

Budget monitoring period 6 2015/16 (September 2015)

Summary recommendations

Cabinet is asked to:

1. note services forecast a -£1.1m revenue budget variance at year end (paragraph 1);
2. note services forecast to achieve £63.8m efficiencies and service reductions by year end (paragraph 28);
3. note total forecast capital expenditure for 2015/16, including long term investments, is £183.2m (paragraph 38);
4. note the quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 7 to App 22).
5. approve a virement of £7.1m to reflect direct schools grant funding in relation to delays in academy conversions and updates on other direct school grants estimates (paragraphs 3 to 5).
6. approve the use of Central Government Care Act new burdens funding by Adult Social Care to manage increased demand and new Care Act responsibilities that are causing pressure on the budget (paragraphs 10 and 11).

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 September 2015, services forecast to underspend by -£1.1m and achieve £63.8m efficiencies by year end. The underspend is due to several offsetting variances among services, the most significant of which are: -£6.5m use of 2015/16 Care Act funding in Adult Social Care services to offset +£4.7m additional demand and +£2.3m forecast unachieved savings; +£0.9m children's services' costs due to higher volumes of children in need; +£1.0m delays to early years' savings; +£0.8m overspend on home to school transport; and -£3.3m more income from business rates than expected. Services have taken action to ensure the council achieves a balanced outturn for 2015/16.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. 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 September 2015, services forecast £164.1m capital spending against the current 2015/16 budget of £174.1m and total forecast capital expenditure including long term investments is £183.2m (paragraphs 37 to 38).

As part of increasing the council's overall financial resilience, it plans to invest £19m 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 September 2015, the year to date budget variance is -£6.3m underspent and the overall forecast is -£1.1m underspend at year end.
2. In March 2015, Cabinet approved the council's 2015/16 revenue expenditure budget at £1,671.3m. Changes since April, reflecting agreed carry forwards and small budgetary adjustments, increased the expenditure budget as at 30 September 2015 to £1,674.6m. Table 1 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and £642.1m funding from local taxation and £3.7m from reserves.

Table 1: 2015/16 updated revenue budget – 30 September 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	2.4	98.4	91.4
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	-0.9	-2.4	3.6	1.0	4.6	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	0.0	1.3	1.3
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	0.1	4.7	4.4
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	34.9
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	51.8	1.6	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	-0.2	-237.9	61.0	-10.7	50.3	-187.6
Communications	0.0	0.0	0.0	2.0	0.1	2.1	2.1
Finance	-1.8	0.0	-1.8	10.2	0.0	10.2	8.4
Human Resources & Organisational Development	-0.2	0.1	-0.1	9.3	-0.7	8.6	8.5
Information Management & Technology	-0.7	0.0	-0.7	25.2	1.0	26.2	25.5
Legal & Democratic Services	-0.5	0.0	-0.5	8.9	0.2	9.1	8.6
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	0.1	3.5	3.3
Property	-8.9	-0.8	-9.7	37.2	1.3	38.5	28.8
Shared Service Centre	-4.6	-0.4	-5.0	8.8	0.5	9.3	4.3
Service total	-1,025.5	-3.5	-1,028.8	1,671.3	3.5	1,674.6	645.8
Local taxation	-642.1	0.0	-642.1	0.0	0.0	0.0	-642.1
Overall	-1,667.6	-3.5	-1,670.9	1,671.3	3.5	1,674.6	3.7

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

Revenue virement request – £7.1m Delegated Schools

3. Delegated Schools service seeks approval to a virement of £7.1m for delays and non-conversions of schools to academy status and for re-assessment of direct and indirect schools grants estimated in the MTFP for 2015/16.
4. The MTFP delegated schools grant budget (£469.0m) included estimates of which schools would convert to academies and when. Some schools have converted later than expected and three secondary schools and one special school are still to convert. The MTFP delegated budget underestimated the cost of funding maintained schools and equally overestimated the cost of funding academies that the Education Funding Agency (EFA) deducts from Surrey's grant allocations as follows:
 - £3.2m the MTFP assumed EFA would deduct from Surrey's total Dedicated Schools Grant, EFA post 16 grant, Pupil Premium and PE/ sports grants;
 - £2.5m of unallocated schools funding from 2014/15 (largely due to unspent contingencies and rates refunds) which Schools Forum agreed should be carried forward to support the schools budget in future years;
 - £0.9m grants individual schools receive directly, which could not be estimated with any reasonable accuracy for the MTFP; and
 - £0.5m realignment of grants due to changes in pupil data and returns information, including £0.3m for Universal Infant School Meals and £0.2m for other grants.
5. All these grant changes have appropriate corresponding expenditure directly paid to schools. Therefore the +£7.1m increases funding and expenditure. The new grants budget will be £476.1m and direct school expenditure of £476.1m. The net effect on the overall corporate budget is nil.

Revenue budget monitoring position

6. 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 as at 30 September 2015

Subjective summary	YTD budget £m	YTD actual £m	YTD variance £m	Full year			
				revised budget £m	Oct-Mar forecast £m	Full year projection £m	Full year variance £m
Income	-851.0	-862.1	-11.1	-1,670.9	-819.6	-1,681.7	-10.8
Expenditure	841.7	846.5	4.8	1,674.6	837.9	1,684.3	9.7
Net expenditure	-9.3	-15.6	-6.3	3.7	18.3	2.6	-1.1

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

7. Table 3 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.
8. Table 3 shows the majority of services' budgets are on track to achieve a balanced outturn or underspend in 2015/16. The council's overall year to date budget variance as at 30 September 2015 is -£6.3m underspent and the year end forecast is -£1.1m underspent.

9. The following section sets out for services with significant budget variances:

- changes since 31 August 2015,
- the variances' 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 as at 30 September 2015

Service	YTD budget £m	YTD actual £m	YTD variance £m	Full year revised budget £m	Oct-Mar forecast £m	Full year projection £m	Full year variance £m
Economic Growth	0.9	0.9	0.0	1.7	0.8	1.7	0.0
Strategic Leadership	0.2	0.2	0.0	0.4	0.2	0.4	0.0
Adult Social Care	183.4	185.0	1.6	372.7	187.7	372.7	0.0
Children's Services	44.4	45.5	1.1	91.4	46.8	92.3	0.9
Services for Young People	7.6	7.6	0.0	15.4	8.0	15.6	0.2
Schools & Learning	36.3	35.5	-0.8	74.3	40.6	76.1	1.8
Delegated Schools Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Strategic Services (CSF)	1.0	1.1	0.1	2.2	1.3	2.4	0.2
Community Partnership & Safety	1.7	1.3	-0.4	3.5	2.2	3.5	0.0
Coroner	0.6	0.6	0.0	1.2	0.9	1.5	0.3
Cultural Services	4.9	4.9	0.0	9.8	4.7	9.6	-0.2
Customer Services	1.7	1.6	-0.1	3.4	1.7	3.3	-0.1
C&C Directorate Support	0.5	0.5	0.0	1.0	0.5	1.0	0.0
Emergency Management	0.3	0.3	0.0	0.6	0.2	0.5	-0.1
Magna Carta	0.7	0.6	-0.1	0.8	0.1	0.7	-0.1
Surrey Fire & Rescue Service	18.0	17.7	-0.3	34.9	17.2	34.9	0.0
Trading Standards	1.0	0.9	-0.1	2.0	1.1	2.0	0.0
Environment & Planning	40.2	40.5	0.3	80.4	40.0	80.5	0.1
Highways & Transport	21.1	20.5	-0.6	45.3	25.3	45.8	0.5
Public Health	1.1	1.1	0.0	0.3	-0.8	0.3	0.0
Central Income & Expenditure	-97.9	-100.8	-2.9	-187.6	-88.7	-189.5	-1.9
Communications	1.0	0.9	-0.1	2.0	1.1	2.0	0.0
Finance	4.2	3.7	-0.5	8.3	4.1	7.8	-0.5
Human Resources & Organisational Development	4.2	3.6	-0.6	8.5	4.6	8.2	-0.3
Information Management & Technology	11.9	12.2	0.3	25.5	13.3	25.5	0.0
Legal & Democratic Services	4.4	4.1	-0.3	8.6	4.7	8.8	0.2
Policy & Performance	1.3	1.2	-0.1	2.5	1.2	2.4	-0.1
Procurement	1.6	1.5	-0.1	3.3	1.8	3.3	0.0
Property	13.6	12.9	-0.7	28.8	15.7	28.6	-0.2
Shared Service Centre	1.6	1.6	0.0	4.3	2.7	4.3	0.0
Service net budget	311.7	307.3	-4.4	645.8	339.0	646.3	0.5
Local taxation	-321.0	-322.7	-1.7	-642.1	-321.0	-643.7	-1.6
Revolving Infrastructure & Investment Fund		-0.2	-0.2		0.2		
Overall net budget	-9.3	-15.6	-6.3	3.7	18.2	2.6	-1.1

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

Significant budget variances

Adult Social Care - balanced (-£1.9m change since September)

10. As at 30 September 2015 Adult Social Care (ASC) services project an overall balanced budget. This -£1.9m decrease in the projected overspend is principally due to the proposed use of £6.5m Central Government Care Act Implementation funding to offset increased demand pressures. Without this funding, ASC's overspend would have increased by £4.6m from last month due to increased demand pressures and reductions in some savings forecasts.
11. The council is due £9.8m Care Act Implementation revenue funding in 2015/16, including £7.2m from Central Government for new burdens under the Dilnot reforms. Following earlier postponement of the Dilnot reforms, the Government has now announced it will not claw back the funding this year and ASC proposes to use the funds to support increased demand pressures. This is likely to be a one-off measure as future years' funding allocations are unclear, but likely to be adjusted downwards.
12. The main reasons for the underlying projected overspend of +£6.5m are as follows.
 - +£4.7m of additional pressures related to increased demand for care services. A key priority for ASC is to manage demand effectively through prevention, information and advice, plus greater collaboration and integration with the NHS. These strategies help limit demand increases, but are not yet successful in reducing the rate of demand to budgeted levels. Service users volumes are increasing by more than the 5% budgeted for 2015/16 and the costs for individuals already receiving care at the start of year appear to be increasing more rapidly than in previous years due to growing levels of need and complexity.
 - +£2.3m underachievement of ASC's savings targets, mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £3.3m. Current performance suggests 15% is achievable for FFC re-assessments but 20% savings on new care packages is difficult, particularly for Older People.
 - -£0.5m forecast surplus of on fees & charges and other income streams that do not directly relate individual packages of care or block contracts.

Children's Services +£0.9m (-£0.9m change since August)

13. As at 30 September 2015, Children's Services anticipates +£0.9m overspend. The main reason for this improved position is a careful review of likely staffing spend against available resources. The overspend has two main drivers, partially offset by a range of smaller variances.
 - Increasing numbers of looked after children. As at August 2015 (the most recent available data) there were 846 looked after children, an increase of 62 since March 2015. This includes an additional 31 unaccompanied asylum seekers where numbers have increased by 50% since August 2014, which mainly affects the budget for external placements that anticipates an overspend of + £1.8m, plus a +£0.8m overspend for Asylum.
 - Increasing numbers of children in need are intensifying pressures on staffing. The referral, assessment and care management teams anticipate an overspend of +£1.1m. In particular there is an increased reliance on locum social workers. This

pressure is partly offset by vacancies in other areas of the service and work continues to improve the recruitment and retention of social workers.

Schools & Learning +£1.8m (+£0.4m change since August)

14. As at 30 September 2015, Schools & Learning forecasts +£1.8m overspend against county council funded budgets. The main reason for the increase is a proposed project to increase inclusion in Surrey's schools to reduce expenditure on children and young people with SEN (special educational needs). The remainder of the service includes the following major pressures, partially offset by a range of smaller variances.

- +£1.0 m overspend in early years services due to delays in achieving efficiencies planned for 2015/16.
- +£0.8m net overspend on home to school transport mainly in relation to children with special educational needs (SEN) transport due to higher user volumes.

15. Schools & Learning is looking at further management action to reduce expenditure.

Central Income & Expenditure including Local Taxation -£3.5m (-£1.9m change since August)

16. As at 30 September 2015, Central Income & Expenditure, including Local Taxation, forecasts -£3.5m underspend. As reported previously, -£1.6m is for additional business rates income due to the district and borough councils' final schedules being higher than the earlier estimates used to produce the budget. The -£1.9m change this month is mostly due to the government grant compensating councils for loss of income from the business rate relief scheme being higher than budgeted.

Areas to be aware - Coroner

17. Changes around Deprivation of Liberty legislation may significantly increase the number of coroner inquests. The Chief Coroner has appointed a retired High Court judge for the inquest into the death of Private Cheryl James. In 2014/15 a shortage of mortuary provision meant the Coroner purchased 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.

Revolving Infrastructure & Investment Fund

Table 4: Summary revenue and capital position as at 30 September 2015

Summary	YTD actual	Full year forecast
Revenue expenditure	£m	£m
Income	-1.4	-3.5
Expenditure	0.2	0.6
Net income before funding	-1.2	-2.9
Funding costs	1.0	2.7
Net income after funding	-0.2	-0.2
Capital expenditure	2.5	19.1

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

18. Net income of £0.2m is being generated this financial year by the joint venture project to deliver regeneration in Woking town centre and from various property acquisitions

that have been made for future service delivery. It is anticipated the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year end.

19. Capital expenditure this year covers: development of the former Thales site in Crawley, the new regeneration scheme approved by Cabinet in July, further loans to the Woking Bandstand Joint Venture Company and an equity investment in the Municipal Bonds Agency.

Staffing costs

20. 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.
21. 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.
22. 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 required on average over the full year 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.
23. In practice, throughout the year, the composition of occupied posts and FTEs will vary. However managers are still able to control total cost within budget. For example, there are several reasons a service might recruit new staff at lower cost than the current budget and use of fixed term contracts may temporarily result in higher than budgeted FTEs, but remain within the overall budget.
24. The council's total full year staffing budget for 2015/16 is £279.2m based on 7,935 budgeted FTEs. Table 5 shows the composition of the council's workforce as at 30 September 2015. Of the 710 live vacancies, where the council is actively recruiting, 480 are in social care.

Table 5: Full time equivalents in post and vacancies as at 30 September 2015

	FTE
Budget	7,935
Occupied contracted FTE	7,245
"Live" vacancies (i.e. actively recruiting)	710

25. Table 6 shows staffing cost as at 30 September 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 several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the service they work in); secondees' budgeted posts

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.

26. 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.
27. The year to date staffing budget as at 30 September 2015 is £152.0m and the expenditure incurred is £149.3m. Table App 2 reiterates this -£2.7m year to date underspend on employment costs and shows services forecast -£3.8m underspend by year end. As at 30 September 2015, the council employed 7,245 FTE contracted staff, against 7,935 budgeted FTEs, accounting for about 91% of total staffing costs.

Table 6: Staffing costs and FTEs to 30 September 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	0
Strategic Leadership	0.2	0.2	0.0	0.0	0.2	0.0	2	1
Adult Social Care	29.5	26.2	1.5	1.1	28.8	-0.7	1,925	1,617
Children's Services	23.3	19.4	2.8	1.3	23.5	0.2	1,108	995
Services for Young People	7.1	6.7	0.0	0.3	7.0	-0.1	395	363
Strategic Services	1.4	1.4	0.0	0.0	1.5	0.1	52	66
Schools & Learning	23.1	21.9	0.1	0.4	22.5	-0.6	1,332	1,241
Delegated Schools							0	0
Community Partnership & Safety	0.6	0.6	0.0	0.0	0.6	0.1	24	28
Coroner	0.2	0.1	0.1	0.0	0.2	0.0	1	2
Cultural Services	9.3	8.2	0.0	0.7	8.9	-0.4	520	517
Customer Services	1.7	1.6	0.1	0.0	1.7	0.0	112	98
C&C Directorate Support	0.5	0.5	0.0	0.0	0.5	0.0		
Emergency Management	0.3	0.2	0.0	0.0	0.2	0.0	12	15
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0
Surrey Fire & Rescue Service	13.8	12.8	0.1	0.9	13.8	0.0	675	636
Trading Standards	1.6	1.5	0.0	0.0	1.5	-0.1	100	92
Environment & Planning	5.2	5.0	0.1	0.1	5.2	0.0	215	205
Highways & Transport	6.7	5.7	0.2	0.1	6.0	-0.7	313	268
Public Health	1.4	1.2	0.0	0.1	1.3	-0.1	51	44
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0
Communications	0.6	0.5	0.0	0.0	0.5	0.0	23	24
Finance	2.9	2.7	0.0	0.0	2.7	-0.2	101	102
Human Resources & Organisational Development	2.7	2.5	0.1	0.0	2.6	-0.1	104	97
Information Management & Technology	6.1	5.1	1.1	0.0	6.3	0.2	221	198
Legal & Democratic Services	2.7	2.4	0.1	0.0	2.5	-0.2	130	115
Policy & Performance	1.3	1.2	0.1	0.0	1.3	0.0	42	40
Procurement	1.6	1.5	0.0	0.0	1.5	-0.1	57	56
Property	4.3	4.1	0.3	0.0	4.3	0.1	177	184
Shared Service Centre	4.1	3.8	0.0	0.0	3.8	-0.3	242	241
Total	152.0	137.3	6.8	5.2	149.3	-2.7	7,935	7,245

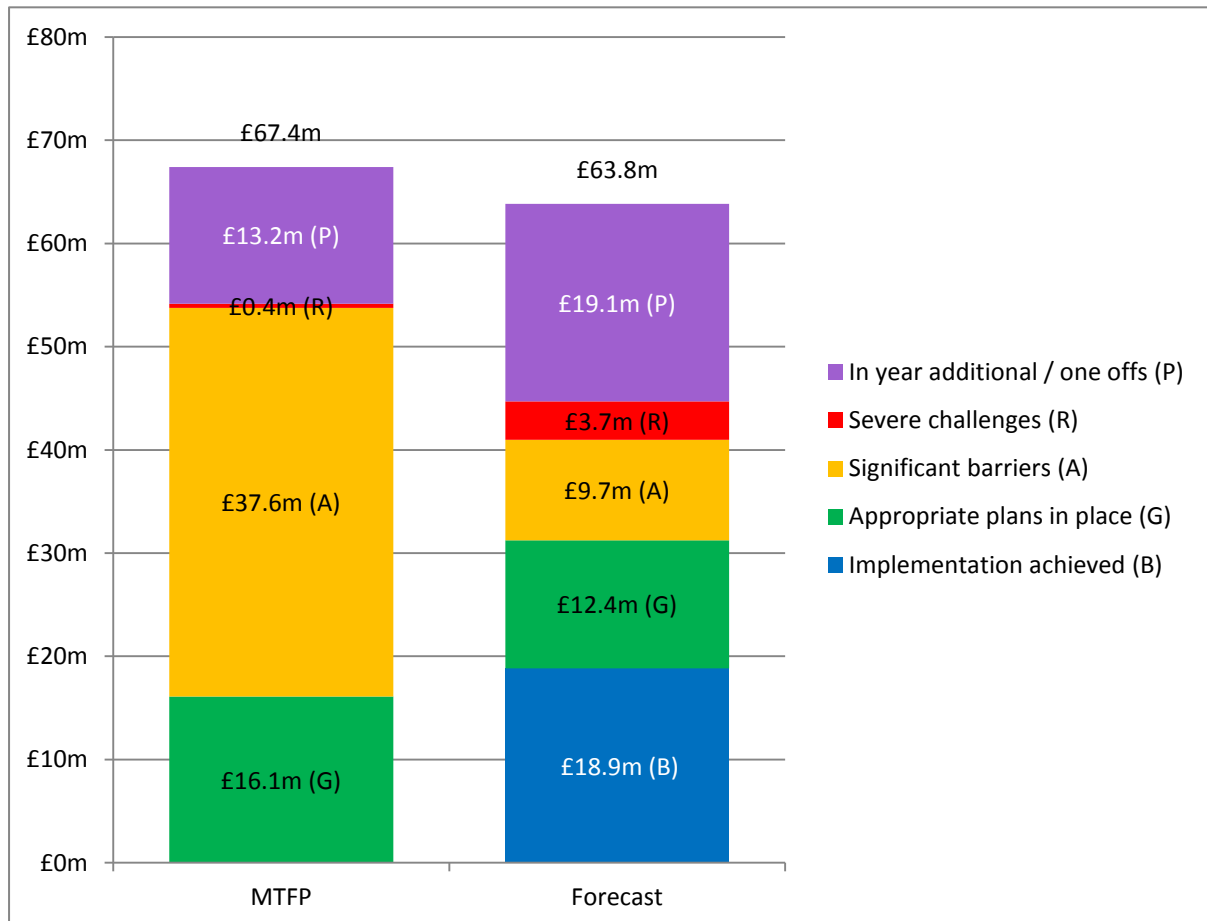
Note: All numbers have been rounded - which might cause a casting error.

Trading Standards' FTEs include C&C Directorate support

Efficiencies

28. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £63.8m by year end, an underachievement of £3.6m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2015/16 overall risk rated efficiencies as at 30 September 2015



29. 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.

30. 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.

31. The next section sets out significant variances in efficiencies forecasts, their impact on the council's overall position and services' actions to mitigate adverse variances.

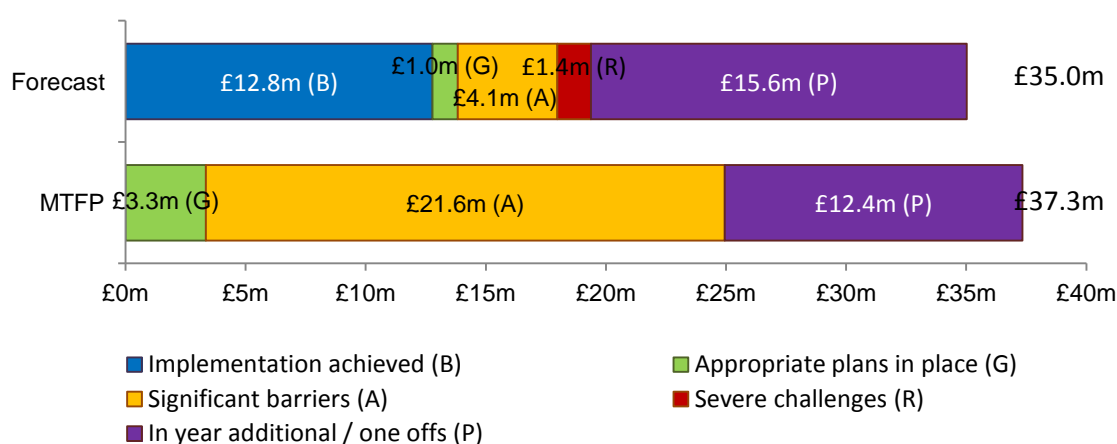
Table 7: 2015/16 Efficiency programme as at 30 September 2015

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	19.4	15.6	-2.3
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	3.6	2.6	-0.1
Highways & Transport	1.7	1.7	0.0	0.0
Central Income & Expenditure	0.9	0.8	0.0	-0.1
Communications	0.1	0.1	0.0	0.0
Finance	0.7	0.7	0.0	0.0
Human Resources & Organisational Development	0.8	0.8	0.0	0.0
Information Management & 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
Total	67.4	44.7	19.1	-3.6

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

Significant variances in services' efficiencies & service reductions

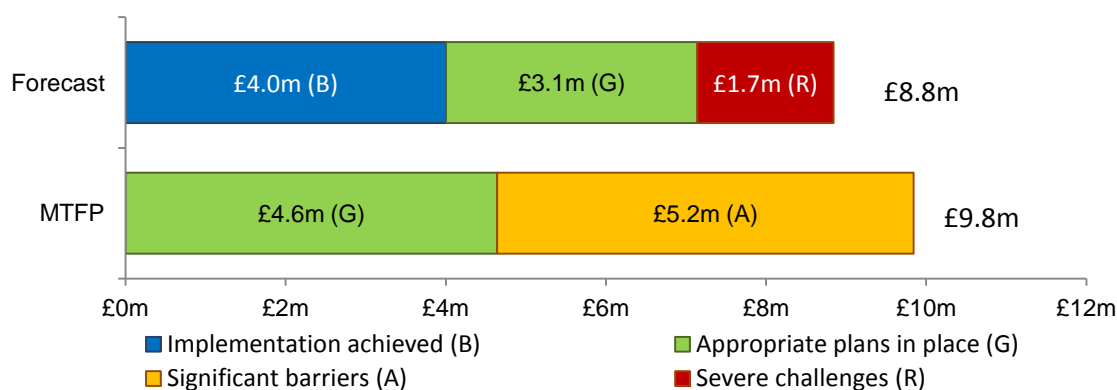
Adult Social Care



32. As at 30 September 2015, ASC forecasts a £2.3m shortfall against its savings target. However, this includes some significant forecast variances, such as a £3.3m underachievement delivering stretch FFC savings and a £1.1m surplus on fees, charges and other income streams, of which about half relates directly to increased demand for care packages.

33. £3.2m forecast overachievement of additional in year savings partially offsets the underachievements on continuing savings. The one-off savings are mainly due to a forecast surplus of reclaims received from individuals who have not needed to use the full amount of their Direct Payments and further staff vacancies above budgeted levels. The additional vacancies are not planned, but where they occur they are being used to help manage ASC's overall budget position.

Schools & Learning



34. As at 30 September 2015, Schools & Learning anticipates Early Years will meet £1.7m of its planned savings. However consultation delays on configuration of some children's centres means it is unlikely to achieve £1.0m of efficiencies in 2015/16.

CAPITAL

35. 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.
36. As at 30 September 2015, the revised full year capital budget is £174.1m. In May and June 2015 Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling of 2015/16 into future years. Table App 3 summarises movements in the capital budget to 30 September 2015. There were no significant movements in September.
37. Table 8 compares the current forecast expenditure for the service capital programme and long term investments of £183.2m to the revised full year budget of £174.1m.

Table 8: Forecast capital expenditure 2015/16 as at 30 September 2015

	Current full year budget £m	Apr - Sep actual £m	Oct - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	41.9	15.9	57.8	0.0
Highways recurring programme	33.5	24.9	8.6	33.5	0.0
Property & IT recurring programme	25.6	11.8	9.6	21.4	-4.2
Other capital projects	57.2	21.8	29.6	51.4	-5.8
Service capital programme	174.1	100.4	63.7	164.1	-10.0
Long term investments	0.0	2.1	16.9	19.1	19.1
Overall capital programme	174.1	102.5	80.6	183.2	9.1

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

38. Approved Investment Strategy spending is expected to be £19.1m in 2015/16 and total capital expenditure £183.2m. Table 9 shows significant variances to the service capital programme.

Table 9: Significant variances to the service capital programme

	to 31 August £m	to 30 September £m
Schools capital maintenance, including children's centres	0.0	-3.7
Merstham Library & Youth	-1.0	-1.3
Fire reconfiguration and training investment	-1.2	-1.2
School projects	-0.5	-1.1
SEN Strategy	-0.9	-0.7
Corporate capital projects	0.0	-0.7
Land acquisition for waste	-0.5	-0.5
Closed landfill sites	-0.4	-0.4
IT Investment	-0.2	-0.2
Other variances	-0.1	-0.2
Capital variance	-4.7	-10.0

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

Appendix to Annex

Updated budget - revenue

- App 1. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes since April increased the budget as at 30 September 2015 to £1,674.6m. Table 1 shows the updated expenditure budget.
- App 2. 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 3. 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. Virements above £500,000 require the approval of the relevant Cabinet Member. There were two virements above £500,000 in September 2015, which were already approved by Cabinet and Council:
- Children in Need investment from the Child Protection Reserve, approved by Council in December 2014 (£1.0m 2015/16 and £1.0m 2016/17).
 - DCLG Troubled Families grant increases approved by Cabinet in September 2015 (£0.9m)
- App 4. 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		3.7	
Carry forwards	0.2	7.8	-8.0	0.0	1
	-1,667.4	1,679.1	-8.0	3.7	1
Quarter 1 movements	-2.4	2.7	-0.3	0.0	99
July & August movements	-0.5	0.5	0.0	0.0	41
September movements					
Internal service movements	0.3	-0.3		0.0	21
Council and Cabinet approvals	-0.9	1.9	-1.0	0.0	2
Total quarter 2 movements	-1.1	2.1	-1.0	0.0	64
September approved budget	-1,670.9	1,683.9	-9.3	3.7	164

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

- App 5. 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 year to date and year end forecast positions as at 30 September 2015

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-321.0	-322.7	-1.7	-642.1	-321.0	-643.7	-1.6
Government grants	-460.4	-453.1	7.3	-886.0	-425.0	-878.1	7.9
Other income	-69.6	-86.3	-16.7	-142.8	-73.6	-159.9	-17.1
Total income	-851.0	-862.1	-11.1	-1,670.9	-819.6	-1,681.7	-10.8
Expenditure:							
Staffing	152.0	149.4	-2.7	312.6	159.6	308.8	-3.8
Service provision	443.0	450.4	7.5	892.9	455.9	906.4	13.6
Non schools sub-total	595.0	599.7	4.8	1,205.5	615.5	1,215.2	9.7
Schools expenditure	246.7	246.7	0.0	469.1	222.4	469.1	0.0
Total expenditure	841.7	846.5	4.8	1,674.6	837.9	1,684.3	9.7
Movement in balances	-9.3	-15.6	-6.3	3.7	18.3	2.6	-1.1

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

Updated budget – capital

App 6. 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. Table App 3 summarises the capital budget movements for the year. There were no significant virements in September.

Table App 3: 2015/16 Capital budget movements as at 30 September 2015

	to 30 June £m	to 30 September £m
MTFP (2015-20) (opening position)	176.2	176.2
Approved budget movements:		
Carry forwards from 2014/15	17.4	17.4
Business Services - reprofile to future years	-22.5	-22.5
Weybridge Library - reprofile to future years	-0.1	-0.1
Schools projects	0.3	0.6
Lindon Farm, Alford, Cranleigh		1.5
Third party delegated school contributions		0.8
Highways	0.1	0.1
Newlands Corner		0.1
In year budget changes	-4.7	-2.2
2015/16 updated capital budget	171.5	174.1
In year budget changes funded by:		
Third party contributions		0.8
Borrowing and reprofiling to future years	-4.7	-3.0

Balance sheet

App 7. Table App 4 shows the council's balance sheet as at 30 September 2015. The council's net assets have increased by £52m since 31 March 2015. This is mainly due to: increases of £42m extra cash due to grants received at the start of the year, £101m capital expenditure and £12m higher cash investments; less £48m depreciation, £47m academy school transfers and £5m other disposals.

Table App 4: Balance sheet

As at 31 Mar 2015		As at 30 Sep 2015
£m		£m
1,725.6	Property, plant & equipment	1,726.6
0.7	Heritage assets	0.7
30.9	Investment property	30.9
4.5	Intangible assets	4.2
0.0	Assets held for sale	0.9
0.4	Long term investments	16.8
15.2	Long term debtors	1,780.0
1,777.2	LONG TERM ASSETS	1,726.6
108.0	Short term investments	120.0
0.9	Intangible assets	1.3
34.0	Assets held for sale	34.0
1.1	Inventories	0.9
119.2	Short term debtors	113.3
16.6	Cash & cash equivalents	59.0
279.7	CURRENT ASSETS	328.4
-32.6	Short term borrowing	-36.3
-187.3	Creditors	-182.6
-4.7	Provisions	-4.3
-0.2	Revenue grants receipts in advance	-0.2
-0.2	Capital grants receipts in advance	-0.3
-7.0	Other short term liabilities	-7.0
-232.0	CURRENT LIABILITIES	-230.7
-20.8	Provisions	-21.4
-397.8	Long term borrowing	-397.8
-1,605.7	Other long term liabilities	-1,606.2
-2,024.3	LONG TERM LIABILITIES	-2,025.4
-199.3	NET ASSETS	-147.6
-268.0	Usable reserves	-393.9
467.3	Unusable reserves	541.5
199.3		147.6

Earmarked reserves

Table App 5: Earmarked revenue reserves as at 30 September 2015

	Opening balance 1 Apr 2015	Balance at 30 Sep 2015	Forecast 31 Mar 2016
	£m	£m	£m
Revolving Infrastructure & Investment Fund	20.6	20.6	20.6
Waste Sinking Fund	16.0	16.0	12.1
Investment Renewals Reserve	10.0	9.5	7.1
Insurance Reserve	10.6	10.6	10.6
General Capital Reserve	7.9	7.9	4.6
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	0.6	0.6
Equipment Replacement Reserve	1.9	2.7	1.5
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	2.8	1.8
Total earmarked revenue reserves	109.5	106.1	89.1
General Fund Balance	21.3	95.9	22.4

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

Debt

App 8. During the six months to 30 September 2015, the Accounts Payable team raised invoices totalling £141.2m. The amount outstanding on these invoices was £40.4m of gross debt as at 30 September 2015.

Table App 6: Age profile of the council's debts as at 30 September 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	2.6	5.1	2.0	3.1	12.7	10.1
Care debt – secured	-0.1	1.9	1.0	3.2	6.0	6.1
Total care debt	2.5	7.0	3.0	6.2	18.7	16.2
Schools, colleges and nurseries	5.7	0.2	0.0	0.0	5.9	0.2
Clinical commissioning groups	5.3	1.8	0.6	0.1	7.8	2.4
Other local authorities	0.7	3.1	0.2	0.0	4.1	3.3
General debt	2.2	1.6	0.1	0.0	4.0	1.7
Total non-care debt	14.0	6.7	0.9	0.1	21.7	7.7
Total debt	16.6	13.6	3.9	6.3	40.4	23.8

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

App 9. 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 7.

Table App 7: Overdue debt summary as at 30 September 2015

	2015/16 Q2 £m	2015/16 Q1 £m	2014/15 Q4 £m	2013/14 Q4 £m	2012/13 Q4 £m	2011/12 Q4 £m
Care related debt	10.1	4.1	8.9	6.5	7.6	6.1
Non care related debt	7.7	8.2	4.2	3.1	3.8	3.0
Total	17.8	12.3	13.1	9.6	11.4	9.1

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

App 10. 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 September 2015 was 33 days.

App 11. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q2 2015/16) the Director of Finance has written off 105 such debts with a total value of £113,293, of which £102,903 is care related and £10,390 is non care related debt.

Treasury management

Borrowing

App 12. The council borrows money to finance the amount of our capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The council must also demonstrate the costs of borrowing are affordable, prudent and sustainable under the Prudential Code.

Table App 8: Long-term borrowing as at 30 September 2015

	£m
Debt outstanding as at 1 April 2015	397.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 30 September 2015	397.2

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

App 13. The weighted average interest rate of the council's entire long term debt portfolio is 4.1% as at 30 September 2015.

App 14. The council is able to undertake short term borrowing for cash flow purposes, no such borrowing occurred during the quarter ending 30 September 2015.

App 15. The council also manages cash on behalf of Surrey Police Authority (£38.0m as at 30 September 2015) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 16. 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 as at 30 September 2015

	Authorised limit £m	Operational boundary £m
Gross borrowing	397.2	397.2
Limit / boundary	688.0	618.0
Headroom	290.8	220.8

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

Capital Financing Requirement

App 17. The Capital Financing Requirement (CFR) represents the council's underlying need to borrow for capital purposes. 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 2015 is shown in Table App 10. The current borrowing position shows a net position of **£236m** 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
2015/16	2016/17	2017/18	30 September 2015
£847m	£897m	£913m	£236

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

Maturity profile

App 18. 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 as at 30 September 2015

	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%

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

Early debt repayment and rescheduling

App 19. There has been no early repayment or rescheduling in the first half of 2015/16.

Investments

App 20. The council had an average daily level of investments of £142m throughout 2014/15, with a daily average of £209m so far during 2015/16. The balance of funds managed on behalf of schools within this figure was £63.0m as at 30 September 2015.

App 21. 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.

App 22. The weighted average return on all investments received to the end of the second quarter in 2015/16 is 0.52%. Table App 12 shows this compares favourably to the average 7-day London Interbank Bid rate (LIBID) of 0.36% for the same period.

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

	Average 7-day LIBID	Weighted return on investments
Quarter 2	0.36%	0.52%
2015/16 total	0.36%	0.50%
2014/15 total	0.35%	0.42%

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