	Expenditure £m	Net budget £m
Adult Social Care	-74.0	416.1	342.1
Children, Schools & Families	-145.9	332.9	187.0
Schools	-490.2	490.2	0.0
Customers & Communities	-0.9	12.8	11.9
Fire & Rescue	-11.0	46.7	35.7
Environment & Infrastructure	-24.4	151.4	127.0
Business Services	-16.6	99.2	82.6
Chief Executive's Office	-42.9	69.9	27.0
Central Income & Expenditure	-845.6	55.9	-789.7
Service total	-1651.5	1675.0	23.5

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

3. As at 31 March 2015, services achieved a -£13.0m net revenue budget underspend. This is a £0.4m decrease from the position forecast at 28 February 2015.

4. Services' commentaries include requests to carry forward £8.0m to support planned commitments that continue beyond 2014/15. Annex 2 summarises the requests. The council would effect the carry forwards by transferring all of the underspend to the Budget Equalisation Reserve and then making the agreed funding available to services in 2015/16.

5. The main reasons for services' outturn variances are as follows.

   - Adult Social Care achieved +£2.7m outturn overspend. This was due to +£2.0m of pressures that occurred during the year, but were not built into the budget and +£0.7m underachievement against the MTFP savings target.
   - Children's services achieved a net +£0.1m outturn overspend. This was mainly due to underspends of -£1.0m on the Adoption Reform grant funded commitments, -£1.0m staffing and -£0.4m additional income, set against overspends arising from care provided for children who are, or have been in Surrey's care.
   - Schools & Learning underspent by -£4.0m on county funded services. This included -£1.2m on the SEND reform grant and -£2.7m on the centrally held budget to cover potential financial impacts of various legislative transfers.

- Customer & Communities achieved -£0.9m underspend. This was predominately due to committed expenditure that will not incur until 2015/16 for the Community Improvement Fund (-£0.6m) and Member allocations (-£0.1m).
- Fire & Rescue achieved -£0.4m underspend. This was due in part to increased income and partly to reduced staffing costs, including the impact of strike action.
- Environment & Infrastructure achieved -£0.4m underspend. This was mainly due to reduced concessionary fares reimbursements and other savings, offset by highways pressures and a shortfall against expected recharges.
- Business Services achieved -£6.6m underspend. This was mainly as a result of early achievement of 2015/16 efficiencies, plus one-off savings in property, IT & property project implementation delays and in HR including underspends on the apprenticeship programme and training.
- Chief Executive's Office achieved -£2.3m underspend across all services. This was mainly due to cost savings and restructures in preparation for 2015/16's efficiency savings.

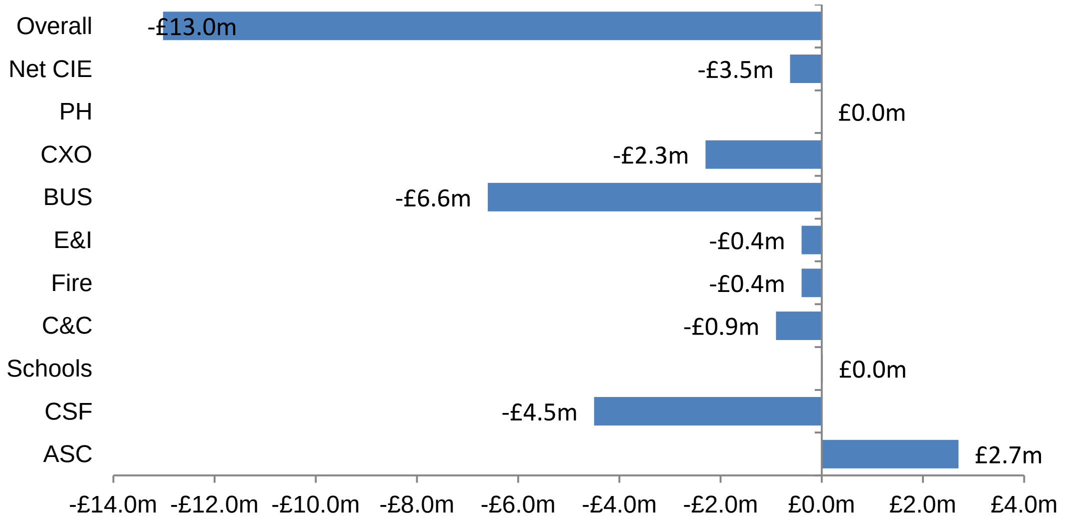
6. Table 2 and Figure 1 show the budget and outturn net revenue position for services and the council overall.

Table 2: 2014/15 net revenue budget

Feb forecast variance		**Full year (final) budget £m**	**Full year position £m**	**Full year variance £m**
1.8	Adult Social Care	342.1	344.8	2.7
-5.9	Children, Schools & Families	187.0	182.5	-4.5
0.0	Schools (gross exp £490m)	0.0	0.0	0.0
-0.8	Customer & Communities	11.9	11.0	-0.9
-0.2	Fire	35.7	35.3	-0.4
-0.7	Environment & Infrastructure	127.0	126.6	-0.4
-6.0	Business Services	82.6	76.0	-6.6
-1.5	Chief Executive's Office	27.0	24.7	-2.3
0.4	Central Income & Expenditure	-173.9	-174.1	-0.2
-13.0	**Service net budget**	**639.3**	**626.7**	**-12.6**
-0.4	Local taxation	-615.8	-616.2	-0.4
-13.4	**Overall net budget**	**23.5**	**10.5**	**-13.0**

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

Figure 1: Budget and outturn net expenditure variance



Net CIE comprises: Central Income & Expenditure, local taxation and Revolving Infrastructure & Investment Fund.

7. The council managed to achieve the overall underspend through controlling expenditure to its non-schools budgets, while generating new income. Table App 2 in the appendix shows that total non-schools' expenditure was £0.6m above budget with the difference from increased income accounting for the net underspend.

8. Table 3 shows all services exhibited good control of expenditure. The biggest variance was for Business Services, which achieved 2015/16 savings early.

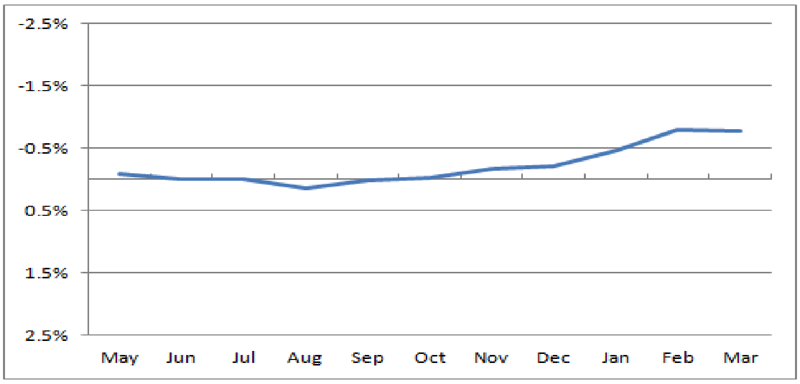
Table 3: Services' expenditure outturn variance as a proportion of budget

Service	**Outturn expenditure variance as a proportion of total budget**
Adult Social Care	1.1%
Children, Schools & Families	-1.3%
Customer & Communities	1.6%
Fire	0.0%
Environment & Infrastructure	0.7%
Business Services	-3.7%
Chief Executive's Office	-1.3%
Services overall	0.1%

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

9. Furthermore, Figure 2 shows steady improvement in the overall outturn forecasts made during the year, finishing with only a small, £0.4m change between February and year end outturn.

Figure 2: Trend of outturn position forecasts during 2014/15



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

11. Below, services summarise their outturn income and expenditure positions. These explain the variances, their impact and services' actions to mitigate adverse variances. The appendix gives the updated budget with explanations of budget movements.

Virements

12. The Department of Education (DfE) has amended the following school grant allocations due to revised pupil numbers or other drivers.

- Year 7 Catch up premium: £0.4m:
  Grant the council must allocate to maintained schools at £500 for each year 7 pupil not reaching expected standard at key stage 2. The grant is the sum of the school level allocations calculated by DfE. The council has no discretion as to how to allocate it.
- Universal infant free meals grant £11,658
  This is an increase in allocation for a new school (Trinity Oaks). Again the council must pass the allocation on to the named school.
- Schools direct grant £0.2m
  A grant paid by way of the council to schools providing school-based teacher training. Individual schools contract with the National College for School Leadership (NCSL) to provide the training. Where these are maintained schools, the grant is paid by NCSL to the council to pass on to the school. The council has no discretion over use of the funds.
- Pupil premium increase of £5,920 in final allocation
  Correction to March adjustment. Total grant is approximately £17m. DfE advised final allocations in mid March 2015.
- Education Funding Agency (EFA) post 16 funding £37,341
  Increase of £37,341 to reconcile to the final EFA allocation. This grant is made up of school level allocations for sixth forms and the council passes it on in full to the relevant schools. EFA provides the final figure now as the council can replace estimates of academy conversions with actual adjustments. Total grant is £18m.
- Dedicated Schools Grant (DSG) £0.7m
  The final DSG adjustment taking into account actual academy conversions. The loss of grant income to the council largely matches the reduction in expenditure for no longer having to fund the schools that have converted to academies.
- Schools locally received grants £0.5m
  These are grants received locally by schools (e.g. from NCSL). The council has no control over these grants' use and is only advised of the sums involved once the schools have received them. For technical reasons the council reports its income and expenditure gross of these grants and so must add the income to the budget.

13. As these grants are all passed onto schools, for reporting outturn all of the above virements have been processed and included within the tables. The Schools budget has moved by £10.4m since February mostly due to realigning income and expenditure and the £1.8m of grant adjustments outlined above.

Service commentaries

Adult Social Care

Table 4: Summary of Adult Social Care services' revenue position

Adult Social Care	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-74.0	-75.9	-1.9
Expenditure	416.1	420.7	4.6
Net position	**342.1**	**344.8**	**2.7**
Summary by service			
Income	-74.0	-75.9	-1.9
Older People	159.7	163.3	3.6
Physical Disabilities	48.1	46.8	-1.3
Learning Disabilities	130.2	133.4	3.2
Mental ealth	8.9	8.8	-0.1
Other Expenditure	69.2	68.4	-0.8
Total by service	**342.1**	**344.8**	**2.7**

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

14. The 2014/15 outturn for Adult Social Care (ASC) is an overspend of +£2.7m. This represents an increase of +£0.9m from the projected overspend reported as at 28 February 2015. The +£2.7m overspend is due to +£2m of pressures that occurred during the year, but were not built into the budget and £0.7m underachievement against the MTFP savings target.

15. The increased overspend from the February position is primarily due to two factors:

    - the transfer of an Ordinary Residency package to Surrey backdated to May 2011 and not previously reported, which required the council to reimburse another local authority +£0.4m; and
    - +£0.3m of increases in the bad debt provisions for social care and clinical commissioning group (CCG) debt for the final quarter.

16. 2014/15 was a challenging year for ASC with a significant savings target of £42m plus additional income of £4m. ASC succeeded in delivering £41.3m of savings, 98% of the original savings target. ASC had challenges delivering some savings, as those noted below. However, these were largely balanced by additional in-year savings.

17. During 2014/15, ASC faced +£0.9m extra demand pressures above those built into the budget. This reflects the increased level of need evident in the whole system, which ASC is working to address through greater collaborative working with health and a continued focus on prevention and wellbeing. This collaboration is already having an impact as the rate of increase in the number of individuals ASC supports slowed in the last quarter of the financial year.

18. The most significant element of ASC's savings plans in 2014/15 is the Family, Friends and Community (FFC) support strategy. There are three key measures through which the service plans to achieve the FFC savings.

    - First, an improved assessment process for individuals requiring new care packages, supported by a recalibration of the Resource Allocation System (RAS), which ASC implemented in mid May 2014.

- Second, a programme of re-assessments of existing packages to ensure ASC fully incorporates FFC is into personalised support plans. Locality Teams have drawn up local project plans for the delivery of the re-assessments.
- Third, identification of Direct Payments (DP) refunds to ensure any surpluses are reclaimed and their impact of factored into the re-assessment programme.

19. Table 5 summarises performance of the programme streams in 2014/15.

Table 5: Financial performance of FFC programme streams

	<-----Performance in 2014/15------>			←Forecast future performance-->		
	2014/15 target £m	**Achieved Apr - Mar £m**	**2014/15 variance £m**	**Full year target £m**	**Full year effect £m**	**Full year variance £m**
New packages: non-transition	-3.6	-0.3	3.3	-3.6	-0.3	3.2
Reassessments	-6.0	-2.4	3.6	-6.0	-4.3	1.7
FFC DP surplus	-3.0	-5.6	-2.6	0.0	0.0	0.0
Non-transition sub-total	**-12.6**	**-8.3**	**4.3**	**-9.6**	**-4.6**	**4.9**
New packages: transition	-0.4	1.3	1.7	-0.4	1.6	2.0
Total	-13.0	-7.0	6.0	-10.0	-3.0	7.0

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

20. Table 5 shows ASC achieved savings in all areas other than new transition care packages for individuals who transferred from Children's Services to ASC during 2014/15. Care costs for these individuals are historically volatile and the number of high cost cases the service had to pick up led to +£1.3m overall additional costs. Excluding new transition packages, ASC achieved -£8.3m savings with -£4.6m continuing full year effect.

21. At the start of the year, ASC planned 1,404 reassessments. ASC has worked hard to pick up the pace of reassessments in recent months and completed 1,216 by 31 March 2015 (87%). A further 188 are in progress and the savings generated from these re-assessments will be recorded in 2015/16. This strong performance, in relation to the number of re-assessments completed, is particularly noteworthy given the many resource challenges ASC has faced in 2014/15. It also provides a sound basis for continuing the programme of reassessments from the start of 2015/16, which should enable ASC to achieve a higher amount of in-year savings in 2015/16.

22. In the February monitoring report, ASC forecast £5.9m full year savings for reassessments. Table 6 shows ASC achieved and validated -£4.3m of full year savings by the end of the year. However, likely savings from the reassessments completed, but not yet validated and those still in progress, but not fully completed by year end also need to be considered when assessing the overall performance of the 2014/15 reassessments programme. Table 6 shows that when incorporating these cases, full year savings from this year's caseload are likely to be £5.7m, in line with the February forecast. This is based on evidence for cases reassessed but not yet validated, which indicates that a further £0.3m of full year savings should be achieved, plus a prudent assumption for a 15% reduction in cost for those cases still in progress, which would generate savings of £1.1m.

Table 6: Summary of the likely full year effect from 2014/15 re-assessments

Validated savings	**No of Assessments**	**Savings £m**
Re-assessed and validated	1,118	-4.3
Re-asssessed - validation outstanding, but savings unlikely	38	0
Re-assessed - validation outstanding and savings likely	60	-0.3
Sub-total re-assessed	**1,216**	-4.6
In progress	188	-1.1
2014/15 full year savings	**1,404**	-5.7

23. While costs have not increased (excluding transition) it has consistently proved difficult to achieve savings for new packages of care. The year end outturn shows ASC achieved -£0.2m of savings in-year, with a full year effect of -£0.3m. Difficulties in achieving savings may partly be due to the continued strategic shift away from residential care. This strategic shift is better for individuals in terms of maintaining their independence and improving their wellbeing and it is also financially beneficial as community care packages are on average less expensive than residential care placements. However, it also makes it less likely that it will be possible to reduce community care costs by 20% on average overall as there may be a higher proportion of individuals with more complex needs receiving community care.

24. The whole of the FFC programme is under close review by the service so ASC can feed the lessons learned from 2014/15 into planning to deliver 2015/16's savings targets.

25. Table 7 summarises ASC's savings performance.

Table 7: Summary of ASC savings performance

	£m	**£m**
MTFP efficiency savings target		-42.0
Total efficiency savings achieved		-41.3
Under / (Over) performance vs MTFP savings target		+0.7
Pressures not built into the MTFP		
Additional demand pressures	+0.9	
Bad debt provision changes	+0.5	
Backdated Ordinary Transfers into Surrey	+0.6	
Total pressures not built into the MTFP		+2.0
Total projected (+)over/(-)under spend against ASC budget		+2.7

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

Children, Schools & Families

Table 8: Summary of the revenue position for Children, Schools & Families services

Children, Schools & Families	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-145.9	-146.2	-0.3
Expenditure	332.9	328.7	-4.2
Net position	**187.0**	**182.5**	**-4.5**
Summary by service:			
Income	-145.9	-146.2	-0.3
Strategic Services	3.6	4.0	0.4
Children's Services	93.8	93.9	0.1
Schools and Learning	207.7	203.7	-4.0
Services for Young People	27.8	27.1	-0.7
Total by service	**187.0**	**182.5**	**-4.5**

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

26. At 31 March 2015 Children, Schools & Families services (CSF) had a -£4.5m year end underspend. This is a reduction of £1.5m compared to the position forecast at 28 February 2015.

27. The underspend position includes -£2.2m lower than anticipated spend against the service transformation grants for adoption reform and the reforms for children with special educational needs and disabilities (SEND). These grants carry ongoing, planned commitments that continue beyond 2014/15, bringing the underlying position for CSF down to -£2.3m underspend. The service requests to carry this grant funding forward into future financial years.

28. The main reason the underspend has reduced by £1.5m from that forecast at 28 February 2015 is a higher than expected spend on transport.

29. The +£0.4m overspend on Strategic Services is mainly as a result of the final phase of CSF's public value programme.

30. CSF requests carry forwards totalling £3.4m comprising:

Adoption reform grant	£1,000,000
SEND reform grant	£1,200,000
Centrally held carry forward to complete SEND objectives	£1,000,000
Surrey Safeguarding Children's Board partner contributions	£32,000
Looked after children bursaries	£36,000
Family services resources	£100,000

Children's Services

31. Children's Services' expenditure is a small overspend of +£0.1m, although this includes an underspend of -£1m on the Adoption Reform grant funded commitments. The underlying expenditure position is a £1.1m overspend.

32. The underlying overspend continues to arise from care provided for children who are, or have been in Surrey's care:

- +£0.7m agency placements, the main reason for the overspend is high cost secure accommodation placements exerting particular pressure on the budget;
- +£0.2m continuing pressures on fostering allowances and cost of adoption allowances;
- +£0.6m for leaving care, as the number of care leavers continued at a similar level to that experienced in 2013/14, which also overspent; and
- +£0.5m for asylum seekers, as higher numbers in 2014/15 exacerbated the grant shortfall for each child, on top of costs for those with no recourse to public funds.

33. In addition there was a +£0.3m overspend in services for children with disabilities mainly due to pressure on care packages.

34. Offsetting these overspends Children's Services underspent its staffing budget by -£1.0m, mainly due to a high number of vacancies early in the year. It also received additional income of -£0.4m, mainly from NHS contributions to care costs and interagency adoption fees.

35. Children's Services was unable to spend the Adoption Reform Grant fully this year due to delays in recruitment to the planned family assessment service. Recruitment is now underway and the service requests a carry forward of £1.0m of this grant to sustain changes in practice with the intention of making the reforms sustainable through reductions in timescales, assessment and care costs. Encouragingly, some reduction in costs occurred in 2014/15 as the Family Justice Review requirement that proceedings are completed within 26 weeks has reduced care costs. This has contributed to the overall underspend of -£0.4m in the area's care budgets.

Schools & Learning

36. Overall Schools & Learning underspent by -£4.0m on county funded services. This includes a £1.2m underspend on the SEND reform grant giving an underlying underspend of -£2.8m. This underspend is £0.7m less than anticipated mainly due to an increase in transport costs compared to the forecast.

37. The main pressure on county funded services remains SEN transport where a £2m overspend occurred (a similar level to 2013/14's overspend). The number of SEN pupils transported increased by 4.15% in 2014/15 from 2,604 at the start of the year to 2,712 at the end. In contrast, mainstream transport underspent by -£0.7m as changes to denominational transport introduced from 2012 continue to reduce costs.

38. As reported previously, the main underspend of -£2.7m is on the centrally held budget to cover the potential financial impacts of the legislative transfer of: post 16 learning disabilities, demographic changes and inflationary increases. In addition, Commercial Services underspent by -£0.7m, mainly as a result of greater sales turnover and delays in recruiting the staff required to fulfil demand for free infant school meals.

39. Schools & Learning underspent by -£1.2m against the £2.1m SEND reform grant intended to support the introduction of Education, Health and Care plans from September 2014. The service has encountered difficulties recruiting to short term posts to manage the transfer of statements to the new plans. The service requests to carry the unspent grant forward into 2015/16 when the transfer work will continue.

Delegated schools budget

Table 9: Summary of the revenue position for the delegated schools budget

Delegated schools budget	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-490.2	-521.1	-30.9
Expenditure	490.2	521.1	30.9
Net position	**0.0**	**0.0**	**0.0**

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

40. The delegated schools budget achieved a balanced outturn position.

Customer & Communities

Table 10: Summary of the revenue position for Customer & Communities services

Customer & Communities	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-0.9	-2.0	-1.1
Expenditure	12.8	13.0	0.2
Net position	**11.9**	**11.0**	**-0.9**
Summary by service			
Customer Services	3.3	3.2	-0.1
Trading Standards	2.0	2.0	0.0
Community Partner & Safety	3.7	3.0	-0.7
County Coroner	1.2	1.3	0.1
C&C Directorate Support	1.7	1.5	-0.2
Total by service	**11.9**	**11.0**	**-0.9**

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

41. At 31 March 2015 Customer & Communities services (C&C) had -£0.9m year end underspend. This is predominately due to committed expenditure that will not be incurred until the next financial year for the Community Improvement Fund (£0.6m) and Member allocations (£0.1m). C&C requests carry forwards for these amounts.

42. The remaining underspend includes staff savings within Directorate Support & Customer Services of -£0.3m. This is partly offset by pressures due to: a shortfall in Trading Standards Proceeds of Crime Act income of +£0.1m, where cases are underway but not yet completed; and +£0.1m for the Coroner's provision of temporary mortuary facilities.

43. C&C requests to carry forward £0.7m for the following items to fund payments for existing commitments within the new financial year:

Community Improvement Fund committed grants	£575,000
Member allocations, committed allocations	£121,000

Fire & Rescue

Table 11: Summary of the revenue position for Fire & Rescue services

Fire	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-11.0	-11.4	-0.4
Expenditure	46.7	46.7	0.0
Net position	**35.7**	**35.3**	**-0.4**
Summary by service			
Rescue Operations	28.8	28.3	-0.5
Fire Support Functions	1.5	1.7	0.2
Community Fire Safety	1.2	1.3	0.1
Emergency Planning	0.2	0.3	0.1
FF Pension Fund	4.0	3.7	-0.3
Total by service	**35.7**	**35.3**	**-0.4**

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

44. At 31 March 2015 Fire & Rescue services (F&R) had -£0.4m year end underspend.

45. The underspend is due in part to the service experiencing an extended period of strikes and industrial action short of strike. This resulted in reduced salary and overtime costs, partly offset by additional contingency cover costs, while also delaying expenditure on a number of projects. In addition, F&R is reducing staffing levels by holding vacancies in preparation for future required efficiencies.

46. F&R over achieved its income budgets, however this mostly related to recoveries and additional grants, where there will be corresponding expenditure. The service has absorbed the 2014/15 station reconfiguration through a mix of vacant posts and managed savings.

47. S.E. Business Services Ltd, a wholly owned company of the council, was successful in securing fire related contracts during the 2014/15 financial year. Officers from F&R, working on secondment to the company have been integral to the success and delivery of these contracts and associated profits. The company is expected to declare a dividend for the year ending 2014/15 which includes about £350,000 post tax profit in respect of these fire related contracts. As the pursuit of these opportunities came as a result of the income target within F&R, this contribution has been recognised by adjusting F&R's year-end income budget. The actual dividend will be recorded centrally when it is received, as a trading income.

48. F&R requests revenue carry forward totalling £0.2m, mostly linked to transformation activities, for the following items where the projects have been delayed due to the impact of strike action:

Clothing upgrade, to replace and upgrade Firefighter clothing to meet enhanced requirements of responding to emergency medical care	£88,000
Public Safety Plan modelling, to undertake resources modelling in preparation for new Public Safety Plan	£63,000

Contingency arrangements, to fund the one-off cost of securing additional contingency cover during current extended period of strike action and improve resilience to deal with major incidents through additional staff payments	£53,000

Environment & Infrastructure

Table 12: Summary of the revenue position for Environment & Infrastructure services

Environment & Infrastructure	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-24.4	-25.8	-1.4
Expenditure	151.4	152.4	1.0
Net position	**127.0**	**126.6**	**-0.4**
Summary by service			
Environment	82.7	81.5	-1.2
Highways	42.1	42.5	0.4
Other directorate costs	2.2	2.6	0.4
Total by service	**127.0**	**126.6**	**-0.4**

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

49. At 31 March 2015 Environment & Infrastructure (E&I) has a -£0.4m year end underspend. This is primarily due to: -£0.9m Travel and Transport savings including concessionary fares and park and ride; -£0.2m road safety savings and delays; +£0.5m highways insurance costs; smaller highways variations, including -£0.2m Local Growth Deal scheme preparation costs; and +£0.4m shortfall on Local Sustainable Transport Fund recharges.

50. E&I has a number of underspends where funding is required next year. These total £433,000 and include:

Local Growth Deal scheme preparation costs	£207,000
Road safety “Drivesmart” funding held on behalf of the Road Safety Partnership	£137,000
Flood investigations	£89,000

Business Services

Table 13: Summary of the revenue position for Business Services

Business Services	Full year (revised) budget £m	Full year actual £m	Full year variance £m
Income	-16.6	-19.5	-2.9
Expenditure	99.2	95.5	-3.7
Net position	**82.6**	**76.0**	**-6.6**
Summary by service			
Property	31.6	28.1	-3.5
Information Management & Technology	25.2	24.1	-1.1
Human Resources & OD	9.2	7.9	-1.3
Finance	9.5	9.3	-0.2
Shared Services	3.7	3.3	-0.4
Procurement & Commissioning	3.3	3.3	0.0
Total by service	**82.6**	**76.0**	**-6.6**

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

51. At 31 March 2015 Business Services achieved a year end underspend of -£6.6m.

52. 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 has delivered its current 2014/15 MTFP savings of -£2.2m and a further -£2.6m of new efficiency savings.

53. Business Services is responsible for delivering the Modern Worker and Managed Print Service projects as well as the property planned maintenance rolling programme. Parts of these programmes will now be delivered in 2015/16. This explains -£2.1m of the full year variance and Business Services requests carry forwards for £1.9m of this.

- Business Services has now addressed technical issues with the managed print service supplier, however the delays mean the main phase of implementation will happen in 2015/16 and this has resulted in an underspend against the 2014/15 budget of -£0.6m. The service requests to carry forward £0.5m of the underspend to fund the implementation that will now take place in 2015/16.
- As reported last month there have been some delays to the £3.6m corporate planned maintenance programme due to resources being focused on delivering schools related schemes and contract tender issues. As a result the service estimates a full year underspend of -£0.6m and requests to carry forward £0.5m to complete the schemes in 2015/16.
- The council planned to invest £4m in the IMT Modern Worker programme, the service has delivered £3.1m of this in 2014/15, but due to some technical and contractual issues, in particular with wi-fi, £0.9m will be spent in 2015/16. The service requests a carry forward of the underspend.

54. In addition to these efficiency savings, programme delays and increased internal recharges the remaining -£1.3m variance is from one-off underspends. The main variances are from responsive maintenance, where good weather has reduced the need for repairs and from apprentices, where there has been less demand for places.

Chief Executive’s Office

Table 14: Summary of the revenue position for Chief Executive’s Office services

Chief Executive's Office	**Full year (revised) budget £m**	**Full year actual £m**	**Full year variance £m**
Income	-42.9	-44.3	-1.4
Expenditure	69.9	69.0	-0.9
Net	**27.0**	**24.7**	**-2.3**
Summary by service			
Strategic Leadership	0.4	0.4	0.0
Magna Carta	0.6	0.1	-0.5
Emergency Management	0.5	0.5	0.0
Communications	2.1	1.9	-0.2
Legal & Democratic Services	9.1	8.6	-0.5
Policy & Performance	3.7	3.0	-0.7
Cultural Services	10.3	9.9	-0.4
Public Health	0.3	0.3	0.0

Total by service	**27.0**	**24.7**	**-2.3**
Public Health - Income	-28.9	-29.2	-0.3
Public Health - expenditure	29.2	29.5	0.3
Public Health - net expenditure	**0.3**	**0.3**	**0.0**

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

55. At 31 March 2015 Chief Executive's Office (CEO) achieved a -£2.3m year end underspend. This was due to cost savings and restructures in preparation for 2015/16's efficiency savings plus the timing of expenditure for Magna Carta celebrations and economic development activities.

56. CEO made savings across all services, particularly within Libraries, Legal & Democratic Services and Policy & Performance totalling £1.0m, largely as a result of cost savings and restructures in preparation for 2015/16's efficiency savings.

57. The Economic Growth budgets transferred across from E&I underspent by £0.5m due to the receipt of remaining council funds that were held by Surrey Connects and an underspend against the Surrey Growth Fund. CEO requests a carry forward of this amount to continue funding planned activities.

58. In addition, further net underspends were achieved by Cultural Services (-£0.1m) as a result of additional income and Communications (-£0.2m) through the management of the centralised Communications budget and delayed campaigns.

59. The Magna Carta anniversary event in June 2015 is a state occasion commemorating the 800 year anniversary. Planning for the event and associated projects is underway and progressing well. CEO requests a carry forward for £0.8m to fund this and allow for total possible event costs, financed from 2014/15's project underspend (£0.5m) and from underspends from across CEO.

60. It is proposed that £30,000 from the Central Income & Expenditure budget is allocated to Surrey Arts towards the cost of the Freedom Games Opera at the Albert Hall in celebration of the 800th anniversary of the Magna Carta.

61. The budget increased during March by £813,000 for the transfer of the Surrey Growth Fund budget from E&I.

62. CEO requests carry forwards totalling £1.4m comprising:

Magna Carta, to fund Magna Carta activities in 2015/16	£800,000
Surrey Growth Fund, for delayed Growth Hub development activities	£234,000
Surrey Connects, to carry forward the return of funds from Surrey Connects to fund economic development activities agreed with the Board	£215,000
Communications, to fund two delayed campaigns: £30,000 for a waste campaign around textile recycling and £20,000 for a Family, Friends and Communities campaign	£50,000
Democratic Services, to update webcasting and facilities in the Council Chamber and other associated rooms following the Constitution Review Group's recommendations	£40,000
Legal Services, for legal cases which due to court delays will now be actioned in 2015/16	£50,000

Culture, to fund delayed furniture replacements within Registration ceremony rooms used to generate income. £20,000

63. 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.

64. PH achieved -£0.5m efficiency savings by funding the activities shown in Table 15.

Table 15 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**		

65. PH delivered services across the county covering: sexual health, substance misuse (including alcohol), school nursing, obesity, physical activity, smoking and health checks.

66. PH spent £4.8m in 2014/15 on Genito Urinary Medicine (GUM), £3.3m of which was funded by income received directly from the clinical commissioning groups (CCGs) in Surrey. However, as receipt of this funding was not certain in April 2014 PH applied a prudent approach to other aspects of the government grant expenditure, with these being held from starting immediately. Following receipt of the GUM funding, PH has progressed these projects, but there are still some delays into 2015/16. This means £2.5m of PH's restricted government grant received in 2014/15 has been deferred into 2015/16 by way of a ring-fenced Public Health reserve.

Central Income & Expenditure

Table 16: Summary revenue position for Central Income & Expenditure

Central Income & Expenditure	**Full year (revised) budget £m**	**Full year actual £m**	**Full year variance £m**
Income	-229.8	-233.6	-3.8
Expenditure	55.9	59.5	3.6
Net	**-173.9**	**-174.1**	**-0.2**
Local Taxation	-615.8	-616.2	-0.4
Net position	**-789.7**	**-790.3**	**-0.6**

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

67. At 31 March 2015 Central Income & Expenditure (CIE) had a year end underspend of -£0.6m. This is mainly due to additional grant income and an interest paid underspend, offset by an overspend on redundancy and provisions made during the year.

68. The council has now received the final instalment of 2014/15 business rates income from Surrey's boroughs and districts. The final figure is £0.4m higher than budgeted.

69. The council has received a £2.4m Bellwin Grant to reimburse partially the costs associated with the severe flooding in 2014. In addition the Education Services Grant was £1.1m higher than budgeted as were other smaller grants totalling £0.3m.

70. The staffing costs budget covers the costs of relocation allowances and protected pay. There was a -£0.4m underspend on this budget as the number of employees receiving these allowances decreased.

71. The redundancy and compensation budget overspent by £1.0m, due to expenditure in relation to the voluntary redundancy scheme, which had more redundancy cases than expected.

72. In December 2014 the council reviewed its provisions for potential liabilities and increased these by £11.3m. The provisions related to issues around equal pay and the fire fighters' pensions top up grant, as reported to previous Cabinet meetings. This was partially funded from the unused risk contingency budget of £5m and an accrual of £1.4m made within the budget at the end of 2013/14.

73. The interest payable budget underspent by £2.3m. In setting the budget, the council assumed that it would use its cash balances to fund capital expenditure in place of borrowing externally. However, it made a provision 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. The borrowing that has been undertaken has been at a lower interest than assumed in the MTFP. In addition, it has received a contribution to interest payable from the Investment Properties purchased under the long-term capital strategy.

74. The Minimum Revenue Provision (MRP) is money set aside to repay debt and is calculated on the audited balance sheet at 31 March 2014. Following the unqualified audit of the statement of accounts in August, this budget is -£0.1m underspent.

75. In addition, 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 -£1.8m has been written back to the revenue account.

Revolving Infrastructure & Investment Fund

Table 17: Summary revenue and capital outturn

Revenue expenditure summary	**2015/15 Actual £m**
Income	-3.7
Expenditure	0.8
Net income before funding	-2.9
Funding	2.5
Net income after funding	**-0.4**
Capital expenditure summary	**7.8**

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

76. The Revolving Infrastructure & Investment Fund generated net income of -£0.4m (after the deduction of internal funding costs) in 2014/15 by: the joint venture project to deliver regeneration in Woking town centre and from various property acquisitions

made for future service delivery. In accordance with Revolving Infrastructure and Investment Fund policy, it is recommended to transfer the -£0.4m net income back into the fund.

77. Capital expenditure was on the purchase of 61 High Street, Staines and loans to the Woking Bandstand Joint Venture company and preliminary costs associated with the development of the former 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

78. 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.

79. 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.

80. 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.

81. 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.

82. The council's total full year budget for staffing is £309.0m based on 7,823 budgeted FTEs. Expenditure incurred is £301.8m. At 31 March 2015, the council employed 7,267 FTE contracted staff.

83. Table18 shows the staffing expenditure and FTEs for the period to 31 March 2015 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 18: Staffing costs and FTEs to 31 March 2015

	Staffing budget to Mar 2015 £	**Staffing spend by category**						
		Contracted £m	**Agency £m**	**Bank & casual £m**	**Total £m**	**Variance £m**	***Budget FTE***	***Mar 2015 occupied contracted FTE***
Adult Social Care	**67.0**	59.5	3.3	2.2	**65.0**	**-1.9**	*1,887*	*1,648*
Children Schools & Families	**107.4**	96.5	4.9	4.1	**105.5**	**-1.9**	*2,828*	*2,648*
Customer and Communities	**37.1**	33.9	0.8	1.6	**36.3**	**-0.8**	*922*	*867*
Environment & Infrastructure	**22.4**	21.3	0.7	0.4	**22.5**	**0.1**	*501*	*473*
Business Services and Central Income & Expenditure	**43.1**	38.1	3.7	0.1	**41.9**	**-1.2**	*900*	*862*
Chief Executive's Office	**32.1**	27.6	0.4	2.7	**30.6**	**-1.5**	*785*	*769*
Total	**309.0**	**276.9**	**13.8**	**11.1**	**301.8**	**-7.2**	***7,823***	***7,267***

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

84. Table 19 shows there are 464 “live” vacancies, for which active recruitment is currently taking place, with 366 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 18 (agency staff and bank & casual staff).

Table 19: Full time equivalents in post and vacancies

	Mar 2015 FTE
Budget	7,823
Occupied contracted FTE	7,267
“Live” vacancies (i.e. actively recruiting)	464

Efficiencies

85. The council achieved £74.1m efficiencies in 2014/15 against an overall target of £72.3m. This is an increase of £0.3m on February's forecast position.

86. 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.

Figure 3: 2014/15 overall position on the efficiencies

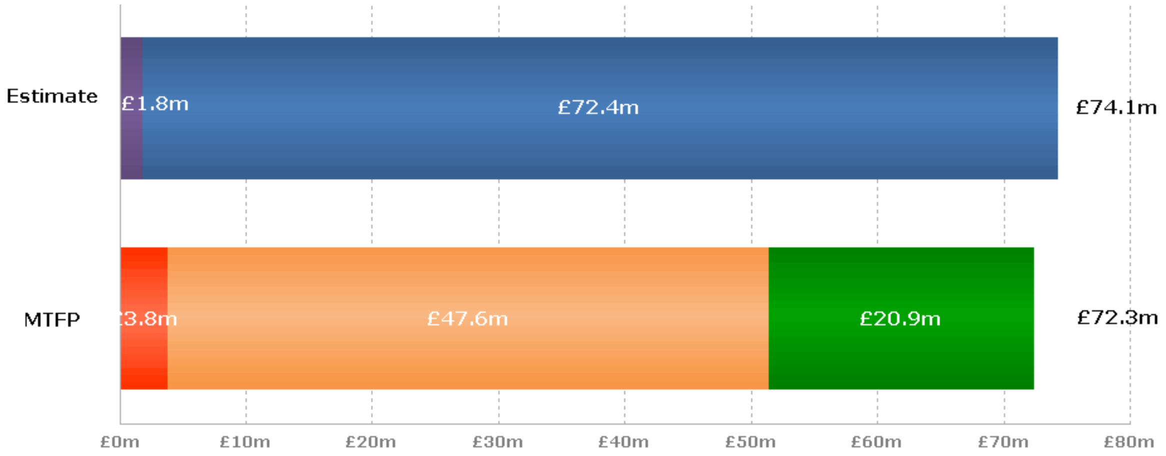


Table 20: 2014/15 efficiency programme

	MTFP £m	Achieved £m	Compensating and one off efficiencies £m	Variance £m
Adult Social Care	45.8	43.4	1.4	-1.0
Children, Schools & Families	9.6	9.6		0.0
Customer & Communities	0.8	0.9		0.1
Fire & Rescue	1.1	1.1		0.0
Environment & Infrastructure	4.0	3.3	0.4	-0.3
Business Services	2.2	4.8		2.6
Chief Executive's Office	1.2	1.8		0.6
Central Income & Expenditure	7.6	7.5		-0.1
Total	**72.3**	**72.4**	**1.8**	**1.9**

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

Capital

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

88. On 22 July 2014 Cabinet approved reprofiling of the 2014-19 capital programme. The capital budget for 2014/15 has increased by £0.6m for school funded expenditure. Table 21 shows actual expenditure for the service capital programme of £191.5m against a revised budget of £209.5m. There is £17.5m net movements of both carry forward and brought forward requests for the capital continuing programme and £0.3m of programme extensions required to rectify flood damage and to make timely highway improvements. Annex 2 contains further details of these requests.

89. Approved investment strategy capital spending is £7.8m in 2014/15.

Table 21: Capital expenditure 2014/15

	Revised full year budget £m	**Full year outturn £m**	**Full year variance £m**
Adult Social Care	1.4	0.8	-0.6
Children, Schools & Families	10.9	9.0	-1.9
Customer & Communities	0.4	0.3	-0.1
Surrey Fire & Rescue Service	5.2	2.0	-3.2
Environment & Infrastructure	76.0	67.8	-8.2
School Basic Need	54.3	58.0	+3.7
Business Services	49.3	44.3	-5.0
Chief Executive Office	12.0	9.2	-2.9
Service programme	**209.5**	**191.5**	**-18.0**
Long term investments	**0.0**	**7.8**	**7.8**
Overall programme	**209.5**	**199.3**	**-10.2**
Continuing programme movements requests		17.5	17.5
Programme extensions		0.3	0.3
	209.5	**217.1**	**+7.6**

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

90. The outturn service capital programme underspend is -£18.0m for the year. This is due to reprofiling the capital programme, rather than an underspend against the five year programme (which remains at £780m in total). Table 22 shows the significant capital programme variances.

Table 22: Significant capital programme variances 2014/15

	February Position	Movement	Outturn Position
The fire vehicle and equipment replacement programme has underspent as a result of delivery delays and following a review of the overall requirements to mitigate future pressures on the scheme.	-£0.9m	-£1.7m	-£2.6m
Resilience Grant This is the third year of this complex project and a significant programme of expenditure was planned. The acquisition and refit of the primary and secondary control rooms was expected to have been completed this year. However, expenditure has been delayed until 2015/16 resulting in an underspend. A carry forward is requested to complete this grant funded project	-£0.5m	-£0.1m	-£0.6m
The Redhill Balanced Network scheme reprofiled to coincide with adjacent works.	-£0.6m	-£0.1m	-£0.7m
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.	-£1.6m	-£0.2m	-£1.8m
Land payment for waste will now be in early 2015/16.	-£0.8m	£0.0m	-£0.8m
The SEN strategy is expected to be ahead of schedule at year end and will need to bring forward 2015/16 capital.	£0.9m	£0.6m	£1.5m
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	-£0.0m
Small variances in Discrimination Disability Act works, replacing aged modular buildings, other non school projects	-£3.2m	£0.8m	-£2.4m
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	-£0.8m	-£1.0m	-£1.8m
Schools capital maintenance including children centres	£0.0m	£1.3m	£1.3m
Carbon reduction - Schools : to resources being focussed on delivering other schools related schemes and contract tender issues	-£0.5m	-£0.4m	-£0.9m
School Basic Need - programme is ahead of target	£2.7m	£1.0m	£3.8m
Cabinet has allocated the Economic Regeneration budget to support Local Growth Deal schemes and is unlikely to be required in full in 2014/15	-£1.7m	-£0m	-£1.7m
Flanchford Bridge strengthening delayed and re-profiled into 2015/16	-£0.3m	-£0.0m	-£0.3m
Local Sustainable Transport Fund – grant funded works have been prioritised; variance relates to developer funded work	-£1.4m	£0.0m	-£1.4m
Highways' additional road and safety improvements in advance of the Magna Carta celebrations	£0.3m	-£0.1m	£0.2m
Closed landfill sites	-£0.4m	£0.0m	-£0.4m
Flood enforcement works	-£0.8m	£0.0m	-£0.8m
Superfast Broadband	-£3.0m	£0.3m	-£2.6m
Other project variances in Children, Schools & Families, Adult Social Care and Environment & Infrastructure services.	-£1.3m	-£3.7m	-£5.0m
Capital variance	**-£15.2m**	**-£2.8m**	**-£18.0m**

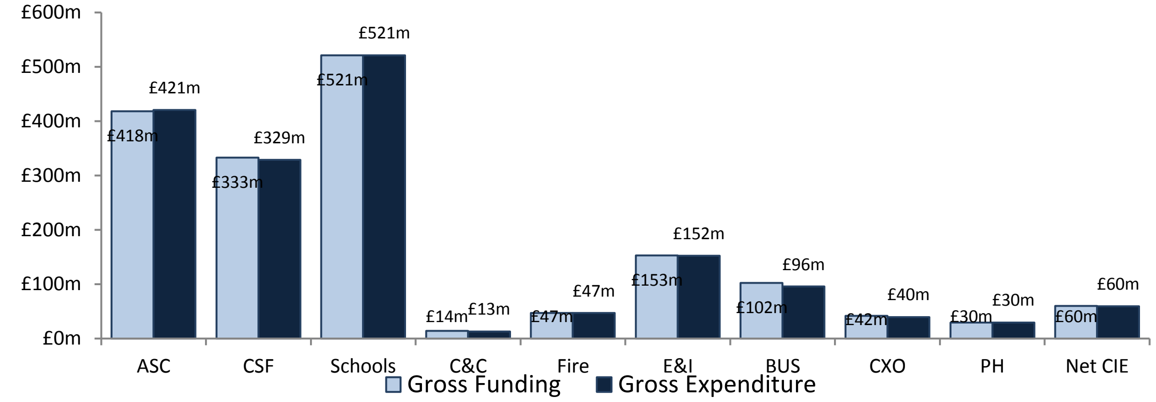
Appendix to Annex

Contents

Corporate performance scorecard – finance

App 1. Figure App 1 shows the gross funding and expenditure for the council for 2014/15. 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.

Figure App 1: Outturn revenue position



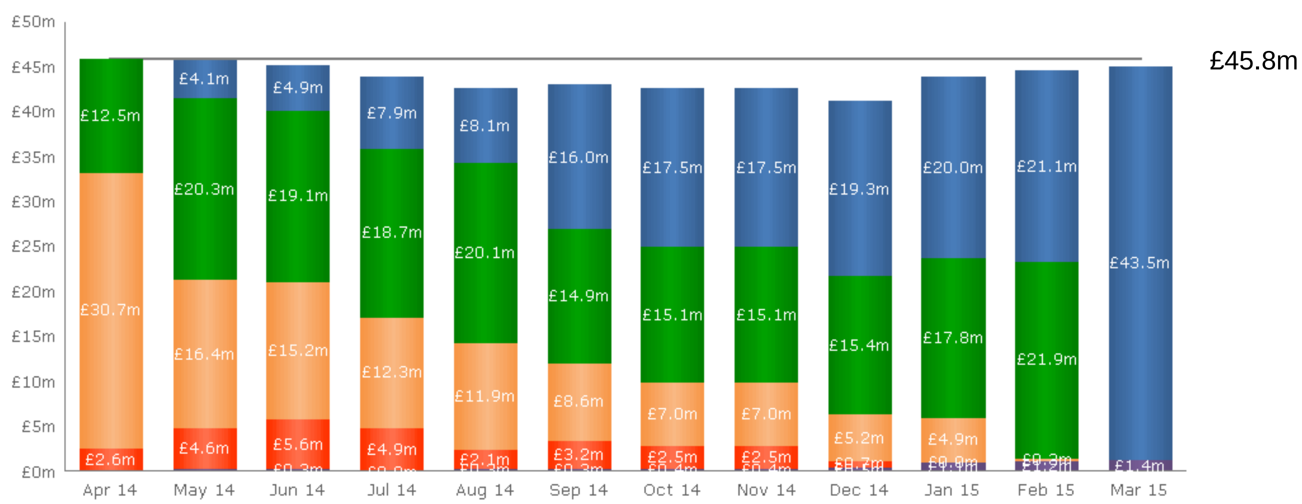
Efficiencies and service reductions

App 2. The graphs below show progress against MTFP 2014-19's risk rated efficiencies and service reductions over the year.

App 3. 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

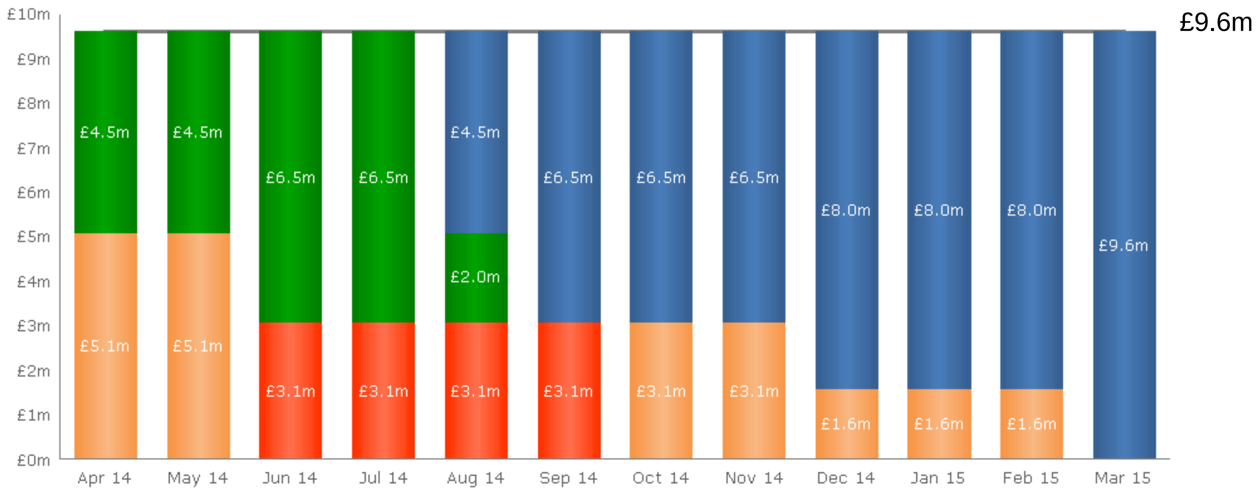
App 4. Each graph is based on the appropriate scale and so they are not directly comparable one against another.

Adult Social Care



App 5. ASC achieved savings of £43.5m in 2014/15. Additionally ASC found £1.4m of one-off savings that replaced planned target savings.

Children, Schools & Families

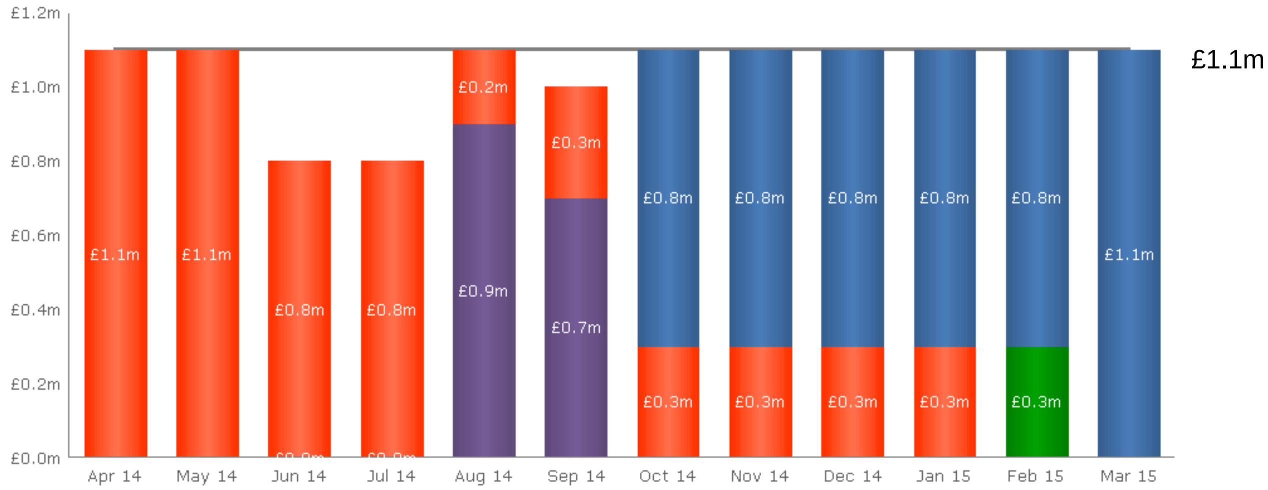


App 6. CSF achieved its £9.6m efficiencies target for 2014/15.

Customer & Communities

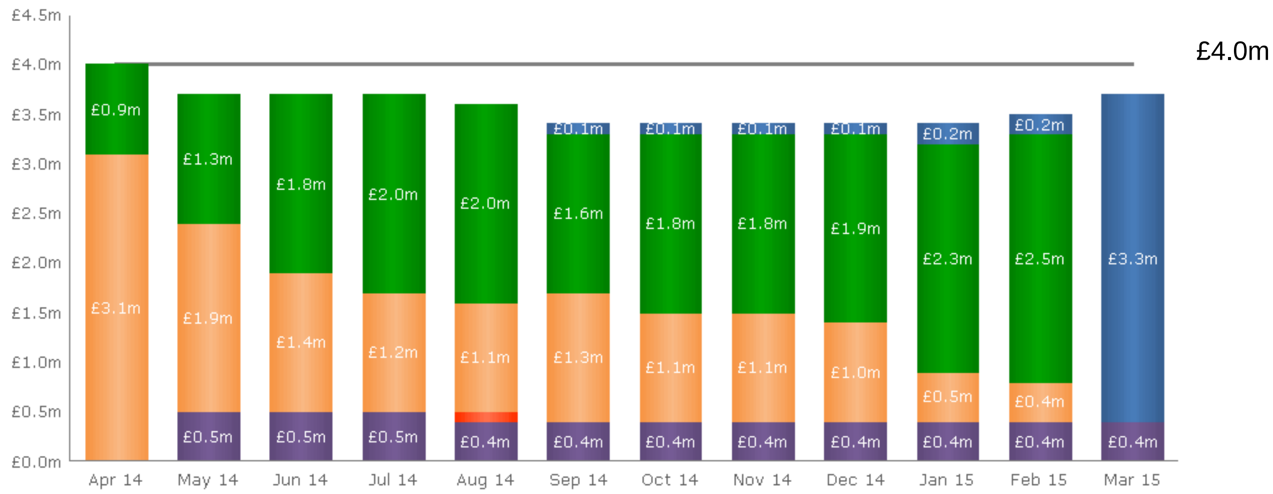
App 7. Overall C&C achieved £0.9m efficiencies, a £0.1m overachievement. This was due to the early achievement of 2015/16 savings for Directorate Support of £0.2m offset by an overall shortfall in income (-£35,000) from Trading Standards due to reductions in other income streams (proceeds of crime and recovery of court costs).

Fire and Rescue Service



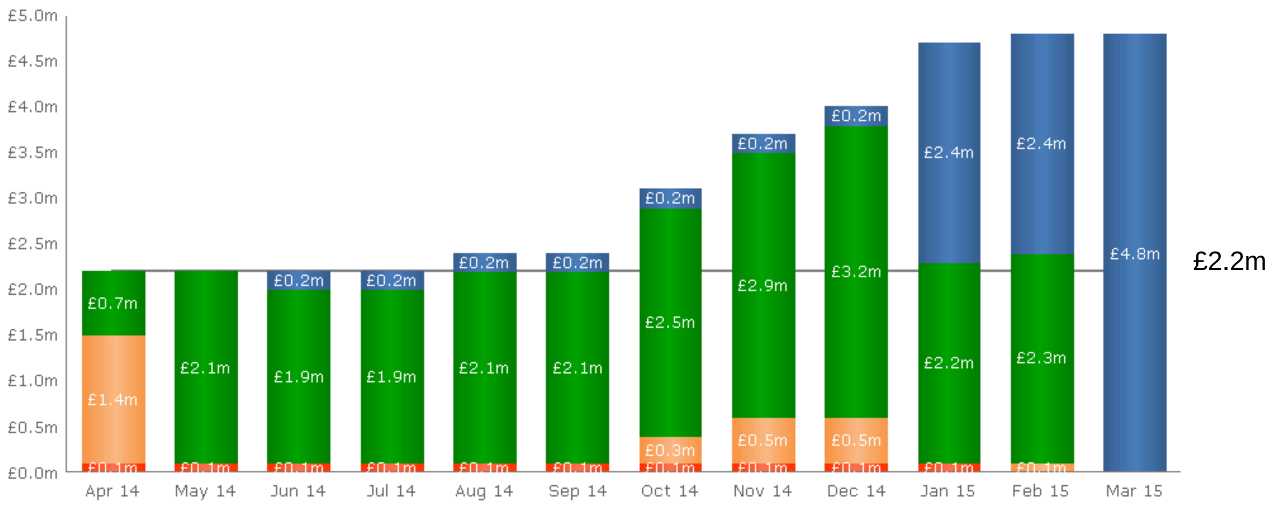
App 8. The Fire reconfiguration efficiency has been delayed and is expected to be implemented during 2015/16. This has led to a shortfall against planned 2014/15 efficiencies of £650,000. However, due to the early achievement of future years planned staffing savings, this pressure is contained within the current financial year.

Environment & Infrastructure



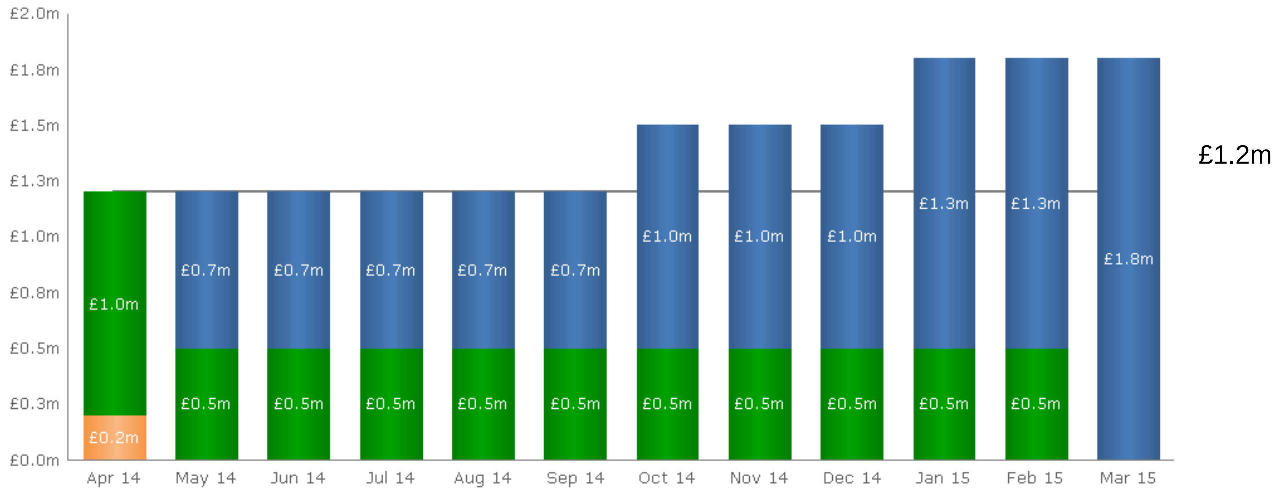
App 9. E&I achieved £3.7m efficiencies, after taking into account compensating savings. This is a shortfall of £0.3m, primarily as a result of a number of smaller savings being delayed and only partially achieved this year. E&I has established a Savings and Efficiency Panel to oversee delivery of efficiency savings. The panel scrutinises plans to deliver savings to ensure they are robust and stretching.

Business Services



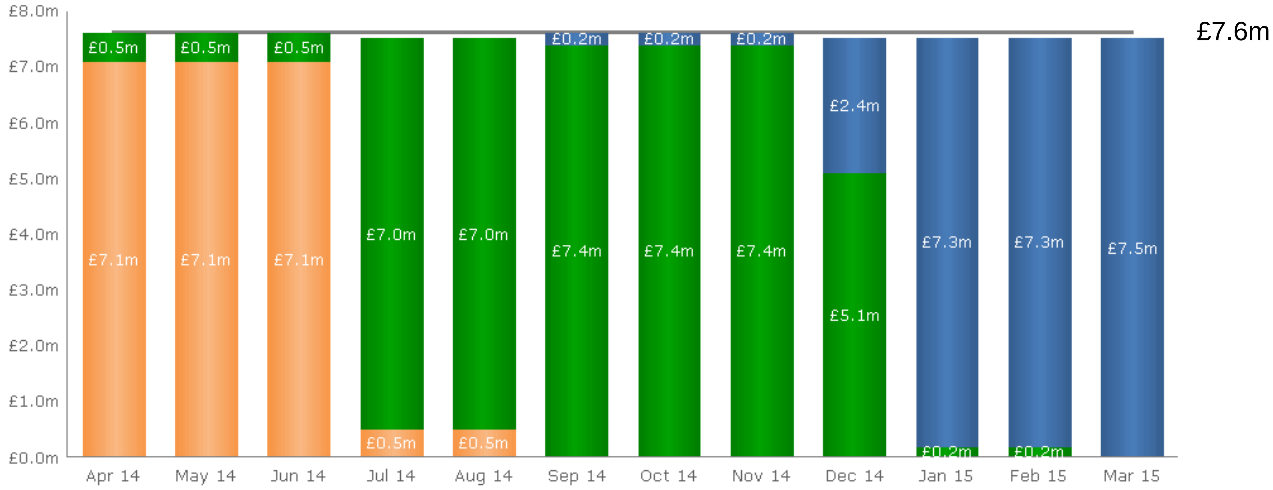
App 10. Business Services achieved £7.0m efficiencies in 2014/15, including, all of 2014/15's efficiency targets of £2.2m and a further £2.6m of 2015/16's savings.

Chief Executive's Office



App 11. CEO achieved £1.8m efficiencies in 2014/15, including all the planned MTFP efficiencies for 2014/15. CEO has also successfully achieved some future years' savings early.

Central Income & Expenditure



App 12. CIE achieved £7.5m efficiencies in 2014/15, a -£0.1m shortfall. The council's internal borrowing strategy achieved £6.6m and public health activities achieved £0.5m efficiencies in other services (Table 15). The communications review achieved £0.4m efficiencies against its £0.5m target. This shortfall also means the £0.5m efficiencies planned for 2016/17 are at risk.

Updated budget - revenue

App 13. The council's 2014/15 revenue expenditure budget was initially approved at £1,651.8m. Virement changes in quarters one, two and three, January and February 2015 increased the budget to £1,675.7m. In March the council made 46 virements, which decreased the budget to £1,675.0m.

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			25.9	
Quarter 1 changes	0.2	-0.2				94
Quarter 2 changes	-11.2	11.2				126
Quarter 3 changes	-12.7	12.7				74
Jan and Feb changes	-0.1	0.1				33
Updated budget - Feb 2015	-1,649.8	1,675.7	0.0	0.0	25.9	327
March changes						
School budget changes for March	-1.7	1.7				2
School grant increase	-1.8	1.8				1
Revenue contribution to capital outlay adjustments		-2.4			-2.4	1
Creation of Economic Prosperity Reserve	2.5	2.5				1
Transfer of income and expenditure	-0.6	0.6				41
Updated budget -Mar 2015	**-1,651.5**	**1,675.0**	0.0	0.0	23.5	**373**

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

App 14. 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. 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 15. 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.

App 16. Table App 2 shows the year to date and forecast year end revenue position supported by general balances.

Table App 2: 2014/15 Outturn revenue budget position

	Full year budget £m	**Full year projection £m**	**Full year variance £m**
Income:			
Local taxation	-615.8	-616.2	**-0.4**
Government grants	-875.7	-876.1	**-0.4**
Other income	-160.0	-203.8	**-43.8**
Income	-1,651.5	-1,696.1	**-44.6**
Expenditure:			
Staffing	309.0	301.8	**-7.2**
Service provision	875.9	883.7	**7.8**
Non schools sub-total	1,184.9	1,185.5	**0.6**
Schools expenditure	490.2	521.1	**31.1**
Total expenditure	1,675.0	1,706.6	**31.6**
Movement in reserves and balances	**23.5**	**10.5**	**-13.0**

Balance sheet

App 17. The council's estimated unaudited balance sheet as at 31 March 2015 shows an increase in net assets of £87.5m since 1 April 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 March 2015.

Table App 3: Balance sheet as at 31 March 2015

As at 31 Mar 2013 £m	**As at 31 Mar 2014 £m**		**As at 31 March 2015 £m**
1,280.0	1,318.6	Property, plant & equipment	1,486.0
0.7	0.7	Heritage assets	0.7
	29.2	Investment property	30.9
5.9	4.3	Intangible assets	3.7
0.2	0.3	Long term investments	0.4
8.8	10.6	Long term debtors	15.2
1,295.6	**1,363.7**	**LONG TERM ASSETS**	**1,537.0**
104.1	74.0	Short term investments	108.2
0.1	0.0	Intangible Assets	0.9
15.3	6.1	Assets held for sale	34.0
1.3	1.1	Inventories	1.1
141.5	123.7	Short term debtors	158.9
114.1	7.4	Cash & cash equivalents	17.7
376.4	**212.3**	**CURRENT ASSETS**	**320.8**
-82.1	-51.3	Short term borrowing	-32.6
-234.3	-212.4	Creditors	-239.2
-3.3	-4.7	Provisions	-4.8
-0.2	-0.1	Revenue grants receipts in advance	0.0
-0.6	-1.0	Capital grants receipts in advance	0.0
-3.2	-6.1	Other short term liabilities	-5.7
-323.7	**-275.6**	**CURRENT LIABILITIES**	**-282.2**
-7.2	-9.4	Provisions	-18.6
-238.1	-237.9	Long term borrowing	-397.8
-1,142.2	-1,295.6	Other long term liabilities	-1,314.2
-1,387.5	**-1,542.9**	**LONG TERM LIABILITIES**	**-1,730.6**
-39.2	**-242.5**	**NET ASSETS / (-) LIABILITIES**	**-155.0**
-288.4	-278.6	Usable reserves	-280.0
327.6	521.0	Unusable reserves	435.0
39.2	**242.5**		**155.0**

Earmarked reserves

Table App 4: Earmarked revenue reserves

	Balance at 31 Mar 2014 £m	Transfers in £m	Transfers out £m	Balance at 31 Mar 2015 £m
Revolving Infrastructure & Investment Fund	20.2	0.4		20.6
Eco Park Sinking Fund	14.6	6.4	-5.0	16.0
Investment Renewals Reserve	13.0		-3.0	10.0
Insurance Reserve	8.8	1.8		10.6
General Capital Reserve	7.7	0.4	-0.2	7.9
Budget Equalisation Reserve *	33.6	15.3	-32.7	16.2
Street lighting PFI Reserve	6.2		-0.4	5.8
Economic Downturn Reserve	6.0	2.5	-4.3	4.2
Vehicle Replacement Reserve	5.4	0.7	-0.4	5.7
Child Protection Reserve	3.1		-1.2	1.9
Equipment Replacement Reserve	3.4	1.8	-2.9	2.3
Business Rate Appeals Reserve	0.0	1.3		1.3
Pensions Stabilisation Reserve	0.0	1.1		1.1
Interest Rate Reserve	4.7		-3.7	1.0
Financial Investment Reserve	1.6		-1.6	0.0
Waste Site Contingency Reserve	0.3		-0.3	0.0
Economic Prosperity Reserve	0.0	2.5		2.5
Earmarked reserves	**128.6**	**34.2**	**-55.7**	**107.1**
General Fund balances	**21.3**	**0.0**	**0.0**	**21.3**

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

* The Budget Equalisation Reserve balance at 31 March 2015 includes £8.0m carry forward requests that will (subject to approval) be used to support continuing commitments in 2015/16.

Debt

App 18. During the fourth quarter of 2014/15, the Accounts Payable team raised invoices totalling £18.2m, making a total for the year of £196.7m.

Table App 5: Age profile of the council's debts as at 31 March 2015

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	4.4	1.4	3.1	11.5	8.9
Care debt – secured	0.0	1.7	1.1	2.9	5.7	
Total care debt	**2.6**	**6.2**	**2.5**	**6.0**	**17.2**	**8.9**
Schools, colleges and nurseries	1.3	0.1	0.0	0.0	1.4	0.1
Clinical commissioning groups	1.5	1.0	0.8	0.0	3.3	1.7
Other local authorities	3.2	1.5	0.0	0.0	4.7	1.5
General debt	3.4	0.7	0.1	0.0	4.2	0.8
Total non-care debt	**9.4**	**3.3**	**0.9**	**0.0**	**13.6**	**4.2**
Total debt	**12.0**	**9.5**	**3.4**	**6.0**	**30.8**	**13.1**

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

App 19. The amount outstanding on these invoices was £30.8m of gross debt at 31 March 2015. 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.

Table App 6: Overdue debt summary as at 31 March 2015

	2014/15 Q4 £m	2014/15 Q3 £m	2014/15 Q2 £m	2014/15 Q1 £m	2013/14 Q4 £m	2012/13 Q4 £m	2011/12 Q4 £m
Care related debt	8.9	8.5	6.4	6.5	6.5	7.6	6.1
Non care related debt	4.2	24.7	6.6	4.2	3.1	3.8	3.0
Total	**13.1**	**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 20. 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 2014 to 31 March 2015 was 25 days.

App 21. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q4 2014/15) the Director of Finance has written off 17 such debts with a total value of £10,300, of which -£1,778 is care related (included in this figure as a write-off reversal) and £12,078 is non care related debt.

Treasury management

Borrowing

App 22. 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	160.0
Loans repaid	0.0
Current balance as at 31 March 2015	**397.2**

App 23. During the final quarter of 2014/15 the council raised a series of fixed rate loans from the Public Works Loan Board equalling £110m. The total new borrowing added during the course of 2014/15 is £160m. Table App 8 is a summary of all new loans, with a weighted average interest rate of 3.29%.

Table App 8: New long-term borrowing

Start date	Duration - years	Amount £m	Interest rate
2 September 2014	50	30	3.72%
15 December 2014	50	20	3.36%
20 January 2015	50	20	2.99%
16 February 2015	49	30	3.23%
27 February 2015	47	30	3.19%
19 March 2015	46	30	3.19%
		160	**3.29%**

App 24. The weighted average interest rate of the council's entire long term debt portfolio has reduced from 4.7% as at 1 April 2014 to 4.1% as at 31 March 2015.

App 25. The council is able to undertake short term borrowing for cash flow purposes. No such borrowing occurred during the quarter ending 31 March 2015.

App 26. The council also manages cash on behalf of Surrey Police Authority (£31.5m as at 31 March 2015) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 27. 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	397.2	397.2
Limit / boundary	688.0	619.0
Headroom	**290.8**	**221.8**

Capital Financing Requirement

App 28. 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. Table App 10 shows the council's position against the estimated CFR, as reported to the County Council in February 2015. The current borrowing position shows a net position of £246m more in borrowing than the council holds 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**	
£767m	£838m	£899m	£246m

Maturity profile

App 29. 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%	2%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	2%
Repayable in 25-50 years	100%	25%	96%

Early debt repayment and rescheduling

App 30. There has been no early repayment or rescheduling in 2014/15.

Investments

App 31. The council had an average daily level of investments of £282m throughout 2013/14, with an average of £142m for 2014/15. The balance of funds managed on behalf of schools was £38.1m at 31 March 2015.

App 32. 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. Table App 12 gives a breakdown of activity during the year to 31 March 2015.

Table App 12: Deposit activity up to 31 March 2015

Timed deposits	Number	Average value £m	
Deals using a broker	69	4.9	
Direct deal facilities	9	1.4	
Deals with DMO	11	13.4	
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 33. The weighted average return on all investments received to the end of the fourth quarter in 2014/15 is 0.42%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.35% for the equivalent period. Table App 13 shows the comparison. The total weighted average return for the whole financial year was 0.40%.

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

	Average 7-day LIBID	Weighted return on investments
Quarter 4	0.35%	0.40%
2014/15 total	**0.35%**	**0.42%**
2013/14 total	0.36%	0.41%