

Budget monitoring period 9 2015/16 (December 2015)

Summary recommendations

Cabinet is asked to note:

1. services forecast a -£5.0m revenue budget variance at year end which includes use of -£6.9m central government grant plus -£0.8m unplanned underspend to offset pressures in Adult Social Care (paragraph 1);
2. services forecast to achieve £64.4m efficiencies and service reductions by year end (paragraph 31);
3. total forecast capital expenditure for 2015/16, including long term investments, is £225.5m (paragraph 39**Error! Reference source not found.**);
4. the quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 7 to App 20).
5. services' management actions to mitigate overspends (throughout this report).

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 31 December 2015, services forecast to underspend by -£5.0m and achieve £64.4m efficiencies by year end. The underspend is due to several offsetting variances among services, the most significant of which are:

- -£7.7m use of 2015/16 central government grant and unplanned underspend in Adult Social Care services to offset +£6.6m additional demand, +£2.6m forecast unachieved savings and -£1.5m additional fees and charges;
- +£2.6m children's services' costs due to higher volumes of children in need; and
- -£3.1m more income from business rates collection than expected.

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 31 December 2015, services forecast £159.7m capital spending against the current 2015/16 budget of £176.2m and total forecast capital expenditure including long term investments is £225.2m (paragraphs 38 to 42)

As part of increasing the council's overall financial resilience, it plans to invest £66m in long term capital investment assets in 2015/16 to add to the £48m invested up to March 2015.

Revenue budget

1. As at 31 December 2015, the council's overall forecast is -£5.0m underspend at year end including using -£6.9m support from central government new burdens Care Act funding plus -£0.8m temporary use of an unplanned underspend against Deprivation of Liberty Safeguards to offset pressures in Adult Social Care.
2. In March 2015, Cabinet approved the council's 2015/16 gross expenditure budget at £1,671.3m, financed by -£1,667.6m gross income and -£3.7m from reserves. Changes in 2015/16 reflecting agreed carry forwards and small budgetary adjustments to 31 December 2015, increased the gross expenditure budget to £1,679.4m and gross income to -£1,675.7m. The council's plan to use reserves to balance 2015/16 remains at -£3.7m.

Revenue budget monitoring position

3. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £3.7m. The year to date net expenditure of -£9.1m is derived from the actual net expenditure of £16.7m and the budget profile of £25.8m (shown in Table App3). The impact of the -£5.0m overall forecast budget variance is the council could appropriate £1.3m to reserves, rather than draw £3.7m from reserves at year end.

Table 1: 2015/16 revenue budget subjective summary as at 31 December 2015

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,675.7	-1,256.0	-1,692.5	-16.8
Gross expenditure	1,679.4	1,272.6	1,691.2	11.8
Total net expenditure	3.7	* -9.1	-1.3	-5.0

Note: * Profiled year to date budget is £25.6m compared to actual net expenditure of £16.6m

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

4. In the appendix: Table App1 outlines the updated revenue budget by service; Table App2 summarises movements in the budget; and Table App 3 gives details of the overall income and expenditure for the year to date and year end forecast position.
5. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, Table 2 shows the net expenditure position, which comprises gross expenditure less income from specific grants and fees, charges and reimbursements. The council's general funding sources include: general government grants, local taxation (council tax and business rates) and planned use of reserves.
6. Table 2 shows the majority of services' budgets are on track to achieve a balanced outturn or underspend in 2015/16. General funding sources show favourable forecast variances for business rates income and for government grants to compensate the council for business rates reliefs.

Table 2: 2015/16 updated revenue budget – 31 December 2015

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.9	1.7	0.0
Strategic Leadership	0.4	0.4	0.4	0.0
Adult Social Care	372.2	280.6	372.2	0.0
Children's Services	91.4	69.7	94.0	2.6
Services for Young People	15.4	9.7	15.2	-0.2
Schools & Learning	74.2	54.1	73.9	-0.3
Strategic Services (CSF)	2.2	1.8	2.3	0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	2.0	3.0	-0.5
Coroner	1.3	1.0	1.6	0.3
Cultural Services	9.8	7.3	9.4	-0.4
Customer Services & Directorate Support	4.4	3.1	4.3	-0.1
Emergency Management	0.6	0.4	0.5	-0.1
Magna Carta	0.8	0.6	0.6	-0.2
Surrey Fire & Rescue Service	34.6	26.1	34.5	-0.1
Trading Standards	2.0	1.3	2.0	0.0
Environment & Planning	80.4	60.9	80.5	0.1
Highways & Transport	45.3	28.8	45.3	0.0
Public Health	0.3	0.6	0.3	0.0
Central Income & Expenditure	50.5	35.5	52.5	1.9
Communications	2.1	1.4	2.0	-0.1
Finance	8.4	5.6	7.7	-0.7
Human Resources & Organisational Development	8.5	5.7	8.0	-0.5
Information Management & Technology	25.5	18.4	25.4	-0.1
Legal & Democratic Services	8.5	6.2	8.5	0.0
Policy & Performance	2.5	1.7	2.3	-0.2
Procurement	3.3	2.3	3.2	-0.1
Property	28.9	20.1	27.3	-1.6
Shared Service Centre	4.3	2.9	4.1	-0.2
Total services' net revenue expenditure	883.0	649.1	882.7	-0.4
General funding sources				
General Government grants	-237.2	-182.8	-238.8	-1.6
Local taxation (council tax and business rates)	-642.1	-449.6	-645.2	-3.1
Total general funding	-879.3	-632.5	-884.0	-4.7
Total movement in reserves	3.7	N/A	-1.3	-5.0

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

Significant budget variances

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

- changes since 30 November 2015,
- the variances' impact on the council's overall financial position and
- services' actions to mitigate adverse variances.

Adult Social Care - balanced (no change since November)

8. As at 31 December 2015 Adult Social Care (ASC) services project an overall balanced budget (no change from November 2015) after taking into account -£6.9m use of central government Care Act implementation funding plus -£0.8m use of ASC's existing Deprivation of Liberty Safeguards (DoLS) budget to balance an underlying +£7.7m forecast overspend.
9. ASC's 2015/16 central government grant funding, includes £7.2m for service reform new burdens. Following postponement of the reforms, the Government announced it will not claw back the funding this year and ASC is using £6.9m of these funds to offset increased demand pressures in 2015/16. This is likely to be a one-off measure as future years' funding allocations are unclear, but likely to be adjusted downwards.
10. ASC's 2015/16 DoLS budget increased by £1m in response to considerable growth in demand for assessments following a 2014 Supreme Court ruling. ASC will need additional ongoing resources to meet the demand. Difficulties recruiting specialist Best Interest Assessors mean ASC will not spend all the extra budget by year end, consequently the balance of £0.8m has been used to cover the underlying forecast overspend.
11. The main drivers of the underlying projected overspend of +£7.7m are as follows.
 - +£6.6m additional pressures from increased demand for care services (+£1.2m from November 2015). Over the first nine months of 2015/16, volumes have increased by 4.6%. 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. In addition to the increased volume pressure, the cost of placements for those in care is also rising.
 - Ongoing local health pressures systems also place significant pressure on social care. Local clinical commissioning groups' demand for hospital admissions is not falling as planned. Metrics for the first quarter of 2015/16 show unplanned admissions to hospitals up 4.1% on last year's baseline (5.1% higher than the planned 1% reduction). This highlights why work to develop a whole systems approach to health and social care across Surrey is crucial to increasing health and wellbeing and reducing demand pressures on the care system.
 - +£2.6m underachievement of ASC's savings targets (-£0.3m change from November 2015). This is mainly due to non-achievement of the 20% FFC (Family, Friends & Community) stretch savings target of £3.5m. Current performance suggests 17% is achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People.
 - -£1.5m surplus on fees & charges and other income streams not directly related to individual packages of care or block contracts (-£0.9m from November 2015).

Children's Services +£2.6m (+£0.9m change since November)

12. As at 31 December 2015, Children's Services anticipates +£2.6m overspend (up from +£1.7m as at November 2015). The overall pattern of spending and the overspend remains as previously reported. The main reasons for the increase in the overspend are an increase in area staffing costs and agency placements.

- Staffing pressures in the area teams have increased. North West area has needed additional capacity to manage caseloads safely; North East and South West areas are slightly above establishment; plus all areas rely more on locum social workers, with each costing an additional £25,000 on average.
- Increasing numbers of looked after children. This mainly affects the budget for external placements that anticipates an overspend of +£2.4m (+£1.9m as at November 2015) plus a +£0.9m overspend for Asylum (+£0.8m as at October 2015). As at December 2015 there were 884 looked after children, an increase of 102 since March 2015 and the highest level for the last five years. This includes 55 more unaccompanied asylum seeker children, an increase of 50% this year.
- In-house fostering forecasts to overspend by +£0.5m. Current placements are slightly less than budgeted. However, there are more high cost placements, with three new high cost placements in December and five placements cost over £5,000 a week
- Offsetting these pressures is £0.4m centrally held emerging pressures budget and -£0.5m underspend against the Adoption Reform grant in 2015/16, though this is planned to support the requirements of the Family Justice Review into 2016/17.

Property Services -£1.6m (-£1.4m change since November 2015)

13. As at 31 December 2015, Property Services forecasts -£1.6m underspend (-£1.4m since November 2015). This is primarily because it will only carry out essential building maintenance until April 2016. This means Property Services will only undertake works: required for health and safety reasons; to complete schemes already underway; or to deliver efficiency savings. The reduction in works also means -£0.2m lower fees. The mild winter to date adds another -£0.1m forecast underspend on utilities.

Central Income & Expenditure +£1.9m (no change since November 2015)

14. As at 31 December 2015, Central Income & Expenditure forecasts +£1.9m overspend (no change from October 2015). This is mainly due to increased capital financing costs due to the council's strategy of retaining capital receipts for investment and a small pressure due to borrowing early to fund the capital programme at lower interest rates.

General Government Grants and Local Taxation -£4.7m (no change since November 2015)

15. As at 31 December 2015, General Government Grants and Local Taxation, forecasts -£4.7m underspend (no change from November 2015). As reported previously: -£1.6m is for additional forecast business rates income due to the district and borough councils' final schedules being higher than the earlier estimates used to produce the budget; -£1.6m is due to further government grant compensating councils for the loss of business rate relief scheme being higher than expected; and -£1.5m is from business rates pooling arrangements with four Surrey district and

borough councils. This arrangement increases business rates retained by each authority in the pool by reducing the levy paid centrally.

Areas to be aware - Waste Management

16. Waste Management is experiencing cost pressures due to: an increase in waste volumes linked to population growth and increased economic activity; stalled recycling rates; delayed implementation of savings; and increases in contract prices.
17. As a result of these factors, expenditure is expected to be higher than budget and, subject to necessary approvals Waste Management plans to meet this additional cost by drawing £4.4m from the Waste Sinking Fund.

Areas to be aware - Public Health

18. In June 2015 the Chancellor announced a £200m in year cut to the Public Health ring-fenced grant, of which Surrey's 2015/16 share is £2.2m. To meet this cut, Public Health (PH) identified: £0.75m efficiency or one off reductions, £1.0m of in year front line service reductions and £0.45m transfer from the Public Health Reserve (created from delayed funding to PH's 2014/15 ring fenced grant in anticipation of supporting activities in later years).
19. To meet its MTFP savings target, PH will reduce spend through a mixture of process or contract efficiencies and service reductions. Efficiencies are on track in 2015/16 to meet the £0.75m target and lower priority areas where expenditure can be reduced in year have already or are currently being cancelled. If the grant cut continues, future years will involve further front line service reductions as the service uses up the Public Health Reserve.

Areas to be aware - Coroner

20. Changes around Deprivation of Liberty legislation may significantly increase the number of coroner inquests. The inquest into the death of Private Cheryl James has begun and includes a cost pressure. In 2014/15 a shortage of mortuary provision meant the Coroner used 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 3: Summary revenue and capital position as at 31 December 2015

Summary	YTD actual	Full year forecast
Revenue expenditure	£m	£m
Income	-2.6	-4.1
Expenditure	0.3	0.5
Net income before funding	-2.3	-3.6
Funding costs	1.9	3.1
Net income after funding	-0.4	-0.5
Capital expenditure	23.0	62.5

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

21. Net income of £0.5m 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 or regeneration. It is

anticipated that the net income will be transferred to the Revolving Infrastructure and Investment Fund at the year-end.

22. Capital expenditure this year includes development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and equity investment and loan to Halsey Garton Property Ltd. Additionally, £36.5m expenditure is forecast on an investment acquisition as approved by Cabinet in November. Further details will be shared after the completion of contracts.

Staffing costs

23. 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.
24. 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.
25. 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.
26. 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.
27. The council's total full year staffing budget for 2015/16 is £279.2m based on 7,935 budgeted FTEs. Table 4 shows the composition of the council's workforce as at 31 December 2015. Of the 633 live vacancies, where the council is actively recruiting, 499 are in social care.

Table 4: Full time equivalents in post and vacancies as at 31 December 2015

	FTE
Budget	7,935
Occupied contracted FTE	7,322
"Live" vacancies (i.e. actively recruiting)	633

28. Table 5 shows staffing cost as at 31 December 2015 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 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.

29. 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 5.
30. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix. Table 5 shows the year to date staffing budget as at 31 December 2015 is £229.0m and actual expenditure is £224.7m. Table App 3 reiterates the -£4.3m year to date underspend on employment costs and shows services forecast -£5.7m underspend by year end.

Table 5: Staffing costs and FTEs to 31 December 2015

Service	YTD staffing budget £m	Staffing spend by category					Total £m	Variance £m	Budgeted FTE	Occupied contracted FTEs
		Contracted £m	Agency £m	Bank & casual £m						
Economic Growth								1	0	
Strategic Leadership	0.3	0.3	0.0	0.0	0.3	0.0	0.0	2	0	
Adult Social Care	44.3	39.0	2.2	1.6	42.8	-1.5	1,925	1,633		
Children's Services	35.1	29.4	4.6	2.0	36.0	0.9	1,108	1,015		
Services for Young People	10.6	10.0	0.0	0.4	10.4	-0.2	395	363		
Strategic Services	2.0	2.2	0.0	0.0	2.2	0.2	52	63		
Schools & Learning	35.0	33.3	0.3	0.7	34.3	-0.7	1,332	1,272		
Delegated Schools							0			
Community Partnership & Safety	0.9	1.0	0.0	0.0	1.0	0.1	24	28		
Coroner	0.3	0.2	0.1	0.0	0.3	0.0	1	3		
Cultural Services	14.0	12.4	0.0	1.2	13.6	-0.4	520	528		
Customer Services	2.6	2.3	0.2	0.0	2.5	-0.1	112	97		
C&C Directorate Support	0.8	0.7	0.0	0.0	0.7	-0.1		0		
Emergency Management	0.4	0.4	0.0	0.0	0.4	0.0	12	16		
Magna Carta	0.0	0.0	0.0	0.0	0.0	0.0	0	0		
Surrey Fire & Rescue Service	20.8	19.4	0.1	1.3	20.8	0.0	675	634		
Trading Standards	2.4	2.3	0.0	0.0	2.3	-0.1	100	92		
Environment & Planning	7.8	7.4	0.2	0.2	7.8	0.0	215	199		
Highways & Transport	10.2	8.6	0.3	0.1	9.0	-1.2	313	283		
Public Health	2.1	1.9	0.0	0.1	2.0	-0.1	51	46		
Central Income & Expenditure	0.0	0.2	0.0	0.0	0.2	0.2	0	0		
Communications	0.8	0.8	0.0	0.0	0.8	0.0	23	25		
Finance	4.3	4.1	0.0	0.0	4.1	-0.2	101	101		
Human Resources & Organisational Development	4.1	3.7	0.1	0.1	3.9	-0.2	104	98		
Information Management & Technology	9.1	7.7	1.4	0.0	9.1	0.0	221	199		
Legal & Democratic Services	4.1	3.5	0.3	0.0	3.8	-0.3	130	109		
Policy & Performance	2.0	1.8	0.1	0.0	1.9	-0.1	42	40		
Procurement	2.3	2.2	0.1	0.0	2.3	0.0	57	52		
Property	6.4	6.1	0.4	0.0	6.5	0.1	177	184		
Shared Service Centre	6.1	5.7	0.0	0.0	5.7	-0.4	242	237		
Total	229.0	206.6	10.4	7.7	224.7	-4.3	7,935	7,318		

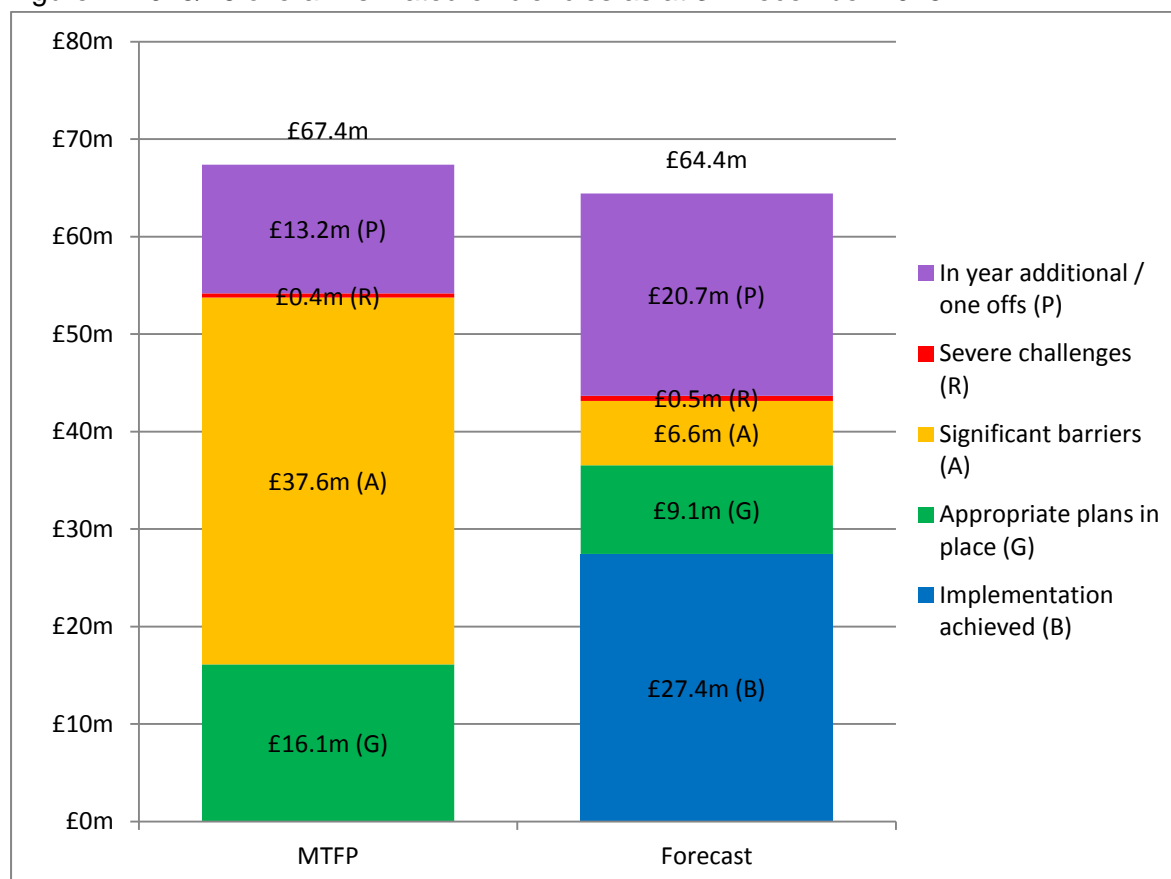
Note: All numbers have been rounded - which might cause a casting error.

Trading Standards' FTEs include C&C Directorate support

Efficiencies

31. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council forecasts to achieve £64.4m by year end (£63.8m as at 30 November 2015), an underachievement of £3.0m. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.
32. 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.

Figure 1: 2015/16 overall risk rated efficiencies as at 31 December 2015



33. Table 6 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.
34. 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.

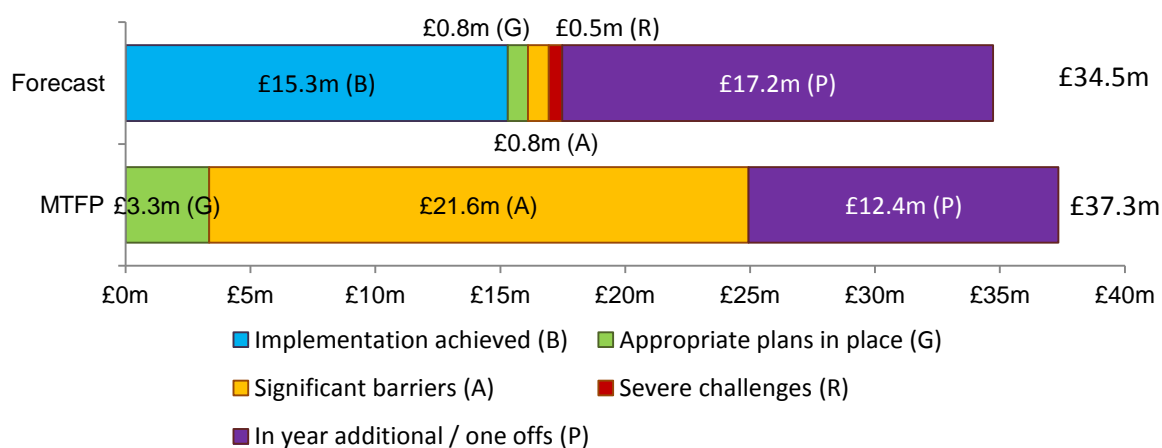
Table 6: 2015/16 Efficiency programme as at 31 December 2015

Service	MTFP £m	Forecast sustainable £m	Forecast one offs £m	Overall variance £m
Adult Social Care	37.3	17.5	17.2	-2.6
Children's Services	0.3	0.3		0.0
Services for Young People	1.9	1.9		0.0
Schools & Learning	9.8	8.8		-1.0
Cultural Services	0.6	0.6		0.0
Customer Services & Directorate Support	0.2	0.2		0.0
Surrey Fire & Rescue Service	1.6	1.4	0.2	0.0
Environment & Planning	6.4	3.3	2.6	-0.4
Highways & Transport	1.7	1.7		0.0
Central Income & Expenditure	0.9	0.8		-0.1
Communications	0.1	0.1		0.0
Finance	0.7	1.0		0.3
Human Resources & Organisational Development	0.8	1.1		0.3
Information Management and Technology	0.6	0.7		0.1
Legal & Democratic Services	0.5	0.5		0.0
Policy & Performance	0.1	0.1		0.0
Procurement	0.1	0.5		0.3
Property	3.4	2.9	0.7	0.1
Shared Service Centre	0.1	0.1		0.0
Total	67.4	43.6	20.7	-3.0

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

Significant variances in services' efficiencies & service reductions

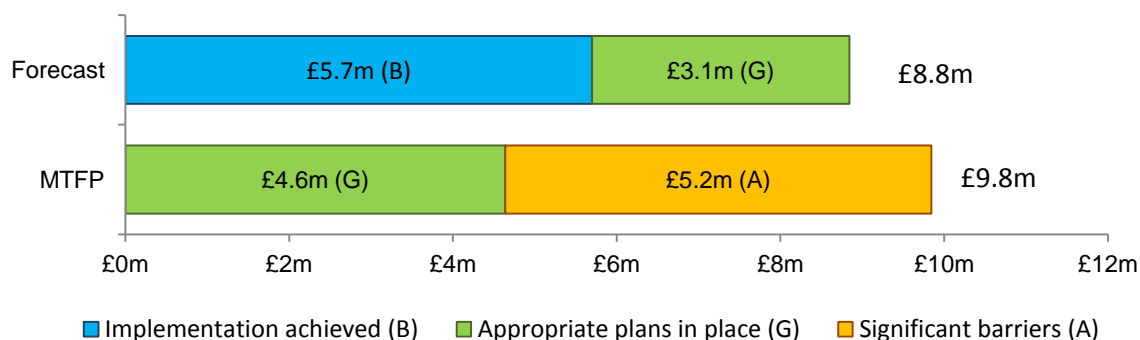
Adult Social Care



35. As at 31 December 2015, ASC forecasts a £2.6m shortfall against its efficiencies target (a decrease of 0.3m from November 2015). There is a high degree of risk associated with £0.5m of savings related to two efficiencies:

- £0.2m FFC stretch target of 20% savings for FFC re-assessments and new packages, ASC is making progress on these savings, but costs are not yet reducing by the full 20% so it remains challenging to achieve; and
- £0.3m optimisation of block contracts, which is still subject to negotiations with ASC's biggest block contract provider.

Schools & Learning



36. As at 31 December 2015, S&L forecasts a £1.0m shortfall against its efficiencies target (no change from November 2015). Decision to not progress some early years projects means S&L is unlikely to achieve £1.0m efficiencies in 2015/16.

Capital budget

37. 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.
38. As at 31 December 2015, the revised full year capital budget is £176.2m. Early in 2015, Cabinet approved £17.4m carry forwards from 2014/15 and £22.5m reprofiling from 2015/16 into future years. Table App 4 summarises movements in the capital budget to 31 December 2015.
39. Table 7 compares the current forecast expenditure for the service capital programme and long term investments of £225.5m to the revised full year budget of £176.2m.

Table 7: Forecast capital expenditure 2015/16 as at 31 December 2015

	Current full year budget £m	Apr - Dec actual £m	Jan- Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	57.8	55.7	2.1	57.8	0.0
Highways recurring programme	33.9	40.7	-6.8	33.9	0.0
Property & IT recurring programme	25.6	16.1	5.3	21.4	-4.2
Other capital projects	58.9	29.6	17.0	46.6	-12.2
Service capital programme	176.2	142.1	17.6	159.7	-16.4
Long term investments	0.0	5.9	59.6	65.5	65.5
Overall capital programme	176.2	147.9	77.2	225.2	49.0

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

40. The forecast in-year variance on the 2015/16 capital programme as at 31 December 2015 is an underspend of £16m against the approved revised service budget of £176m. The main reasons for the underspend include;
- £2.3m year to date underspend across a range of projects including CIL, LSTF, Basingstoke canal and closed landfill site maintenance;
 - £4.8m on schools capital maintenance due to only carrying out essential maintenance.
 - £1.6m on Superfast broadband scheme life;and
 - £2.3m on other school schemes due to scheme delays.

41. The Joint transport and Immediate Emergency Care Response projects are fully grant funded so do not affect the YTD position. The projects are behind the expected expenditure for December by £463,704 mainly due to delays in the early project planning stage. They are expected to regain some of this delay going forward.
42. Approved Investment Strategy spending is expected to be £65.5m in 2015/16 (no change from November 2015) and total capital expenditure £225.2m (£231.2m as at November 2015). Table 8 shows significant variances to the service capital programme.

Table 8: Significant variances to the service capital programme

	to 30 November £m	to 31 December £m
Schools capital maintenance, including children's centres	-3.7	-£3.7m
Merstham Library & Youth	-1.3	-£1.3m
Fire reconfiguration and training investment	-1.2	-£1.2m
School projects	-1.4	-£0.4m
SEN Strategy	-0.7	-£0.5m
Corporate capital projects	-0.4	-£1.2m
Land acquisition for waste	-0.5	-£1.3m
Closed landfill sites	-0.4	-£0.2m
IT Investment	-0.2	-£3.7m
Other variances	-0.2	-£2.5m
Capital variance	-10.0	-£16.0m

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 31 December 2015 to £1,679.4m. Table App1 shows the original and updated income and expenditure budget, including the overall net expenditure the council plans to meet from reserves of £3.7m.

Table App1: 2015/16 updated revenue budget as at 31 December 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	0.0	-56.8	428.6	0.4	429.0	372.2
Children's Services	-7.0	0.0	-7.0	96.0	2.4	98.5	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	-145.3	217.3	2.1	219.5	74.2
Strategic Services (CSF)	-1.5	-0.9	-2.4	3.6	1.1	4.6	2.2
Delegated Schools	-469.0	-7.3	-476.3	469.0	7.3	476.3	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	-0.1	-13.0	22.9	-0.1	22.8	9.8
Customer Services	-0.3	0.0	-0.3	4.6	0.1	4.7	4.5
Directorate Support							
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	-0.3	47.7	34.6
Trading Standards	-1.6	0.0	-1.6	3.7	0.0	3.6	2.0
Environment & Planning	-8.5	-0.5	-9.0	88.2	1.1	89.4	80.4
Highways & Transport	-7.5	-0.6	-8.1	51.8	1.5	53.4	45.3
Public Health	-35.5	2.2	-33.3	35.8	-2.2	33.6	0.3
Central Income & Expenditure	-0.5	-0.3	-0.7	61.0	-9.7	51.3	50.5
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	10.2	8.3
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	0.1	9.0	8.5
Policy & Performance	-1.1	0.0	-1.1	3.7	-0.2	3.6	2.5
Procurement	-0.2	0.2	0.0	3.4	-0.2	3.3	3.3
Property	-8.9	-0.7	-9.7	37.2	1.4	38.6	28.9
Shared Service Centre	-4.6	-0.3	-4.9	8.8	0.4	9.2	4.3
Services total	-788.3	-7.9	-796.2	1,671.3	8.0	1,679.3	883.0
General funding sources							
General Government grants	-237.2		-237.2			0.0	-237.2
Local taxation (council tax and business rates)	-642.1	0.0	-642.1		0.0	0.0	-642.1
Total	-1,667.6	-7.9	-1,675.5	1,671.3	8.0	1,679.3	3.7

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

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 no virements above £500,000 in December 2015.

App 4. Table App 2 summarises the movements to the revenue expenditure budget.

Table App 2: 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
Quarter 2 movements	-1.1	2.1	-1.0	0.0	64
October movements	-6.8	6.8	0.0	0.0	19
November movements	2.1	-2.1		0.0	19
December movements					
Internal service movements	-0.1	0.1	0	0.0	16
Council and Cabinet approvals	0	0	0	0.0	0
Total quarter 3 movements	-0.1	0.1			
December approved budget	-1,675.7	1,679.4	-9.3	3.7	

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

App 5. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2015/16 Revenue budget year to date and year end forecast positions as at 31 December 2015

	Year to date			←----- Full year ----->			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-447.9	-449.6	-1.7	-642.1	-195.6	-645.2	-3.1
Government grants	-682.7	-668.9	13.8	-891.0	-206.2	-875.1	15.9
Other income	-105.9	-137.5	-31.6	-142.5	-34.6	-172.1	-29.6
Total income	-1,236.5	-1,256.0	-19.5	-1,675.6	-436.4	-1,692.4	-16.8
Expenditure:							
Staffing	229.0	224.7	-4.3	311.6	81.3	305.9	-5.7
Service provision	662.2	676.8	14.7	891.4	232.1	908.9	17.5
Non schools sub-total	891.2	901.5	10.4	1,203.0	313.4	1,214.8	11.8
Schools expenditure	371.1	371.1	0.0	476.2	105.1	476.2	0.0
Total expenditure	1,262.3	1,272.7	10.4	1,679.3	418.4	1,691.0	11.8
Movement in balances	25.8	16.7	-9.1	3.7	-18.0	-1.4	-5.0

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 4 summarises the capital budget movements for the year. There were no significant virements in December.

Table App 4: 2015/16 Capital budget movements as at 31 December 2015

	to 30 June £m	to 30 November £m	to 31 December £m
MTEP (2015-20) (opening position)	176.2	176.2	176.2
Approved budget movements:			
Carry forwards from 2014/15	17.4	17.4	17.4
Business Services - reprofile to future years	-22.5	-22.5	-22.5
Weybridge Library - reprofile to future years	-0.1	-0.1	-£0.1
Schools projects	0.3	0.6	£0.6
Lindon Farm, Alford, Cranleigh		1.5	£1.5
Third party delegated school contributions		0.8	£0.8
Highways	0.1	0.1	£0.1
Newlands Corner		0.1	£0.1
In year budget changes	-4.7	-2.2	-2.2
2015/16 updated capital budget	171.5	174.1	174.1
In year budget changes funded by:			
Third party contributions		0.8	0.8
Borrowing and reprofiling to future years	-4.7	-3.0	-3.0

Balance sheet

App 7. Table App 5 shows the council's balance sheet as at 31 December 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 5: Balance sheet

As at 31 Mar 2015		As at 31 Dec 2015
£m		£m
1,725.6	Property, plant & equipment	1,737.8
0.7	Heritage assets	0.7
30.9	Investment property	30.9
4.5	Intangible assets	4
0.0	Assets held for sale	0.0
0.4	Long term investments	3.3
15.2	Long term debtors	27.2
1,777.2	LONG TERM ASSETS	1,803.9
107	Short term investments	65.5
0.9	Intangible assets	0.9
34	Assets held for sale	34
1.1	Inventories	0.9
119.2	Short term debtors	123.5
16.6	Cash & cash equivalents	47.3
279.8	CURRENT ASSETS	272.1
-32.6	Short term borrowing	-38.7
-187.3	Creditors	-199.4
-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	CURRENT LIABILITIES	-249.8
-20.8	Provisions	-21.5
-397.8	Long term borrowing	-397.8
-1,605.7	Other long term liabilities	-1,606.0
-2,024.3	LONG TERM LIABILITIES	-2,025.3
-199.3	NET ASSETS	-199.3
-268.0	Usable reserves	-306.5
467.3	Unusable reserves	505.7
199.3		199.2

Earmarked reserves

Table App 6: Earmarked revenue reserves as at 31 December 2015

	Opening balance 1 Apr 2015 £m	Balance at 31 Dec 2015 £m	Forecast 31 Mar 2016 £m
Revolving Infrastructure & Investment Fund	20.6	20.6	20.6
Budget Equalisation Reserve	16.6	5.0	5.0
Eco Park Sinking Fund	16.0	16.0	11.8
Insurance Reserve	10.6	10.9	10.9
Investment Renewals Reserve	10.0	9.5	8.6
General Capital Reserve	7.9	7.9	4.6
Street lighting PFI Reserve	5.8	5.1	5.1
Vehicle Replacement Reserve	5.6	6.5	2.8
Economic Downturn Reserve	4.2	9.2	9.2
Public Health Reserve	2.5	3.3	2.1
Economic Prosperity Reserve	2.5	2.5	2.5
Equipment Replacement Reserve	1.9	3.1	1.5
Child Protection Reserve	1.9	1.1	1.1
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
Total earmarked revenue reserves	109.5	104.1	89.2
General Fund Balance	21.3	95.9	21.3

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

Debt

App 8. During the nine months to 31 December 2015, the Accounts Payable team raised invoices totalling £208.8m. The amount outstanding on these invoices was £40.4m of gross debt as at 31 December 2015.

Table App 7: Age profile of the council's debts as at 31 December 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	5.3	2.0	3.0	12.9	10.4
Care debt – secured	0.1	2.0	1.0	3.1	6.1	6.1
Total care debt	2.6	7.3	3.0	6.2	19.0	16.4
Schools, colleges and nurseries	0.5	0.3	0.0	0.0	0.7	0.3
Clinical commissioning groups	6.3	1.5	0.3	0.2	8.3	2.1
Other local authorities	0.5	2.6	0.3	0.0	3.3	2.8
General debt	3.4	2.1	0.1	0.0	5.5	2.2
Total non-care debt	10.6	6.5	0.7	0.2	17.9	7.3
Total debt	13.2	13.7	3.6	6.4	37.0	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 8.

Table App 8: Overdue debt summary as at 31 December 2015

	2015/16 Q3 £m	2015/16 Q2 £m	2015/16 Q1 £m	2014/15 Q4 £m	2013/14 Q4 £m	2012/13 Q4 £m
Care related debt	10.4	10.1	4.1	8.9	6.5	7.6
Non care related debt	7.3	7.7	8.2	4.2	3.1	3.8
Total	17.7	17.8	12.3	13.1	9.6	11.4

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 31 December 2015 was 28 days.

App 11. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q3 2015/16) the Director of Finance has written off 105 such debts with a total value of £217,479, of which £204,701 is care related and £12,778 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 9: Long-term borrowing as at 31 December 2015

	£m
Debt outstanding as at 1 April 2015	397.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 31 December 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 31 December 2015.

App 14. The council also manages cash on behalf of Surrey Police Authority (£33.5m as at 31 December 2015) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 15. 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 10: Borrowing against the authorised limit and operational boundary as at 31 December 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

Maturity profile

App 16. The council sets limits for the 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 31 December 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 17. There has been no early repayment or rescheduling in 2015/16.

Investments

App 18. The council had an average daily level of investments of £142m throughout 2014/15, with an average of £186m for 2015/16. The balance of funds managed on behalf of schools was £45.0m at 31 December 2015.

App 19. 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

App 20. The weighted average return on all investments received to the end of the third quarter in 2015/16 is 0.58%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.36% for the equivalent period. Table App 12 shows the comparison.

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

	Average 7-day LIBID	Weighted return on investments
Quarter 3	0.36%	0.58%
2015/16 total	0.36%	0.53%
2014/15 total	0.35%	0.42%

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