

## Budget monitoring period 3 2015/16 (June 2015)

### Summary recommendations

Cabinet is asked to note the following.

1. Services forecast the 2015/16 revenue budget to overspend by +£1.7m (paragraph 1).
2. Services forecast efficiencies and service reductions for 2015/16 at £67.4m (paragraph 24).
3. Total forecast capital expenditure, including long term investments is £196.2m (paragraph 31)
4. The quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 10 to App 26).

Cabinet is asked to approve the following.

5. A new proposal to charge third parties for the use of the council's intellectual property which runs the on-line Careers Education Information and Guidance, a web based advice and guidance service for young people (paragraph 14).

### Revenue summary

Surrey County Council set its gross expenditure budget for the 2015/16 financial year at £1,671m. A key objective of MTFP 2015-20 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £67.4m.

As at 30 June 2015, services forecast to overspend by +£1.7m and achieve £67.4m efficiencies at year end. The overspend is due to several offsetting variances among services, including +£2.6m forecast overspend on SEN transport, +£2.5m additional demand for Adult Social Care services and -£1.6m more income from business rates than budgeted. Service managers are agreeing actions to manage this to an overall balanced budget. Nearly all services are on track to achieve their planned efficiencies.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.6m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The council currently has £21.3m in general balances.

The financial strategy has a number of long term drivers to ensure sound governance, management of 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.
- Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

## **Capital summary**

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £696m capital programme in MTFP 2015-20. As at 30 June 2015, services forecast £171.4m capital spending against the current 2015/16 budget of £171.5m and total forecast capital expenditure including long term investments is £196.2m (paragraphs 30 to 31).

As part of increasing the council's overall financial resilience, it plans to invest £25m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

## Revenue budget

1. As at 30 June 2015, the year to date budget variance is -£0.5m underspent and the overall forecast is +£1.7m overspend at year end. Service managers are agreeing actions to manage this to an overall balanced budget.
2. In March 2015, Cabinet approved the council's 2015/16 revenue expenditure budget at £1,671.3m. Changes in April, May and June to reflect agreed carry forwards and small budgetary adjustments increased the expenditure budget as at 30 June 2015 to £1,673.4m. Table 1 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of £642.1m local taxation and £3.6m from reserves.

Table 1: 2015/16 updated revenue budget – 30 June 2015

Service	MTFP Income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.2	0.2	0.9	0.6	1.5	1.7
Strategic Leadership	0.0	0.0	0.0	0.4	0.0	0.4	0.4
Adult Social Care	-56.8	0.1	-56.7	428.6	0.8	429.4	372.7
Children's Services	-7.0	0.0	-7.0	96.0	1.4	97.4	90.4
Services for Young People	-10.6	0.0	-10.6	25.9	0.1	26.0	15.4
Schools & Learning	-145.3	-0.1	-145.4	217.3	2.4	219.7	74.3
Strategic Services (CSF)	-1.5	0.0	-1.5	3.6	0.1	3.7	2.2
Delegated Schools	-469.0	0.0	-469.0	469.0	0.0	469.0	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	3.0	0.7	3.7	3.5
Coroner	0.0	0.0	0.0	1.3	-0.1	1.2	1.2
Cultural Services	-12.9	-0.2	-13.1	22.9	0.0	22.9	9.8
Customer Services & Directorate Support	-0.3	0.0	-0.3	4.6	0.2	4.8	4.5
Emergency Management	0.0	0.0	0.0	0.6	0.0	0.6	0.6
Magna Carta	0.0	0.0	0.0	0.0	0.8	0.8	0.8
Surrey Fire & Rescue Service	-13.1	0.0	-13.1	47.9	0.1	48.0	35.0
Trading Standards	-1.6	0.0	-1.6	3.7	0.0	3.7	2.1
Environment & Planning	-8.5	-0.5	-9.0	88.2	1.2	89.4	80.4
Highways & Transport	-7.5	-0.6	-8.1	51.9	1.5	53.4	45.3
Public Health	-35.5	0.0	-35.5	35.8	0.0	35.8	0.3
Central Income & Expenditure	-237.7	-0.3	-238.0	61.0	-9.6	51.4	-186.6
Communications	0.0	0.0	0.0	2.0	0.1	2.1	2.1
Finance	-1.8	-0.1	-1.9	10.2	0.1	10.3	8.4
Human Resources & Organisational Development	-0.2	0.0	-0.2	9.3	-0.5	8.8	8.6
Information Management & Technology	-0.7	0.0	-0.7	25.2	0.9	26.1	25.4
Legal & Democratic Services	-0.5	0.0	-0.5	8.9	0.1	9.0	8.5
Policy & Performance	-1.1	0.0	-1.1	3.7	-0.1	3.6	2.5
Procurement	-0.2	0.0	-0.2	3.4	0.0	3.4	3.3
Property	-8.9	-0.7	-9.7	37.2	1.3	38.5	28.8
Shared Service Centre	-4.6	0.0	-4.6	8.8	0.0	8.8	4.2
<b>Service total</b>	<b>-1,025.5</b>	<b>-2.2</b>	<b>-1,027.7</b>	<b>1,671.3</b>	<b>2.1</b>	<b>1,673.4</b>	<b>645.7</b>
Local taxation	-642.1	0.0	-642.1	0.0	0.0	0.0	-642.1
<b>Grand total</b>	<b>-1,667.6</b>	<b>-2.2</b>	<b>-1,669.8</b>	<b>1,671.3</b>	<b>2.1</b>	<b>1,673.4</b>	<b>3.6</b>

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

*Revenue budget monitoring position*

3. Table 2 summarises the year to date and forecast year end income and expenditure position for the council overall. Table App 2 in the appendix gives details of the overall income and expenditure for the year to date and year end forecast position.

Table 2: 2015/16 revenue budget

Subjective summary	YTD	YTD	YTD	Full year	Jun-Mar	Full year	Full year
	budget	actual	variance	revised	forecast	projection	variance
	£m	£m	£m	£m	£m	£m	£m
Income	-471.9	-479.8	-7.9	-1,669.8	-1,197.1	-1,676.9	-7.1
Expenditure	403.9	411.2	7.3	1,673.4	1,271.0	1,682.2	8.8
Net expenditure	<b>-68.0</b>	<b>-68.6</b>	<b>-0.6</b>	<b>3.6</b>	<b>73.9</b>	<b>5.3</b>	<b>1.7</b>

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

4. Table 3 overleaf, shows the year to date and forecast year end net revenue position for services and the council overall. Services' net revenue position is gross expenditure less income from specific grants and fees, charges and reimbursements.
5. Table 3 shows most services' budgets are on track. The council's overall year to date budget variance as at 30 June 2015 is -£0.5m underspent and the year end forecast is +£1.7m overspent.
6. The sections below set out services' significant variances, their impact on the council's overall financial position and services' actions to mitigate adverse variances.

Table 3: 2015/16 Revenue budget - net positions by service

Service	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Jul-Mar forecast £m	Full year projection £m	Full year variance £m
Economic Growth	0.4	0.4	0.0	1.7	1.3	1.7	0.0
Strategic Leadership	0.1	0.1	0.0	0.4	0.3	0.4	0.0
Adult Social Care	90.5	91.8	1.3	372.7	282.3	374.1	1.4
Children's Services	21.8	22.5	0.7	90.4	68.6	91.1	0.7
Services for Young People	4.0	3.8	-0.2	15.4	11.7	15.5	0.1
Strategic Services (CSF)	0.5	0.0	-0.5	2.2	2.5	2.5	0.3
Schools & Learning	18.0	17.9	-0.1	74.3	57.2	75.1	0.8
Delegated Schools Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Community Partnership & Safety	1.0	0.7	-0.3	3.5	2.9	3.6	0.1
Coroner	0.3	0.3	0.0	1.2	1.2	1.5	0.3
Cultural Services	2.4	2.2	-0.2	9.8	7.6	9.8	0.0
Customer Services & Directorate Support	1.1	1.0	-0.1	4.5	3.4	4.4	-0.1
Emergency Management	0.1	0.1	0.0	0.6	0.5	0.6	0.0
Magna Carta	0.2	0.2	0.0	0.8	0.5	0.7	-0.1
Surrey Fire & Rescue Service	9.5	9.5	0.0	34.9	25.4	34.9	0.0
Trading Standards	0.5	0.5	0.0	2.1	1.6	2.1	0.0
Environment & Planning	20.1	22.3	2.2	80.4	58.0	80.3	-0.1
Highways & Transport	10.5	9.8	-0.7	45.3	35.6	45.4	0.1
Public Health	0.5	0.5	0.0	0.3	-0.2	0.3	0.0
Central Income & Expenditure	-81.5	-82.3	-0.8	-186.6	-104.3	-186.6	0.0
Communications	0.5	0.4	-0.1	2.1	1.7	2.1	0.0
Finance	2.1	2.0	-0.1	8.4	6.2	8.2	-0.2
Human Resources & Organisational Development	2.0	1.8	-0.2	8.6	6.8	8.6	0.0
Information Management & Technology	5.9	5.9	0.0	25.4	19.5	25.4	0.0
Legal & Democratic Services	2.2	2.1	-0.1	8.5	6.4	8.5	0.0
Policy & Performance	0.8	0.8	0.0	2.5	1.5	2.3	0.2
Procurement	0.8	0.8	0.0	3.3	2.5	3.3	0.0
Property	6.9	7.1	0.2	28.8	21.7	28.8	0.0
Shared Service Centre	1.2	1.2	0.0	4.2	3.0	4.2	0.0
<b>Service net budget</b>	<b>122.4</b>	<b>123.3</b>	<b>0.9</b>	<b>645.7</b>	<b>525.8</b>	<b>649.0</b>	<b>3.3</b>
Local taxation	-190.4	-191.7	-1.3	-642.1	-452.0	-643.7	-1.6
Revolving Infrastructure & Investment Fund	0.0	-0.1	-0.1	0.0	0.1	0.0	0.0
<b>Overall net budget</b>	<b>-68.0</b>	<b>-68.6</b>	<b>-0.6</b>	<b>3.6</b>	<b>73.9</b>	<b>5.3</b>	<b>1.7</b>

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

## Significant budget variances

### Adult Social Care

- As at 30 June 2015 Adult Social Care (ASC) projects an overall overspend of £1.4m (0.4% of net budget). This is an increase of £1m from the projected overspend reported as at 31 May 2015 due to an increase in demand. The MTFP plans for ASC to reduce the rate of increase in demand from 6% (the average annual increase over the past seven years) to 5% in 2015/16. As at 30 June 2015 the rate of demand is

continuing to rise. Based on current trends, ASC forecasts +£2.5m of additional demand pressures over and above the amount built into the budget. Offsetting this is -£1.1m additional achievement forecast against ASC's savings target, although £4.3m of this faces severe challenges.

#### *Children's Services*

8. As at 30 June 2015, Children's Services anticipates +£0.7m overspend against county council funded budgets mainly due to: additional forecast staffing pressures in the area social work teams (£0.3m) an increase in services for Looked After Children and an increase in the numbers of unaccompanied asylum seeking children.

#### *Schools & Learning*

9. As at 30 June 2015, Schools & Learning anticipates +£0.8m overspend against county council funded budgets. This includes the following variances.
  - +£2.1m overspend on home to school transport, including +£2.6m on SEN transport, offset by an underspend on mainstream transport costs. Schools & Learning will confirm the SEN transport position in October, after the children return to school.
  - +£1.0 m overspend in Early Years services due to delays reconfiguring provision based in Children's Centres. This mean efficiencies planned for 2015/16 will not be achieved. Schools & Learning will now consider the Early Years services as part of the wider Early Help strategy.
  - -£1.7m funding held on a central budget managed by the Assistant Director to cover the anticipated overspend on SEN transport.
  - -£0.6m underspend expected (at this early stage in the financial year) on the county council funded element of agency school placements. The position will be clearer in September when final placement numbers are confirmed.

#### *Central Income & Expenditure*

10. As at 30 June 2015, Central Income & Expenditure forecasts -£1.6m underspend. This is business rates income now forecast to be £1.6m higher, which is due to the district and borough councils' final business rates schedules being higher than the earlier estimates used to produce the budget.

#### *Environment & Planning*

11. As at the end of June 2015 Environment & Planning has a +£2.2m year to date overspend. This is primarily waste management (£1.7m) where costs are higher than budgeted for reasons including volumes and demographics. The service expects to offset this later in the year with funding from the waste sinking fund.

#### *Areas to be aware – Adult Social Care*

12. Challenges remaining within Adult Social Care's savings plans include the following.
  - Care Act  
The council is due £9.8m of Care Act funding in 2015/16, partly to meet the initial implementation costs for most of the Care Act provisions that became law on 1 April 2015 and partly to begin early assessments towards the care cap due to be introduced as part of the 2016 funding reforms. In July 2015 the Government announced it has postponed the funding reforms, including the £72,000 care cap,

until 2020. The status of the 2015/16 Care Act funding is now unclear and any changes to allocations could affect ASC's budget.

- Pricing strategy  
ASC is coming under increasing pressure from providers to increase the prices paid for individually commissioned care services. The areas of greatest immediate pressure are Older People (OP) nursing and residential care. ASC's pricing strategy increased personal budget guide prices for OP care home placements from 1 April 2015. The next step is to work with care home providers to establish a sustainable forward pricing strategy from 1 April 2016.
- Deprivation of Liberty Safeguards (DOLS)  
ASC receives DOLS applications where it is believed an individual's liberty may have been deprived. A Supreme Court ruling in March 2015 fundamentally changed the basis of what should be considered under DOLS legislation. This has meant the number of DOLS applications has increased from 112 in 2013/14 to over 3,000 in 2014/15. ASC's budget included an extra £1.1m to recruit more Best Interest Assessors (BIAs) and administrators to deal with the increased assessment demand. Currently ASC assumes it will spend the budget by year end. However recruitment of BIAs is difficult and it is unlikely the additional budget will be enough to meet the full costs of the assessment demand, which continues to grow.

#### *Areas to be aware - Coroner*

13. Changes around Deprivation of Liberty legislation may result in significantly more coroner inquests. In addition the Coroner is undertaking a new inquest into the death of Pte Cheryl James at Deepcut Barracks, which is likely to create a pressure against the inquest budget. In 2014/15 a shortage of mortuary provision in Surrey meant the Coroner had to purchase temporary mortuary facilities creating a cost pressure that is likely to continue. Taking these three pressures together, the Coroner Service projects a pressure of £0.3m, though there is a risk it could be higher.

#### **New income generation proposals**

14. In September 2014, Cabinet agreed the commissioning and procurement approach for Services for Young People for 2015-20. Officers reviewed the procurement model for on-line Careers Education Information and Guidance, a web based information, advice and guidance service for young people. In July 2015 Procurement Review Group approved a proposal that will continue the current level of service for young people in Surrey at a reduced cost and incorporates a collaboration agreement that gives the provider a licence to charge for services using the council's intellectual property for the duration of the contract. This agreement is due to start in September 2015 and stipulates that Surrey County Council will receive 10% of all income generated by the provider for the sale of the operating platform to third parties. An estimate of the income the provider could generate in 2015/16 is £200,000, which would equate to £20,000 income to Surrey County Council.

## Revolving Infrastructure & Investment Fund

Table 4: Summary revenue and capital position

Summary	YTD actual	Full year forecast
Revenue expenditure	£m	£m
Income	-0.8	-3.5
Expenditure	0.1	0.6
Net income before funding	-0.7	-2.9
Funding costs	0.6	2.7
Net income after funding	-0.1	-0.2
Capital expenditure	1.7	24.8

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

15. As at 30 June 2015, net income of £0.2m (after the deduction of funding costs and other expenses) is being generated in 2015/16 by the joint venture project to deliver regeneration in Woking town centre and from various property acquisitions made for future service delivery. It is anticipated the net income will transfer to the Revolving Infrastructure and Investment Fund at the year end.
16. Capital expenditure in 2015/16 is on further loans to the Woking Bandstand Joint Venture company and costs associated with the development of the former Thales site in Crawley. In September 2014 Cabinet approved the submission of a detailed planning application for the former Thales site and contract tender for the first phase of development.

### Staffing costs

17. The council employs three categories of staff.
  - Contracted staff 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 employed through an agency with which the council has a contract.
18. 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. Some flexibility in the staffing budget is sensible, as it allows the council to vary a portion of staffing costs.
19. The council sets its staffing budget on the estimated labour it needs to deliver its services. It expresses this estimated labour as budgeted full time equivalent (FTEs) staff and converts it to a budget cost. The budget comprises spending on all three categories of staff and is the key control in managing staffing costs.
20. The council's total full year staffing budget for 2015/16 is £297.3m based on 7,935 budgeted FTEs. Table 5 shows the composition of the council's workforce as at 30 June 2015. Of the 511 live vacancies, where the council is actively recruiting, 401 are in social care.



Table 5: Full time equivalents in post and vacancies

	<u>June 2015 FTE</u>
Budget	7,935
Occupied contracted FTE	7,244
“Live” vacancies (i.e. actively recruiting)	511
Vacancies not occupied by contracted FTEs	180

21. Table 6 shows staffing cost as at 30 June 2015 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 6 also shows services’ budgeted FTEs and occupied contracted FTEs. Variances between these two figures can arise for reasons including: the budget for some FTEs is held in a different service from where the postholder sits in the organisation (for example the HR&OD budget covers apprentices’ costs, but the occupied FTEs appear in the service they work in); secondees’ costs appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services’ other income.
22. Agency or bank staff often cover vacancies on a temporary basis. 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 measure for monitoring staffing costs is the total expenditure and the variance shown in Table 6 (agency staff and bank & casual staff).
23. The year to date staffing budget as at 30 June 2015 is £74.9m and the expenditure incurred is £75.4m. This is due to allocations of grants in the early part of the year. Table App 2 shows services forecast a small underspend by the year end. As at 30 June 2015, the council employed 7,244 FTE contracted staff, against 7,935 budgeted FTEs, accounting for about 93% of total staffing costs.

Table 6: Staffing costs and FTEs to 30 June 2015

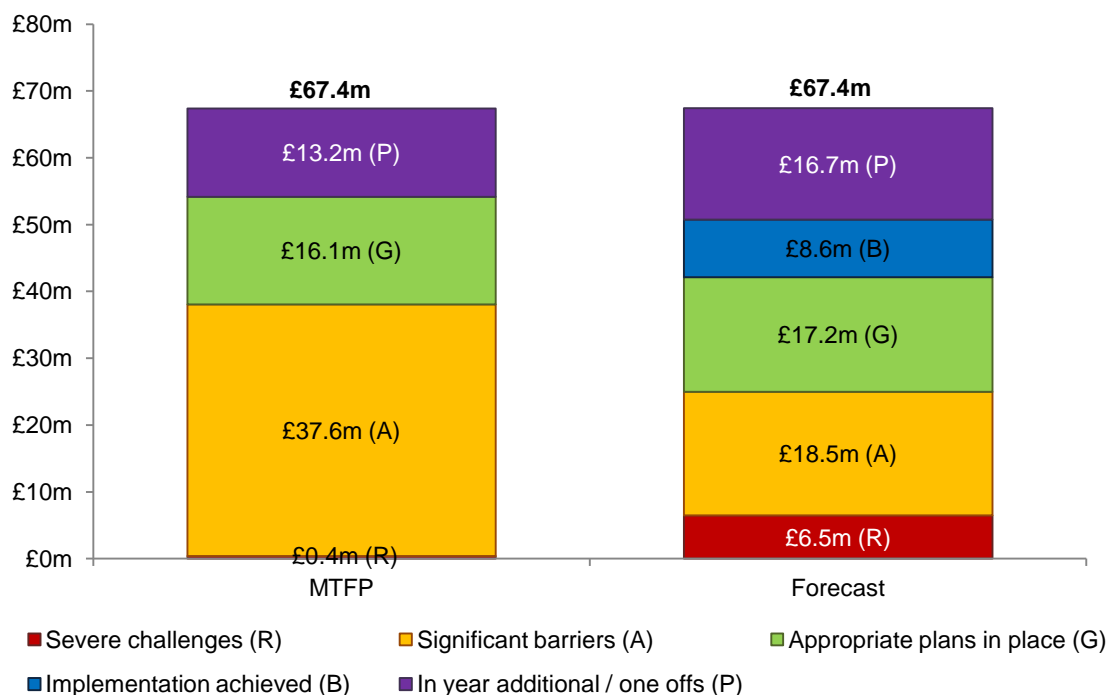
Service	YTD <----- Staffing spend by category ----->						Budgeted FTE	Occupied contracted FTEs
	staffing budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Economic Growth							1	1
Strategic Leadership	0.1	0.1	0	0	0.1	0	2	2
Adult Social Care	14.6	14.2	0.6	0.5	15.3	0.7	1,925	1,632
Children's Services	11.4	9.7	1.3	0.6	11.6	0.2	1,108	983
Services for Young People	3.5	3.5	0	0.2	3.6	0.2	395	372
Strategic Services	0.7	0.7	0	0	0.7	0	52	67
Schools & Learning	11.1	10.9	0.1	0.2	11.1	0	1,332	1,232
Delegated Schools							0	0
Community Partnership & Safety	0.3	0.3	0	0	0.3	0	24	29
Coroner	0.1	0.1	0	0	0.1	0	1	2
Cultural Services	4.6	4.1	0	0.4	4.5	-0.2	520	504
Customer Services & Directorate Support	1.1	1.1	0	0	1.2	0	137	121
Emergency Management	0.1	0.1	0	0	0.1	0	12	12
Magna Carta							0	0
Surrey Fire & Rescue Service	6.9	6.5	0	0.5	7.0	0.1	675	650
Trading Standards	0.8	0.8	0	0	0.8	0	75	71
Environment & Planning	2.6	2.5	0	0.1	2.6	0	215	178
Highways & Transport	3.5	2.8	0.1	0	2.9	-0.5	313	303
Public Health	0.7	0.6	0	0	0.7	0	51	41
Central Income & Expenditure	0.0	0	0	0	0	0	0	0
Communications	0.3	0.3	0	0	0.3	0	23	25
Finance	1.4	1.4	0	0	1.4	-0.1	101	105
Human Resources & Organisational Development	1.3	1.2	0	0	1.3	-0.1	104	99
Information Management & Technology	2.7	2.6	0.6	0	3.1	0.4	221	200
Legal & Democratic Services	1.3	1.2	0	0	1.2	-0.1	130	115
Policy & Performance	0.6	0.6	0.1	0	0.7	0	42	41
Procurement	0.8	0.7	0	0	0.8	-0.1	57	54
Property	2.1	2.0	0.1	0	2.1	0	177	175
Shared Service Centre	2.0	1.9	0	0	1.9	-0.1	242	231
<b>Total</b>	<b>74.9</b>	<b>69.8</b>	<b>2.9</b>	<b>2.6</b>	<b>75.4</b>	<b>0.5</b>	<b>7,935</b>	<b>7,244</b>

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

## Efficiencies

24. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts achieving £67.4m by year end, a neutral position. Figure 3 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 3: 2015/16 overall risk rated efficiencies



25. Each service's assessment of its progress on achieving efficiencies uses 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;
  - PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.
26. Table 7 summarises forecast progress on efficiencies by service. It shows most services are on track to achieve their planned efficiencies. Adult Social Care, Environment & Planning, Property and Surrey Fire & Rescue are supporting their programmes with additional in year and one off efficiencies.
27. The appendix to this annex sets out significant variances, their impact on the council's overall position and services' actions to mitigate adverse variances.

Table 7: 2015/16 Efficiency programme

<b>Service</b>	<b>MTFP £m</b>	<b>Forecast sustainable £m</b>	<b>Forecast one offs £m</b>	<b>Overall variance £m</b>
Adult Social Care	37.3	23.1	15.3	1.1
Children's Services	0.3	0.3	0.0	0.0
Services for Young People	1.9	1.9	0.0	0.0
Schools & Learning	9.8	8.8	0.0	-1.0
Cultural Services	0.6	0.6	0.0	0.0
Customer Services & Directorate Support	0.2	0.2	0.0	0.0
Surrey Fire & Rescue Service	1.6	1.4	0.2	0.0
Environment & Planning	6.4	5.7	0.6	-0.1
Highways & Transport	1.7	1.7	0.0	0.0
Central Income & Expenditure	0.9	0.9	0.0	0.0
Communications	0.1	0.1	0.0	0.0
Finance	0.7	0.7	0.0	0.0
Human Resources and Organisational Development	0.8	0.8	0.0	0.0
Information Management and Technology	0.6	0.6	0.0	0.0
Legal & Democratic Services	0.5	0.5	0.0	0.0
Policy & Performance	0.1	0.1	0.0	0.0
Procurement	0.1	0.1	0.0	0.0
Property	3.4	2.8	0.6	0.0
Shared Service Centre	0.1	0.1	0.0	0.0
<b>Total</b>	<b>67.4</b>	<b>50.7</b>	<b>16.7</b>	<b>0.0</b>

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

## CAPITAL

28. The council demonstrated its firm long term commitment to supporting Surrey's economy through its £696m 2015-20 MTFP capital programme, including £176m capital expenditure budget for 2015/16.
29. Cabinet approved £17.4m carry forward of scheme budgets requested in 2014/15's Outturn report and £22.3m reprofiling of 2015/16 capital spending by Property and Information Management & Technology into future years in May 2015's budget monitoring report. As at 30 June 2015, there are no other significant capital virements.
30. Table 8 compares the current forecast expenditure for the service capital programme and long term investments of £196.2m to the revised full year budget of £171.5m.

Table 8: Forecast capital expenditure 2015/16

	<b>Current full year budget £m</b>	<b>Apr - May actual £m</b>	<b>Jun - Mar projection £m</b>	<b>Full year forecast £m</b>	<b>Full year variance £m</b>
Schools basic need	57.8	21.7	36.1	57.8	0.0
Highways recurring programme	33.5	12.4	21.1	33.5	0.0
Property & IT recurring programme	25.6	5.4	20.2	25.6	0.0
Other capital projects	54.6	8.5	45.9	54.4	-0.2
<b>Service capital programme</b>	<b>171.5</b>	<b>48.1</b>	<b>123.3</b>	<b>171.4</b>	<b>-0.1</b>
Long term investments	0.0	1.2	23.6	24.8	24.8
<b>Overall capital programme</b>	<b>171.5</b>	<b>49.2</b>	<b>146.9</b>	<b>196.2</b>	<b>24.7</b>

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

31. Approved Investment Strategy spending is expected to be £24.8m in 2015/16 and total capital expenditure £196.2m. There are no significant variances to the service capital programme.

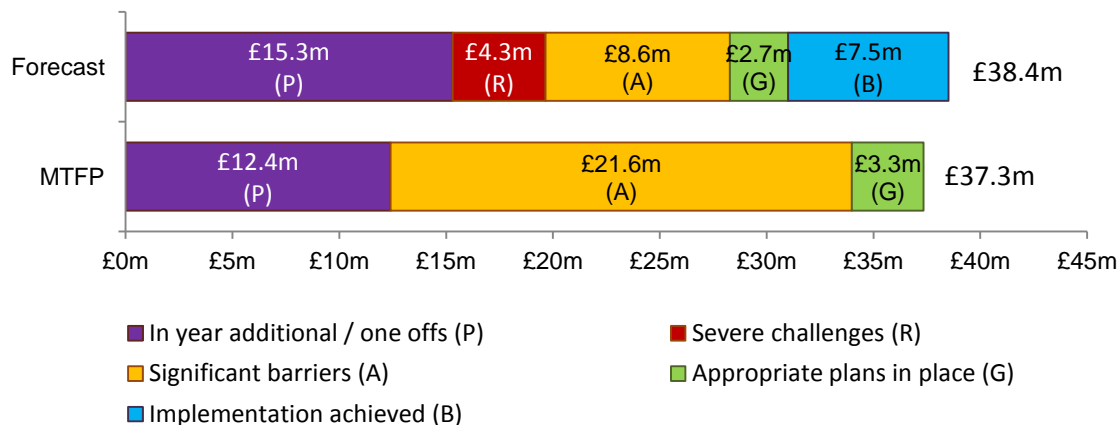
## Appendix to Annex

### Efficiencies & service reductions

App 1. The figure below reports the only significant variations in services' progress against their MTFP 2015-20 efficiencies & service reductions.

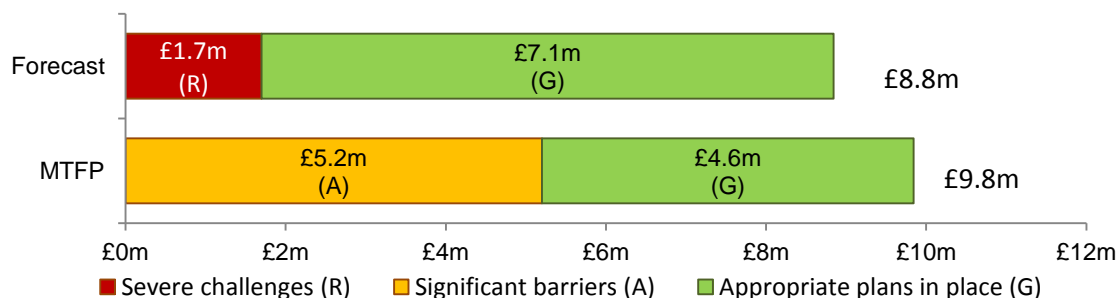
App 2. The figure uses the same basis for rating risks as Figure 3 and outlined in paragraph 25.

#### Adult Social Care (ASC)



The +£1.1m additional achievement of efficiencies forecast against ASC's savings target includes £4.3m efficiencies facing severe challenges.

#### Schools & Learning



App 3. Schools & Learning currently anticipates -£1.0m underachievement of early years services' efficiencies as delays in the consultation process around reconfiguring provision based in Children's Centres mean the efficiencies planned for 2015/16 will not be achieved in full.

### Updated budget - revenue

App 4. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes in April to June increased the expenditure budget at the end of June to £1,673.4m. Table 1 shows the updated budget.

App 5. When Council agreed the MTFP in February 2015, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 6. To control their budgets during the year, 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 the Director of Finance can approve.

App 7. Virements above £500,000 require the approval of the relevant Cabinet Member. There were no virements above £500,000 in June 2015. The two virements Cabinet approved were for the training redistribution and the New Homes Bonus transfer to Environment & Infrastructure from Central income & Expenditure expenditure budgets.

App 8. Table App 1 summarises the movements to the revenue expenditure budget.

Table App 1: Movements in 2015/16 revenue expenditure budget

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement count
MTFP	-1,667.6	1,671.3		3.6	
Carry forwards	0.2	7.8	-8.0	0.0	1
	-1,667.4	1,679.1	-8.0	3.6	1
April & May movements	-1.3	1.6	-0.3	0.0	33
<u>June Movements</u>					
Internal service movements	-1.0	1.0		0.0	44
Cabinet approvals	0.0	0.0		0.0	2
Funding changes	-0.1	0.1		0.0	2
Total June movements	-1.1	1.1	0.0	0.0	48
<b>June approved budget</b>	<b>-1,669.8</b>	<b>1,681.8</b>	<b>8.3</b>	<b>3.6</b>	<b>82</b>

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

App 9. Table App 2 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 2: 2015/16 Revenue budget forecast position as at 30 June 2015

	Year to date			←	Full year			→
	Budget £m	Actual £m	Variance £m		Budget £m	Remaining forecast £m	Projection £m	
Income:								
Local taxation	-190.4	-191.7	-1.3	-642.1	-452.0	-643.7	-1.6	
Government grants	-246.2	-246.0	0.2	-885.1	-637.2	-883.2	1.9	
Other income	-35.3	-42.1	-6.8	-142.6	-108.0	-150.1	-7.5	
Income	-471.9	-479.8	-7.9	-1,669.8	-1,197.1	-1,676.9	-7.1	
Expenditure:								
Staffing	74.9	75.4	0.5	310.4	234.5	309.9	-0.5	
Service provision	207.5	214.3	6.8	893.9	689.0	903.3	9.4	
Non schools sub-total	282.4	289.7	7.3	1,204.4	923.5	1,213.2	8.8	
Schools expenditure	121.5	121.5	0.0	469.0	347.6	469.0	0.0	
Total expenditure	403.9	411.2	7.3	1,673.4	1,271.0	1,682.2	8.8	
<b>Movement in balances</b>	<b>-68.0</b>	<b>-68.6</b>	<b>-0.6</b>	<b>3.6</b>	<b>73.9</b>	<b>5.3</b>	<b>1.7</b>	

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

**Balance sheet**

App 10. The council's balance sheet as at 30 June 2015 shows an increase in net assets of £104m since 31 March 2015. Net assets have increased mainly as a result of £64m extra cash due to grants received at the start of the year, £45m capital expenditure, less £24m depreciation and £12m increase in debtors. Table App 3 shows details of the balance sheet at 30 June 2015.

Table App 3: Balance sheet

<b>As at 31 Mar 2015</b>		<b>As at 30 Jun 2015</b>
<b>£m</b>		<b>£m</b>
1,725.6	Property, plant & equipment	1,746.9
0.7	Heritage assets	0.7
30.9	Investment property	30.9
4.5	Intangible assets	4.4
0.0	Assets held for sale	0.0
0.4	Long term investments	0.4
15.2	Long term debtors	16.1
<b>1,777.2</b>	<b>LONG TERM ASSETS</b>	<b>1,799.3</b>
108.0	Short term investments	112.4
0.9	Intangible assets	0.9
34.0	Assets held for sale	34.0
1.1	Inventories	0.8
119.2	Short term debtors	130.8
16.6	Cash & cash equivalents	80.6
<b>279.7</b>	<b>CURRENT ASSETS</b>	<b>359.5</b>
-32.6	Short term borrowing	-29.8
-187.3	Creditors	-188.8
-4.7	Provisions	-4.4
-0.2	Revenue grants receipts in advance	-0.2
-0.2	Capital grants receipts in advance	-0.2
-7.0	Other short term liabilities	-7.0
<b>-232.0</b>	<b>CURRENT LIABILITIES</b>	<b>-230.4</b>
-20.8	Provisions	-21.1
-397.8	Long term borrowing	-397.8
-1,605.7	Other long term liabilities	-1,605.2
	Donated assets account	0.0
<b>-2,024.3</b>	<b>LONG TERM LIABILITIES</b>	<b>-2,024.0</b>
<b>-199.3</b>	<b>NET ASSETS</b>	<b>-95.7</b>
-268.0	Usable reserves	-395.4
467.3	Unusable reserves	491.2
<b>199.3</b>		<b>95.7</b>



## Earmarked reserves

Table App 4: Earmarked revenue reserves

	Opening balance 1 Apr 2015 £m	Balance at 30 Jun 2015 £m	Forecast 31 Mar 2016 £m
Revolving Infrastructure & Investment Fund	20.6	20.6	20.6
Eco Park Sinking Fund	16.0	16.0	12.4
Investment Renewals Reserve	10.0	9.6	8.5
Insurance Reserve	10.6	10.6	10.6
General Capital Reserve	7.9	7.9	4.1
Budget Equalisation Reserve	16.6	8.7	8.7
Street lighting PFI Reserve	5.8	5.1	5.1
Economic Downturn Reserve	4.2	9.2	9.2
Vehicle Replacement Reserve	5.6	6.5	1.3
Child Protection Reserve	1.9	1.6	1.6
Equipment Replacement Reserve	1.9	2.3	2.2
Business Rate Appeals Reserve	1.3	1.3	1.3
Pension Stabilisation Reserve	1.1	1.1	1.1
Interest Rate Reserve	1.0	1.0	1.0
Economic Prosperity Reserve	2.5	2.5	2.5
Public Health Reserve	2.5	2.6	1.6
<b>Total earmarked revenue reserves</b>	<b>109.5</b>	<b>106.6</b>	<b>91.8</b>
<b>General Fund Balance</b>	<b>21.3</b>	<b>95.9</b>	<b>19.6</b>

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

## Debt

App 11. During the first quarter of 2015/16, the Accounts Payable team raised invoices totalling £70.0m. The amount outstanding on these invoices was £36.5m of gross debt at 30 June 2015.

Table App 5: Age profile of the council's debts as at 30 June 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	4.3	2.0	1.3	0.8	8.4	4.1
Care debt – secured	0.8	1.8	1.9	5.2	9.7	
<b>Total care debt</b>	<b>5.1</b>	<b>3.8</b>	<b>3.2</b>	<b>6.1</b>	<b>18.2</b>	<b>4.1</b>
Schools, colleges and nurseries	0.4	0.0	0.0	0.0	0.5	0.1
Clinical commissioning groups	4.6	2.1	0.5	0.0	7.2	2.6
Other local authorities	0.7	4.0	0.1	0.0	4.8	4.1
General debt	4.2	1.3	0.1	0.0	5.6	1.4
<b>Total non-care debt</b>	<b>10.0</b>	<b>7.5</b>	<b>0.7</b>	<b>0.0</b>	<b>18.2</b>	<b>8.2</b>
<b>Total debt</b>	<b>15.1</b>	<b>11.3</b>	<b>3.9</b>	<b>6.1</b>	<b>36.5</b>	<b>12.3</b>

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

App 12. Adjusting the gross debt to take into account those balances not immediately due (i.e. less than 30 days old) or collectable (i.e. secured on property) produces the overdue debt figures shown in Table App 6.

Table App 6: Overdue debt summary as at 30 June 2015

	2015/16 Q1 £m	2014/15 Q4 £m	2014/15 Q1 £m	2013/14 Q4 £m	2012/13 Q4 £m	2011/12 Q4 £m
Care related debt	4.1	8.9	6.5	6.5	7.6	6.1
Non care related debt	8.2	4.2	4.2	3.1	3.8	3.0
<b>Total</b>	<b>12.3</b>	<b>13.1</b>	<b>10.7</b>	<b>9.6</b>	<b>11.4</b>	<b>9.1</b>

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

App 13. 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 2015 to 30 June 2015 was 28 days.

App 14. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q1 2015/16) the Director of Finance has written off 89 such debts with a total value of £105,225, of which £97,493 is care related and £7,762 is non care related debt.

## Treasury management

### *Borrowing*

App 15. 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 2015	397.2
Loans raised	0.0
Loans repaid	0.0
<b>Current balance as at 30 June 2015</b>	<b>397.2</b>

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

App 16. 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 summarises all new loans, with a weighted average interest rate of 3.29%. No new borrowing has been drawn during the first quarter of 2015/16.

Table App 8: New long-term borrowing

Start date	Duration - years	Amount £m	Interest rates
02 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%
		<b>160</b>	<b>3.29%</b>

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

App 17. The weighted average interest rate of the council's entire long term debt portfolio is 4.1% as at 30 June 2015.

App 18. The council is able to undertake short term borrowing for cash flow purposes, no such borrowing occurred during the quarter ending June 2015.

App 19. The council also manages cash on behalf of Surrey Police Authority (£28.7m as at 30 June 2015) which is classed as temporary borrowing.

*Authorised limit and operational boundary*

App 20. 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

	<b>Authorised limit</b>	<b>Operational boundary</b>
	<b>£m</b>	<b>£m</b>
Gross borrowing	397.2	397.2
Limit / boundary	690.0	622.0
<b>Headroom</b>	<b>292.8</b>	<b>221.8</b>

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

*Capital Financing Requirement*

App 21. The Capital Financing Requirement (CFR) represents the council's underlying need to borrow for a capital purpose. The council must ensure that, in any one year, net external borrowing does not, except in the short-term exceed the estimated CFR for the next three years. The council's position against the estimated CFR, as reported to the County Council in March 2014 is shown in Table App 10. The current borrowing position shows a net position of £203m more in borrowing than we hold in short term deposits.

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

<b>Capital Financing Requirement</b>			<b>Net borrowing</b>
<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	
£838m	£899m	£913m	£203m

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

*Maturity profile*

App 22. 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

	<b>Upper limit</b>	<b>Lower limit</b>	<b>Actual</b>
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%

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

*Early debt repayment and rescheduling*

App 23. There has been no early repayment or rescheduling in the first quarter of 2015/16.

*Investments*

App 24. The council had an average daily level of investments of £142m throughout 2014/15, with an average of £225m for 2015/16. The balance of funds managed on behalf of schools within this figure was £47.6m as at 30 June 2015.

App 25. The council invests cash on the money markets through one of its five brokers, or directly with counterparties through the use of call accounts, money market funds or direct deal facilities. Table App 12 shows investment activity during the quarter to 30 June 2015.

Table App 12: Borrowing activity up to 30 June 2015

<b>Timed deposits</b>	<b>Number</b>	<b>Average value £m</b>	
Deals using a broker	2	7.5	
Direct deal facilities	0	0	
Deals with DMO	0	0	
<b>Instant access</b>	<b>Number</b>	<b>Individual limit £m</b>	<b>Total limit £m</b>
- Active call accounts	2	60.0	120.0
- Active money market funds	7	25.0	175.0
- Local authorities	8	20.0	-

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

App 26. The weighted average return on all investments received to the end of the first quarter in 2015/16 is 0.48%. This compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.36% for the equivalent period. Table App 13 shows the comparison.

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

	<b>Average 7-day LIBID</b>	<b>Weighted return on investments</b>
Quarter 1	0.36%	0.48%
<b>2015/16 total</b>	<b>0.36%</b>	<b>0.48%</b>
2014/15 total	0.35%	0.42%

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