Cabinet

Date & time	Place	Contact	Chief Executive
Tuesday, 18 October 2016 at 2.00 pm	Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN	Vicky Hibbert or Anne Gowing Room 122, County Hall Tel 020 8541 9229 or 020 8541 9938 vicky.hibbert@surreycc.gov.uk o anne.gowing@surreycc.gov.uk	David McNulty

We're on Twitter: @SCCdemocracy

Cabinet Members: Mr David Hodge, Mr Peter Martin, Mrs Helyn Clack, Mrs Clare Curran, Mr Mel Few, Mr John Furey, Mr Mike Goodman, Mrs Linda Kemeny, Ms Denise Le Gal and Mr Richard Walsh

Cabinet Associates: Mr Tony Samuels, Mr Tim Evans, Mrs Kay Hammond and Mrs Mary Lewis

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 9698, fax 020 8541 9009, or email vicky.hibbert@surreycc.gov.uk or anne.gowing@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Vicky Hibbert or Anne Gowing on 020 8541 9229 or 020 8541 9938.

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9 **LOCAL GOVERNMENT FINANCE SETTLEMENT - TECHNICAL CONSULTATION** (Pages 1 - 10)

On 15 September 2016 the Department for Communities and Local Government issued a technical consultation paper on the 2017/18 Local Government Finance Settlement.

The consultation covers a number of funding areas and seeks the views of local authorities and their representative bodies. The areas covered particularly affecting Surrey County Council include the four year offer; the methodology for distributing the improved Better Care Fund; council tax referendum principles, the business rates revaluation and more indirectly, the treatment of areas piloting 100% retention of business rates.

As a key part of its financial sustainability strategy, the council will respond to this consultation and input into other representative bodies' responses. The deadline for responses is 28 October 2016.

Annexes 1 and 2 to this report will be tabled at the meeting.

[The decisions on this item can be called in by the Council Overview Board]

10 **FINANCE AND BUDGET MONITORING REPORT TO 30 SEPTEMBER 2016** (Pages 11 - 38)

The Council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the Council's financial position as at 30 September 2016 (month six).

The annex to this report gives details of the Council's financial position and will be tabled at the meeting.

[The decisions on this item can be called in by the Council Overview Board]

21 **PROPERTY TRANSACTION 3** (Pages 39 - 70)

Property Acquisition

Exempt: Not for publication under Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

[The decision on this item may be called in by the Council Overview Board]

David McNulty
Chief Executive
Tuesday, 18 October 2016

Surrey County Council detailed response to the 2017/18 Local Government Finance Settlement Technical Consultation Paper

Preamble

Surrey County Council welcomes the opportunity to respond to the technical consultation on the 2017/18 Local Government Finance Settlement. This contrasts with the 2016/17 settlement which brought in significant changes to the distribution of Revenue Support Grant (RSG) through the new and previously unannounced use of core spending power. Basing the distribution method on core spending power unfairly penalises councils that have traditionally received lower levels of government grant funding and are forced to raise a higher proportion of their funding through council tax. For Surrey County Council this introduced a series of shock reductions in RSG. Even though the council received partial mitigation through the Transition Grant, Surrey County Council's funding and financial sustainability is in a serious position.

In responding to this consultation, the council has focused its response on questions most relevant to attaining a more sustainable financial position and a fairer deal for Surrey's residents and businesses. Surrey's residents and businesses play an important role in driving the wider UK economy and the council looks for fair funding to enable the county to continue to drive economic growth.

Please see the council's responses to the specific consultation questions below. The council has grouped its response to questions 4 to 7.

Question 1: What other, additional grants, beyond those set out in para 2.2.2, could the Government consider including in the multi-year offer?

The consultation paper confirms the Government's commitment to the multi-year settlement and clarifies what that offer includes. The Secretary of State's letter of 10 March 2016 says *'…the relevant lines that are included in the multi-year settlement offer, where appropriate, are:*

- *Revenue Support Grant;*
- *Transitional Grant; and*
- *Rural Services Delivery Grant allocations.'*

Furthermore the LGA/CIPFA guidance the consultation paper refers to says
'… guaranteed minimum grant envelope, paid to councils for a 4-year period from April 2016 covering Revenue Support Grant, transitional funding and Rural Services Delivery Grant. ...'

In principle the council generally favours improving councils' certainty over funding and suggests the Government could extend the offer to also include those grants published for 4 years at the time of the 2016/17 settlement such as: Homelessness Prevention, Learning Disability and Health Reform, Care Act Funding, Local Welfare Provision, Early Intervention, Lead Local Flood Authorities and Sustainable Drainage Systems, public health grant, PFI grants (in accordance with their agreed terms and conditions), Education Services Grant and many other grants.

Giving certainty of grants (providing they are adequately funded) will ensure continuity of services and would allow local authorities to take a more calculated and decisive approach towards delivering services. Ultimately this benefits service users and tax payers.

In extending the range of grants brought within the multi year offer, the Government should consider giving simple certainty through the absolute minimum value of the grant promised and also, for other grants supporting more variable responsibilities, giving relative certainty by matching grants to activity levels taking into account the relative needs of local populations and the local cost of delivering services through a unit cost basis. The council envisages such an approach would take account of significant local differences in the cost to serve and could also facilitate rebalancing of funding, such as for the public health grant where each council's starting allocation was based mainly on current spending levels rather than the population's needs.

The council notes the Government will decide which funding to include in an extended multi year settlement offer after the deadline for accepting the original offer has passed. These subsequent changes could make a material difference to the impact of the offer on councils and as such, local authorities should be able to reconsider the offer at the appropriate time.

Question 2: Do you agree with the proposed methodology for allocating funding for the improved Better Care Fund as outlined in paragraph 2.3.4?

No.

The council strongly opposes the current approach to allocating funding through the improved Better Care Fund (iBCF) as it unfairly penalises councils who are forced to raise a greater proportion of their income from local residents through the adult social care precept. Past funding formulas have relied too much on measures of deprivation and not enough on more relevant indicators, including the cost to serve. The 2016/17 settlement adds an over-emphasis on council tax (including the adult social care precept) as a resource for distributing funding. Essentially the outcome of these factors is areas that have consequently had to rely on higher levels of council tax to fund their services are subsidising areas that have enjoyed being able to rely on a higher level of other government funding to support their services.

Shire areas currently levy a much higher rate of council tax than other parts of the country and Surrey has one of the highest rates within this group. There are several reasons for this pattern, including repeated "resource equalisation" exercises that have frequently penalised shire areas placing greater pressure on council tax bills. To give this factor such high prominence within the iBCF allocation exacerbates this issue for council tax payers. For example, average council tax per head in Surrey is £597, which is just over 40% higher than the averages for England and for London. However it is 76% higher than the average for metropolitan areas. This factor markedly and inappropriately skews the distribution from one purportedly based on need to bring in other factors, including deprivation, many of which are not relevant.

The proposed allocation of the iBCF illustrates this well. The fact the 2016/17 Local Government Settlement allocates only £1.5m in total to Surrey County Council in 2019/20 (a mere 0.1% of the £1.5bn national total) makes a mockery of Surrey County Council's placing

at eighth out of 152 social care authorities in terms of relative need allocation and a 1/60th share of the national relative needs assessment (which would equate to £25m share of the £1.5bn iBCF total).

Surrey County Council is pleased the Government is recognising the importance of finding additional funding for adult social care. Previously it has implied it will directly reallocate money saved from reductions in new homes bonus (NHB) payments to fund the iBCF. However, the NHB calculator shows a significant difference between the savings being made from NHB and the funding being added to iBCF. Nationally, the difference between the current NHB and the proposed five year payment is approximately £230m, with only £105m to be distributed to local authorities. More specifically, Surrey County Council anticipates a £2.3m reduction in NHB in 2018/19 and another £0.2m in 2019/20. This loss exceeds the disproportionately small and far from adequate gain the council is due to receive from the iBCF in 2019/20, meaning the Government's iBCF funding proposals place an increased burden on Surrey's council tax payers, fail to close the cost and demand pressure funding gap and redirect £1m of that money outside of the county.

The council contends that fair funding allocations to support future responsibilities cannot be based upon past spend or activity. An area that fares relatively well from the funding system will be able to choose to do more and spend more than an area which does not. The council strongly urges the Department to gather evidence and understand the growing and developing patterns and location specific costs of demand pressures and ensure these are funded adequately rather than relying on regression analysis and the legacy of previous resource allocation decisions to lock in past funding.

In 2016/17 Surrey County Council faces £35m demand and cost pressures in the provision of adults social care. These relate to rising demand for ASC services and the increased cost of social care provision driven significantly by legislative changes such as the introduction of the National Living Wage. These pressures are set to rise in future years and the £12m the council raises from the 2% ASC precept falls substantially short of meeting them. For example, the 2% ASC precept only meets half of the £24m ASC demand pressure the council faces this year. It is critical therefore that Surrey County Council receives a fairer allocation of the iBCF to support the delivery of social care services and the local plans it is developing with health partners to improve the whole system and help reduce pressures on the NHS. When taken on top of reductions to RSG and it to reduce social care provision in areas which may impact on the success of integration plans with the NHS.

Analysis undertaken in 2015/16 into £31m of preventative social care services supported by ASC protection funding from the council's Better Care Fund, showed these services delivered £96m of benefits to the whole health and social care system, particularly the NHS. Investments in services such as reablement, support for carers of people with social care needs, community equipment, grants to the voluntary sector and the establishment of social care teams at hospital sites are essential to manage pressures effectively in the health system as well as in social care. However, without improved funding levels the council will be forced to reduce investment on prevention, as it has to prioritise spending on direct care packages to meet the growing number of people with assessed eligible social care needs to meet its statutory duties. This will inevitably lead to increased cost pressures in the NHS – at the rate of more than £3 for every £1 of disinvestment in social care, based on the analysis undertaken for the council's Better Care Fund.

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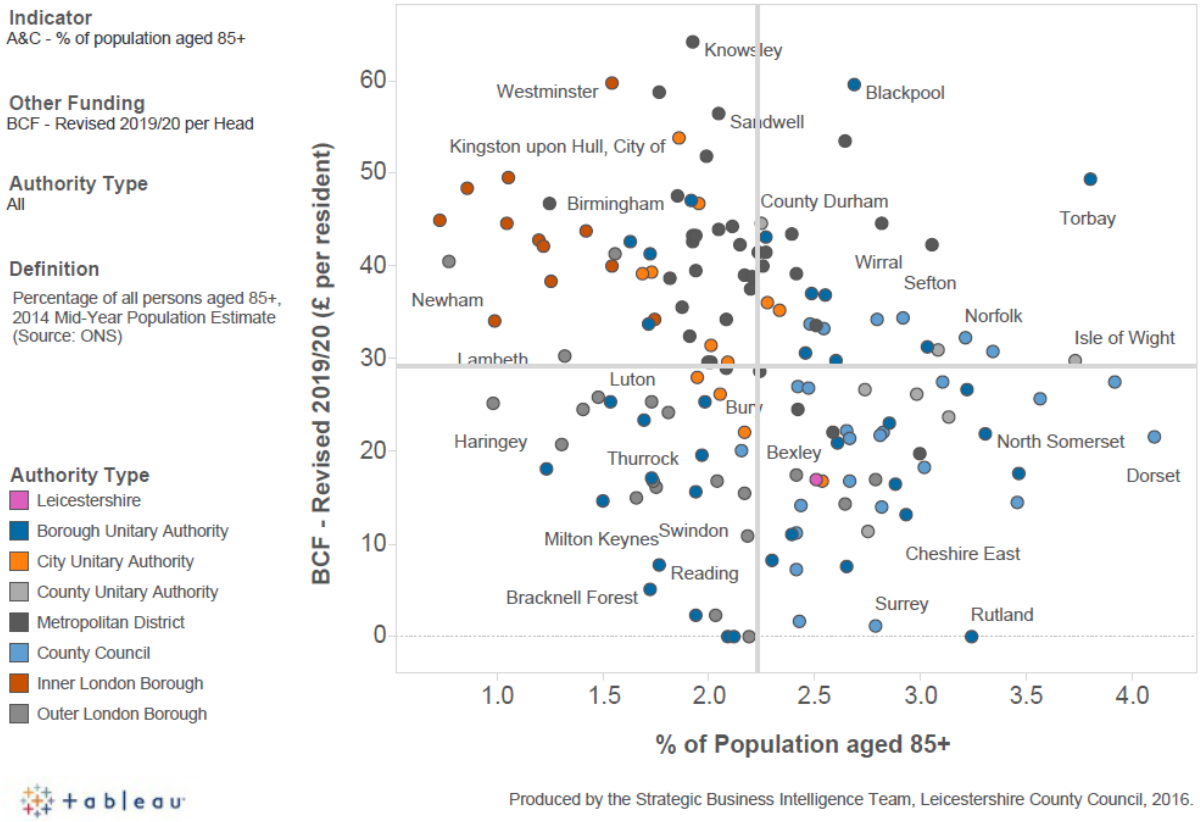
One of the shortcomings of the allocation method used for the iBCF in respect of supporting integration with the NHS to improve the health and social care system as a whole is it has no correlation with one of the key drivers of demand on this system. The number of people over 85 is a key driver affecting hospital admissions and speed of discharges. Yet there is no clear correlation in the allocation of iBCF funding. Analysis by Leicestershire County Council illustrated in the graph below, shows Surrey has one of the highest proportions of its population over 85 coupled with the fifth lowest iBCF allocation per resident. Conversely, a significant proportion of city unitary, London borough and metropolitan authorities have lower proportions of people aged over 85 and high levels of funding.



Previous funding formulas have relied too much on measures of deprivation and not enough on more relevant health indicators. In particular, for adults with learning disabilities, the council believes deprivation is not a factor as these disabilities are as likely to occur in all families not only deprived ones. Many are surprised to find the council in fact spends the highest proportion of the adult social care budget on adults with learning disabilities (and adults with learning disabilities are in the social care system much longer than older people). It is therefore imperative to get the funding distribution right for this significant (and often overlooked) client group.

By including the assumption that each social care authority will raise the full amount of its ASC precept in the overall iBCF distribution formula, the Government essentially forces each of those local authorities to use the ASC precept to the full, or forego the equivalent amount of funding, giving with one hand and taking with the other. While the council's current position is that the 2% limit on the ASC precept only covers half of the growth in

demographic demand for ASC services in Surrey[1], this may not be the case in all areas and the Government's imposition of this council tax increase through the iBCF funding allocation is wrong and highlights the flawed basis of the overall iBCF distribution formula.

The council urges the Government to reconsider its approach to distributing the iBCF to:

- allocate the Government's part to the iBCF funding (£1.5bn in 2019/20) using the relative needs allocation formula only; and
- allow social care authorities to decide the extent to which they intend to use the social care precept without the prospect of effectively losing funding as assumed by the Government.

Furthermore, the council urges the Government to link the threshold for increases in ASC precept to demonstrable increases in relevant demographic growth. In this way, the ASC precept will become funding raised locally to provide adult social care services locally.

Question 3: Do you agree with the council tax referendum principles for 2017-18 proposed in paragraphs 3.2.1 to 3.2.2 for principal local authorities?

The council welcomes the introduction and continuation of the ASC precept as a means of supporting the funding of a growing population of people requiring care. The current 2% ASC precept has helped mitigate the council's immediate funding crisis, but it already falls well short of the gap it is intended to fill. Future years will see it fall even further behind genuine need. Were the Government to endorse the use of this precept to cover the gap, Surrey would need to raise it by 6% next year, 4% in 2018/19 and a further 3% in 2019/20. The council would like to see the following changes to this important source of funding for some of the most vulnerable people within our communities.

- Break the link between ASC precept and iBCF funding allocation that effectively imposes a 2% increase by all social care authorities which runs contrary to the principles of local choice, discretion and democratic accountability.
- Extend the limit of the ASC precept to cover demonstrable increases in relevant demographic growth and factors affecting the local market for social care services (for Surrey these are currently 6% in 2017/18, 4% in 2018/19 and 3% in 2019/20).
- Consider making the ASC precept available to shire district councils that provide ASC services through their housing functions. Otherwise shire areas are disadvantaged in the amount they can raise through ASC precept compared to unitary and metropolitan areas.

[1] The 2016/17 increase in cost of providing Adult Social Care services in Surrey is £24m, the ASC precept raises £12m in 2016/17 in Surrey.

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

Question 5: Do you agree with the proposed approach to take account of the transfer of responsibilities to town and parish councils as outlined in paragraph 3.3.5?

Question 6: Do you have any comments on the suggestion that referendum principles may be extended to all local precepting authorities as set out in paragraph 3.3.6? If so what level of principle should be set?

Question 7: Do you have views on the practical implications of a possible extension of referendum principles to all local precepting authorities as set out in paragraph 3.3.7?

The council opposes council tax referendums generally. Currently local authorities are able to vary the council tax precept they set locally. This is done openly in each council by elected members who are subject to re-election every four years. The council requests the referendum limit, which dilutes this freedom and responsibility, be removed and all local authorities are enabled to levy the council tax rate they need to deliver services to their residents and businesses.

Council tax referendums are disproportionate in terms of cost and accountability for such a highly localised level of government. Town and parish councils should have the flexibility not only to take on a responsibility from another tier of government without being unduly constrained by council tax referendum principles as the Government proposes, but also to have the same freedom from undue constraint to choose to enhance or extend a service provision to match the specific local needs of their residents. As local authorities' funding reduces they will increasingly focus on just meeting statutory duties. Therefore many local communities will find the things they want to make their areas attractive and pleasant places to live will no longer be affordable. Allowing town and parish councils to raise income through the precept is one way to minimise the impact of this funding reduction and enable local choice and priorities.

Question 8: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.4.1 to 3.4.8?

The Society of County Treasurers (SCT) has been asking the Government for a long time to clarify the impact of the revaluations on the business rates retention scheme. The council understands the department had intended to split changes to rateable value into those resulting from growth and those resulting from valuations. The consultation paper suggests this is not possible and proposes to use, as a proxy, gross rateable value before and after the revaluation. This will need to be done and reconciled over three years.

The council believes this method fails to recognise local authorities' efforts in building and facilitating the infrastructure, capacity and wellbeing locally that make their areas attractive to

businesses and so increase rateable values. This failure further weakens the growth incentive by not giving and maintaining proper and due reward for local authorities' work on economic growth. For example, placemaking for economic growth by improving traffic flows and transport links to a business park will make it more attractive and so increase rateable values. This is an investment by the local authority which it would not want to lose the due reward through neutralisation of the revaluation funding gain by way of adjustments to tariffs and top ups.

In addition the proposed proxy will not take account of reliefs. Shire areas currently see more of their gross rates lost through reliefs than other areas (except metropolitan districts who lose the same proportion on average). The value of many of these reliefs are likely to change as a result of the revaluation and the SCT has not yet received assurance the impact will be felt fairly across all areas. As such the council welcomes the decision to keep this under review and would welcome further discussion with the department on this matter, either directly or through its membership of SCT.

Question 9: Do you agree that the methodology, as outlined in paragraphs 3.5.5 to 3.5.13, for calculating changes to the local share of business rates and tariff and top up payments is correct and does not adversely affect non-pilot areas?

Surrey County Council believes this national scheme for piloting business rates retention, should work to treat all areas equally. The proposed pilot areas only include city areas with Mayoral Combined Authorities that could strike bespoke devolution deals giving them responsibilities beyond those currently envisaged to be available to all areas, irrespective of their framework for democratic accountability.

Surrey County Council would have liked to have seen a greater variety of pilot authorities. The council believes it would be in the interest of all authorities to have a more comprehensive pilot scheme to help understand and test the system from the perspectives of smaller or less urban authorities as well as larger and more urban authorities. A more diverse pilot authority base should provide greater assurance different types of authority will not lose out because of the changes to the system.

The council believes only responsibilities intended for 100% business rates retention should affect tariffs, top ups and local share ultimately and in the pilot scheme. Other grants devolved to areas as part of specific devolution deals are outside the 100% business rates retention system and the Government should fund them from its other resources.

Question 10: Are you contemplating a voluntary transfer of funding between the Combined Authority and constituent authorities?

Surrey County Council has submitted and is discussing a devolution deal as part of the proposed 3SC (Three Southern Counties) combined authority. As part of this prospective arrangement, the council is considering transfers of funding most consistent with 3SC's goals.

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Question 11: Do you have any comments on the impact of the proposals for the 2017-18 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

Surrey County Council has faced more than a decade of cuts in funding thanks to successive funding formulas which failed to recognise the high cost of providing services in the county and also failed to recognise the demographic realities placing increasing strain on the council's finances.

Through an enormous efficiency savings programme, which is on course by the end of the decade to make ongoing savings of around £700m from the council's £1.7bn budget, the council has managed to withstand the impact of these changes. It is hard to see how that can continue under the settlement proposals set out in the consultation paper.

The council's most intense pressures impinge on Adult Social Care services and Children's services. Surrey County Council has achieved savings of £190m from Adult Social Care in the past six years and plans to make a further £200m within the next five years. However, the cost of providing Adult Social Care services in the county is increasing by more than £35m every year. The county council is facing significant market pressures on the prices charged by providers and it is also contending with a rapidly rising elderly population which will increase in number by 20,000 by 2020. By the middle of the next decade 56% of Surrey's population will be aged over 65 and half of these will have chronic conditions. With similar cost pressures and a growing school age population the same factors mean Surrey faces a £24m annual gap in Special Educational Needs and Disability (SEND) funding by 2020.

The current situation has arisen out of a local government funding model which has focused overwhelmingly on deprivation and completely underrepresented regional variations relating to the cost of providing services and demographic changes. The move to "core spending power" as a consideration has further increased the pressure, because where government gives with one hand (for example the Adult Social Care precept) it takes with the other (with a reduction in grant, based on core spending power, similar in size to the figure a council can raise by the precept). The outcome has left Surrey with the promise of just £1.5m from the entire £1.5bn improved Better Care Fund. If the county's share according to national relative need were used for the calculation, Surrey would receive £25m.

After more than a decade of funding cuts leading to these unmitigated pressures, the council can no longer avoid further cuts affecting services to vulnerable adults and children.

Rt Hon Sajid Javid MP
Secretary of State for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Dear

The 2017/18 Local Government Finance Settlement: Technical Consultation Paper

My council welcomes the opportunity to provide input into the technical consultation on the local government finance settlement for 2017/18.

Surrey County Council's detailed, point by point, response to the consultation is included as an annex to this letter. However, I also wanted to take the opportunity to set out the severe pressures that we are facing as a county council – and highlight why, without significant reform of the approach to needs and resources assessment – our residents will be at major disadvantage compared to residents in other areas.

Council Tax and Precept

The most acute pressures for Surrey County Council are upon Adult Social Care services. Despite efficiency savings of £190 million from Adult Social Care in the past six years and plans to make a further £200m within the next five years, the demographic demand for this service is increasing at £24m every year. Whilst the flexibility to raise the additional precept is welcome, the arbitrary limit of a 2% increase provides for £12m per year. The cost of rising demand has to be met – either by central government or the local taxpayer by removing this limit.

Unfair funding model

The current local government funding model has focused overwhelmingly on deprivation and resources, while completely underrepresented regional variations relating to the cost of providing services and demographic changes. The move to core spending power as a consideration has further increased this pressure. Where government gives with one hand (for example the adult social care precept) it takes with the other (a grant reduction based on spending power, similar in size to the amount that can be raised by the precept).

The outcome has left Surrey County Council with the promise of just £1.5 million from the entire £1.5 billion Improved Better Care Fund. If my council's share according to national relative need were used for the calculation Surrey County Council would receive £25 million.

Negative Revenue Support Grant – a £17 million tax on Surrey residents

The Government's current funding proposals for Surrey County Council will see Revenue Support Grant go negative in 2019, leaving the county's residents with a new £17 million tax. Put another way, Surrey County Council would have to raise council tax by 3% so local residents could pay an extra £17 million to the exchequer for the provision of council services elsewhere in the country.

Surrey County Council funding gap

This unfair funding model has left Surrey County Council with a funding gap next year of £36 million, rising to £77 million in 2019.

A solution for the short term would be:

a) Enable an additional ASC precept – to allow my council to increase the precept to meet need – and not impose an arbitrary 2% cap.
b) Review Improved Better Care Fund allocations so my council receives the £25m it is entitled to
c) Agreement that my council's RSG will not go negative in 2019/20 i.e. restoration of £17m

I am copying this letter to all Surrey MPs.

Yours sincerely

SURREY COUNTY COUNCIL

CABINET

DATE: **18 OCTOBER 2016**

REPORT OF: **MR DAVID HODGE, LEADER OF THE COUNCIL**

LEAD OFFICER: **SHEILA LITTLE, DIRECTOR OF FINANCE**

SUBJECT: **FINANCE AND BUDGET MONITORING REPORT TO 30 SEPTEMBER 2016**

SUMMARY OF ISSUE:

The council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the council's financial position as at 30 September 2016 (month six).

At the half way stage in the financial year, several significant financial risks have crystallised resulting in a revised forecast outturn of +£22.4m. Cost, demand and funding pressures have brought overspends in Adult Social Care, Children's Services and Schools & SEND (Special Education Needs & Disabilities), with efficiencies shortfalls in Adult Social Care and waste management.

The Director of Finance has revised her Section 151 Officer and financial and value for money commentaries to reflect the seriousness of the council's financial position. The Monitoring Officer has revised her legal implications commentary to outline the legal issues relevant to the council's updated financial position.

The annex to this report gives details of the council's financial position.

RECOMMENDATIONS:

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2016/17 is a +£22.4m overspend (Annex, paragraph 1).
2. Forecast efficiencies and service reductions for 2016/17 is £60.3m (Annex, paragraph 32).
3. The quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (Appendix, paragraphs App 8 to App 32).
4. The Section 151 Officer's commentary, Financial and Value for Money Implications and the Monitoring Officer's Legal Implications commentary (main report, paragraphs14 to 18).

Cabinet is asked to approve the following.

5. Members and officers to act urgently to identify, agree and implement actions to reduce the 2016/17 overspend (Annex, paragraph 4)
6. Cabinet and other leading members to bring the council's budget issues to the attention of Surrey's MPs (Annex, paragraph 5).
7. Request to reprofile Surrey Fire & Rescue Service's capital budget (Annex,

paragraph 42).

REASON FOR RECOMMENDATIONS:

This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

DETAILS:

Revenue budget overview

1. Surrey County Council set its gross expenditure budget for the 2016/17 financial year at £1,686m. A key objective of MTFP 2016-21 is to increase the council's overall financial resilience. As part of this, the council plans to make efficiencies totalling £83.5m.

2. The council aims to smooth resource fluctuations over its five year medium term planning period. To support the 2016/17 budget, Cabinet approved use of £24.8m from the Budget Equalisation Reserve and carry forward of £3.8m to fund continuing planned service commitments. The council currently has £21.3m in general balances.

3. In February 2016, Cabinet approved the council's Financial Strategy 2016-21. The Financial Strategy aims to:

   - secure the stewardship of public money;
   - ensure financial sustainability and
   - enable the transformation of the council's services.

Capital budget overview

4. Creating public value by improving outcomes for Surrey's residents is a key element of the council's corporate vision and is at the heart of MTFP 2016-21's £651m capital programme, which includes £207m spending planned for 2016/17.

Budget monitoring overview

5. The council's 2016/17 financial year began on 1 April 2016. This budget monitoring report covering the financial position at the end of the sixth month of 2016/17 (30 September 2016). The report focuses on material and significant issues, especially monitoring MTFP efficiencies. The report emphasises proposed actions to resolve any issues.

6. The council has implemented a risk based approach to budget monitoring across all services. The approach ensures we focus effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.

7. A set of criteria categorise all budgets into high, medium and low risk. The criteria cover:

   - the size of a particular budget within the overall council's budget hierarchy (the range is under £2m to over £10m);

- budget complexity, which relates to the type of activities and data monitored (this includes the proportion of the budget spent on staffing or fixed contracts - the greater the proportion, the lower the complexity);
- volatility, which is the relative rate that either actual spend or projected spend moves up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during the current year); and
- political sensitivity, which is about understanding how politically important the budget is and whether it has an impact on the council's reputation locally or nationally (the greater the sensitivity the higher the risk).

8. Managers with high risk budgets monitor their budgets monthly, whereas managers with low risk budgets monitor their budgets quarterly, or more frequently on an exception basis (if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower).

9. Annex 1 to this report sets out the council's revenue budget forecast year end outturn as at 30 September 2016. The forecast is based upon current year to date income and expenditure as well as projections using information available to the end of the month.

10. The report provides explanations for significant variations from the revenue budget, with a focus on efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so variances over 2.5% may also be material.

11. Annex 1 to this report also updates Cabinet on the council's capital budget. Appendix 1 provides details of the MTFP efficiencies, revenue and capital budget movements.

CONSULTATION:

12. All Cabinet Members will have consulted their relevant director or head of service on the financial positions of their portfolios.

RISK MANAGEMENT AND IMPLICATIONS:

13. Risk implications are stated throughout the report and each relevant director or head of service has updated their strategic and or service risk registers accordingly. In addition, the leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the council.

Financial and Value for Money Implications

14. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus. The council continues to maintain a strong focus on its key objective of providing excellent value for money.

15. The underachievement of savings targets set out the Medium Term Financial Plan will have negative implications for council's financial position and the setting of the 2017/18 budget.

Section 151 Officer Commentary

16. In the light of the large forecast variance, the Section 151 Officer remains of the view expressed in her Budget Report to the Council in February 2016 that the financial situation facing the council is serious. Previous cabinet reports have reported that the 2016/17 budget is balanced, but not sustainable for future years. This report highlights that a balanced budget in the current year is now forecast to be unattainable, due to cost demand and funding pressures. The council had expected to face these pressures from 2017/18 but are now already having a significant and detrimental impact on the council's finances.

17. To achieve a balanced and sustainable budget the council needs to urgently agree a plan of actions necessary to resolve this situation. Failure to do so will require the Section 151 Officer to undertake her statutory duties as set out in the Monitoring Officer's commentary.

Legal Implications – Monitoring Officer

18. The Local Government Finance Act requires the Council to take steps to ensure that the Council's expenditure (that is expenditure incurred already in year and anticipated to be incurred) does not exceed the resources available. In view of the situation reported in this paper, Cabinet should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget she must formally draw this to the attention of the Cabinet and Council and they must take immediate steps to ensure a balanced in-year budget

Equalities and Diversity

19. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

WHAT HAPPENS NEXT:

20. The relevant adjustments from the recommendations will be made to the council's accounts.

Contact Officer:
Sheila Little, Director of Finance
020 8541 7012

Consulted:
Cabinet, strategic directors, heads of service.

Annexes:
- Annex 1 – Revenue budget, staffing costs, efficiencies, capital programme.
- Appendix 1 – Service financial information (revenue and efficiencies), revenue and capital budget movements, balance sheet, earmarked reserves, debt and treasury management.

Sources/background papers:
None

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Budget monitoring period six 2016/17 (September 2016)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2016/17 is a +£22.4m overspend (paragraph 1).

2. Forecast efficiencies and service reductions for 2016/17 is £60.3m (paragraph 32).

3. The quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 8 to App 22).

4. The Section 151 Officer's commentary, Financial and Value for Money Implications and the Monitoring Officer's Legal Implications commentary (main report, paragraphs 14 and 18).

Cabinet is asked to approve the following.

5. Members and officers to act urgently to identify, agree and implement actions to reduce the 2016/17 overspend (paragraph 4).

6. Cabinet and other leading members to bring the council's budget issues to the attention of Surrey's MPs (paragraph 5).

7. Request to reprofile Surrey Fire & Rescue Service's capital budget (paragraph 42).

Revenue summary

The +£22.4m overspend forecast in this report is unprecedented for Surrey County Council. This adds to the Council's largest planned use of reserves (£24.8m) to support the revenue budget. It marks the coalescence of several significant funding and demand pressures on the council. Significantly, the forecast overspend closely matches the "shock" reduction in 2016/17 Revenue Support Grant the Government imposed upon the council less than a year ago.

In February 2016 Surrey County Council set its Medium Term Financial Plan 2016-21, including its gross expenditure budget for the 2016/17 financial year at £1,686m. The 2016/17 budget includes measures determined at short notice aimed at mitigating the impact of the shock funding reduction. A key objective of the councils' Medium Term Financial Plan 2016-21 is to increase the council's overall financial resilience. This plan includes making efficiencies totalling £82.9m during 2016/17. The forecast efficiencies is now only £60.3m, largely due to rising demographic demand.

The +£22.4m forecast revenue budget variance confirms the Section 151 Officer's view expressed in her Budget Report to the Council in February 2016 that the council's financial situation is serious. Previous Cabinet reports have reported that the 2016/17 budget is balanced, but not yet sustainable in future years. This report highlights that the current year's budget is no longer balanced and the cost, demand and funding pressures the council had expected to meet from 2017/18 onwards are already having a significant and detrimental impact on the council's finances.

To achieve a balanced and sustainable budget Cabinet urgently needs to agree a plan of the actions necessary to resolve this situation.

The net overspend mainly relates to:

- +£21.0m net forecast overspend in Adult Social Care, largely due to the service's inability to achieve its demanding £55m savings target (paragraphs 10 to 13);
- +£4.3m overspend in Children's Services (paragraphs 14 and 15); and

- +£1.1m net overspend in Schools & SEND (Special Educational Needs & Disabilities) (paragraph 16);

offset by

- -£2.0m underspend from higher than budgeted retained business rates income and reduced interest charges (paragraph 17);
- -£0.8m additional savings in Property (paragraph 18); and
- -£0.7m additional savings from the council's contribution to Orbis Joint Operating Budget (paragraph 19).

The Schools & SEND service has also highlighted further budget pressure risks of between £1m and £3m in the high needs block and early years. Environment & Planning has highlighted a range of risks to the 2016/17 waste management budget.

In addition to Adult Social Care's £21.0m shortfall in achieving savings, Environment & Planning anticipates a further £1.4m savings shortfall from projects to optimise waste management.

The council's +£22.4m forecast revenue budget outturn is unprecedented. It is vital members and officers now act urgently to identify and implement the means to reduce the overspend in 2016/17 and address ongoing efficiency shortfall issues affecting 2017/18 and subsequent years.

To support 2016/17, Cabinet approved use of £24.8m from reserves and carry forward of £3.9m to fund continuing planned service commitments. The council currently has £21.3m in general balances.

In February 2016, Cabinet approved the council's Financial Strategy 2016-21. The Financial Strategy aims to:

- secure the stewardship of public money;
- ensure financial sustainability and
- enable the transformation of the council's services.

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 £638m capital programme in MTFP 2016-21. As at 31 August 2016, services forecast spending £148m against the £156m current 2016/17 budget and £209m in total, including long term investments.

As part of increasing the council's overall financial resilience, it plans net £61m investment in long term capital investment assets in 2016/17 to add to the £120m invested in the period to 31 March 2016 (paragraphs 40 and 41).

Revenue budget

Overview

1. As at 30 September 2016, the year to date revenue budget variance is +£11.0m overspend and forecast year end budget variance is +£22.4m overspend.

2. The overall forecast overspend is mainly due to:

   - +£21.0m forecast overspend in Adult Social Care (ASC), including +£10.2m Family, Friends and Community increasing price pressures, non-achievement of the 20% stretch target and lower direct payments reclaims; +£5.9m from higher demand growth across the whole health and social care system preventing delivery of demand management savings; +£2.9m reduction in savings from grants and contracts; +£0.9m change to health and social care integration savings, +£1.3m contractual commitments and other pressures, partially offset by -£2.2m due to lower than anticipated costs for Deprivation of Liberty Safeguards (DoLS) assessments;
   - +£4.3m forecast overspend in Children's Services due to demand, including adding: +£2.8m pressure for more social work capacity from extra permanent staff and locums; +£1.2m costs of additional placements; +£1.0m higher demand for care for asylum seeking children and support for children with disabilities; partly offset by -£0.7m savings elsewhere in the service.
   - -£2.0m forecast underspend in Central Income & Expenditure from -£0.9m higher business rates receipts and -£1.1m reduced interest charges due to changes to the Treasury Management Strategy agreed by county council in July 2016.
   - -£1.1m forecast underspend in Schools & SEND (Special Educational Needs and Disabilities) from underspends on central budgets and overspends on transport.

3. The +£22.4m forecast budget variance confirms the Section 151 Officer's view that the council's financial situation is serious. Previous Cabinet reports have reported the 2016/17 budget as balanced, but the council's budgets were not yet sustainable in future years. This report highlights that the current year's budget is no longer balanced, and the cost, demand and funding pressures the council had expected to face from 2017/18 onwards are already having significant and detrimental impact on the council's finances.

4. To achieve a balanced and sustainable budget action is urgently required to identify and agree a plan to resolve this situation. It is imperative action is taken to:

   - identify, agree and implement actions to reduce the 2016/17 overspend;
   - identify, agree and implement actions to mitigate the impact of shortfalls in achieving efficiencies in 2016/17 on 2017/18 and subsequent years;
   - report progress with this work to Cabinet as part of the monthly budget monitoring report.

5. The unprecedented scale of the council's forecast budget variance arises from a mixture of causes, including: the "shock" £20m funding reduction imposed on the council less than a year ago in the 2016/17 finance settlement; and the accelerated pressure growth from costs and demand. It is vital the council brings the matters and their overall impact to the attention of Surrey's MPs to enlist their help in resolving them.

Revenue budget monitoring position

6. 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 £24.8m. The actual year to date total net expenditure is -£5.9 m. This compares to the profiled, budgeted year to date net expenditure of -£16.9m.The difference between the two is +£11.0m year to date overspend (increased from +£6.7m overspend as at 31 August 2016). This is summarised in Table 1 below and in more detail in Table App1 in the Appendix.

Table 1: 2016/17 revenue budget subjective summary as at 30 September 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,649.6	-837.6	-1,655.4	**-5.8**
Gross expenditure	1,674.4	831.7	1,702.8	**28.4**
Total net expenditure	**24.8**	**-5.9**	**47.4**	**22.4**

Note: * Profiled year to date net budget is -£16.9m compared to actual net expenditure of -£5.9m
All numbers have been rounded - which might cause a casting difference

7. In the appendix, Table App1 outlines the updated revenue budget by service after in year budget virements and carry forward of budgets from the 2015/16 financial year.

8. In March 2016, Cabinet approved the council's 2016/17 revenue expenditure budget at £1,686.0m. Changes in the first six months of 2016/17 to reflect agreed carry forwards and other budgetary adjustments reduced the expenditure budget as at 30 September 2016 to £1,674.4m. Table 2 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of -£672.2m from local taxation and £24.8m from reserves.

9. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, the table shows the net expenditure position (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.

Table 2: 2016/17 updated revenue budget forecast as at 30 September 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.3	1.7	0.0
Strategic Leadership	1.0	0.4	0.9	-0.1
Adult Social Care	368.5	200.2	389.5	21.0
Children's and Safeguarding services	97.8	49.9	102.0	4.3
Commissioning & Prevention	37.8	17.5	37.5	-0.3
Schools & SEND (Special Educational Needs & Disabilities)	63.2	30.3	64.3	1.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.8	1.2	3.7	-0.1
Coroner	1.8	0.8	1.8	0.0
Cultural Services	9.6	4.9	9.4	-0.1
Customer Services	3.5	1.6	3.4	-0.1
C&C Directorate Support	1.0	0.5	1.0	0.0
Emergency Management	0.5	0.2	0.4	-0.1
Surrey Fire & Rescue Service	33.2	16.8	33.3	0.1
Trading Standards	2.0	1.0	1.9	-0.1
Environment & Planning	79.7	40.8	80.0	0.3
Highways & Transport	44.9	20.3	44.9	0.0
Public Health	0.3	0.2	0.5	0.2
Central Income & Expenditure	56.4	7.3	55.3	-1.1
Communications	2.1	1.0	2.1	0.0
Finance	3.1	1.3	3.0	-0.1
Human Resources & Organisational Development	4.3	1.6	4.2	-0.1
Information Management & Technology	13.1	5.8	13.1	0.0
Legal Services	3.9	1.7	4.2	0.2
Democratic Services	4.5	2.1	4.4	-0.1
Strategy & Performance	1.7	0.9	1.6	-0.1
Procurement	0.9	0.4	0.8	0.0
Property	20.9	7.2	20.1	-0.8
Orbis Joint Operating Budget	38.0	17.1	37.4	-0.7
Business Operations	0.2	0.1	0.2	0.0
Total services' net revenue expenditure	**899.4**	**433.5**	**922.8**	**23.3**
General funding sources				
General Government grants	-202.3	-102.4	-201.7	0.6
Local taxation (council tax and business rates)	-672.2	-337.1	-673.7	-1.5
Total general funding	**-874.5**	**-439.5**	**-875.4**	**-0.9**
Total movement in reserves	**24.8**	**-5.9**	**47.4**	**22.4**

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

Significant revenue budget variances

Adult Social Care - +£21.0m overspend (+£13.6m increase since 31 August 2016)

10. Adult Social Care forecasts an adverse year end variance of +£21.0m. This very significant overspend is almost entirely due to very high levels of cost and demand pressures preventing ASC from achieving the hugely ambitious £55m increase in savings budgeted for 2016/17(an increase of over 50%). ASC forecasts delivering £34.3m savings against its £55.3m target. Despite the mounting pressures it faces, ASC expects to continue to deliver similar levels of savings as it has in 2015/16 and previous years.

11. Huge efforts continue to progress health and social care integration, which will improve both the cost and quality of long term service delivery. However, this has not yet reduced demand. Demand continues to grow in terms of hospital admissions and social care packages. Combined with higher prices for social care, particularly since

the introduction of the National Living Wage, it is not possible to achieve a short to medium term increase in savings of this scale without adversely affecting the council's performance of its statutory social care duties.

12. It is evident that adult social care across the country requires a new funding model to be sustainable. The Kings Fund published a report this month that estimates the national social care funding gap will rise to between £2.8bn and £3.5bn by 2019/20 without funding reform. The council is actively making the case to government for additional social care funding and this year's forecast outturn position is a stark indication of the scale of financial pressure if the government does not provide local authorities a means for additional funding.

13. ASC will continue to explore short term options to reduce its overspending over the coming months. The principal reasons for the variance are described below.

- The Family, Friends & Community programme continues to face challenges in reducing the cost of new care packages in the context of increasing price pressures in the market and (as in previous years) not fully achieving the 20% stretch target. In addition, FFC forecasts a £3m shortfall on direct payment reclaims. In total, this adds +£10.2m pressure to the budget.
- A continued increased rate of demand growth across the whole health and social care system in Surrey (at 7% rather than the budgeted 4%) is preventing delivery of savings from demand management and from a shift in the care pathway for Older People. In total this adds +£5.9m pressure to the budget.
- ASC's contracts & grants review budgeted 50% expenditure reductions. After completing impact assessments, ASC decided implementing the savings fully would impinge on delivery of statutory duties, leave some people at risk and potentially lead to higher medium term costs. ASC forecasts achieving £2.9m savings against the £5.8m target, which adds +£2.9m pressure to this budget.
- Considerable work continues on health and social care integration. The development of Sustainability and Transformation Plans is shifting the focus and changing the nature and timing of the planned 2016/17 savings. This adds +£0.9m pressure to this budget.
- In addition to these challenges with savings plans, +£1.3m increased contractual commitments for the provision of some services plus other staffing and demand pressures are largely offset by -£2.2m lower costs of conducting Deprivation of Liberty Safeguard (DoLS) assessments than previously anticipated.

Children's Services - +£4.3m overspend (+£1.0m increase since 31 August 2016)

14. Demand for Children's Services continues to increase. Improvements such as investment in Child and Adolescent Mental Health Service (CAMHS) and creating a Multi Agency Safeguarding Hub (MASH) are progressing with the intention of reducing longer term demand. However demand for services particularly care for looked after children (LAC) and unaccompanied asylum seekers exceeds that planned. This additional demand is leading to the following budget pressures.

- +£2.8m need for social work capacity due to higher demand, including +£1.3m for 26 more posts than budgeted and +£0.9m cost pressure from 87 locums (though this is projected to reduce). On average, locums cost £20,000 a year more than permanent staff.

- +£1.2m additional placement costs for the 221 children currently in ongoing placements compared to the 204 budgeted. Within this, demand for much more expensive residential placements is rising more quickly (63) than planned (46).
- +£0.6m care for a high level of asylum seeking children following demand increases over the past 18 months. With world events, these are not expected to fall. The Home Office has increased the level of funding, but this only applies to new cases from 1 July 2016.
- +£0.4m greater demand for services to support children with disabilities, particularly care packages.

15. These pressures are in part offset by -£0.7m savings elsewhere including from investment in the social work academy starting part way through the year and additional income from the adoption service and CAMHS.

Schools & SEND - +£1.1m overspend (+£2.1m increase since 31 August 2016)

16. Within the overall Schools & SEND (Special Educational Needs and Disabilities) forecast underspend position, there are some significant forecast variances.

- +£2.0m overspend on services funded by the SEND high needs block element of Dedicated Schools Grant (DSG)
- +£1.2m overspend on transport overall, including: +£1.3m SEND transport (this remains an area of concern following 2015/16's +£1.5m overspend); +£0.2m overspend on alternative provision; and -£0.4m underspend on mainstream transport.
- -£1.9m underspend on centrally held budgets, following reviews to identify non-essential spend. In particular, the service is unlikely to need the budget covering the risk of legislative reforms, demographic pressures and excess inflation.

Central Income & Expenditure - -£2.0m underspend (-£0.6m decrease since 31 August 2016)

17. As at 30 September 2016, Central Income & Expenditure (CIE) forecasts -£2.0m year end underspend. This is due to:

- -£0.9m higher forecast business rates income than budgeted as a result of the final 2015/16 business rates receipts being greater than forecast; and
- -£1.1m forecast savings on the interest payable budget from lower interest rates and the use of short term borrowing.

Property Services - -£0.8m (-£0.8m increase since 31 August 2016)

18. Property's forecast underspend includes:

- -£0.5m following its cyclical maintenance review;
- -£0.2m from utilities based on the year to date variance leads and subject to weather conditions; and
- -£0.2m additional rebates, following effectively challenging several rates.

Orbis Joint Operating Budget - -£0.7m (-£0.4m increase since 31 August 2016)

19. Orbis Joint Operating Budget services are on track to deliver £1.2m efficiencies in 2016/17 and are managing costs ahead of the savings required in 2017/18. As a

result Orbis in total is likely to deliver £1.0m of 2017/18's savings early and so the council's contribution to Orbis will be -£0.7m lower than budgeted.

Areas to be aware

20. At this point in the financial year, services may yet encounter delivery challenges, which present risks to their 2016/17 outturn positions.

Children, Schools & Families – Schools & SEND

21. Further SEND and early years budget pressures of between £1m and £3m are possible in the SEND high needs block and early years funded by DSG. The service is working to confirm the forecasts reflecting placement decisions from September 2016.

Environment & Planning

22. The waste budget faces a number of pressures this year. Some savings have been delayed (e.g. introduction of charges for some non-household waste at community recycling centres) or have significant risks attached. Also, discussions with Sita in respect of the timing and cost of some activities are ongoing and could impact on spend this year. Finally, a number of recently introduced measures are expected to impact on waste volumes, but at this stage it is too early to assess those impacts accurately. Further work is required to understand the financial impact of these issues and to identify any further opportunities to reduce costs, the outcome of which will be reported to a future meeting.

Revolving Infrastructure & Investment Fund

23. Table 3 shows the council forecasts generating net income of -£1.3m in 2016/17 (after subtracting funding costs and other expenses) by the joint venture project to deliver regeneration in Woking town centre, from various property acquisitions made for future service delivery and from the Halsey Garton Property group. The council anticipates transferring the net income to the Revolving Infrastructure and Investment Fund at the year end.

24. Capital expenditure in 2016/17 includes equity investment and loans to the Halsey Garton Property group, development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and other town centre development projects.

Table 3: Summary revenue and capital position as at 30 September 2016

Revenue	**YTD actual £m**	**Full year forecast £m**
Income	-4.0	-9.1
Expenditure	0.1	0.5
Net income before funding	-3.9	-8.6
Funding costs	3.4	7.3
Net revenue income after funding	**-0.5**	**-1.3**
Capital Expenditure	**68.1**	**61.0**

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

Staffing costs

25. 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.

26. 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.

27. The council sets its staffing budget on the estimated labour needed to deliver its services. It expresses this as budgeted full time equivalent (FTEs) staff and converts it to a cost for the budget. The budget includes spending on all three categories of staff and is the key control in managing staffing expenditure. The council's total full year staffing budget for 2016/17 is currently £276.9m based on 7,123 budgeted FTEs.

28. The council has 611 live vacancies, where it is actively recruiting. 489 of these vacancies are in social care.

Table 4: Full time equivalents in post and vacancies as at 30 September 2016

	FTE
Budget	7,123
Occupied contracted FTEs	6,426
Live vacancies (i.e. actively recruiting)	611

29. Table 5 shows staffing cost as at 30 September 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs. Budget variances 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.

30. 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 is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix.

31. Table 5 shows the year to date budget as at 30 September 2016 is £136.5m and expenditure incurred is £137.8m. Table App 3 shows the +£1.3m year to date overspend on employment costs and services' forecast a balanced position at year end.

Table 5: Staffing costs and FTEs to 30 September 2016

Service	YTD staff budget £m	<------- Staffing spend by category --------> Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m	*Amended Budgeted FTE*	*Occupied contracted FTEs*
Strategic Leadership	0.5	0.4	0.0	0.0	0.4	-0.1	*10*	*9*
Adult Social Care	30.1	28.5	1.3	1.0	30.8	0.6	*1,860*	*1,541*
Children, Schools & Families [1]	57.3	52.5	4.1	2.3	58.9	1.6	*2,956*	*2,738*
Community Partnership & Safety	0.6	0.6	0.0	0.0	0.6	0.0	*25*	*26*
Coroner	0.2	0.1	0.1	0.0	0.3	0.1	*2*	*2*
Cultural Services	9.4	8.5	0.0	0.8	9.3	-0.1	*507*	*517*
C&C Directorate Support	0.5	0.5	0.0	0.0	0.5	0.0	*26*	*24*
Emergency Management	0.2	0.3	0.0	0.0	0.3	0.0	*12*	*11*
Surrey Fire & Rescue Service	13.8	13.5	0.1	0.7	14.3	0.5	*648*	*604*
Trading Standards	1.6	1.5	0.1	0.0	1.5	-0.1	*75*	*64*
Environment & Planning	4.9	4.8	0.0	0.1	4.9	0.0	*215*	*202*
Highways & Transport	7.7	6.5	0.1	0.1	6.7	-1.0	*370*	*310*
Public Health	1.4	1.2	0.0	0.0	1.2	-0.1	*48*	*42*
Central Income & Expenditure	0.0	0.0	0.0	0.0	0.0	0.0		*0*
Communications	0.6	0.6	0.0	0.0	0.7	0.0	*22*	*24*
Customer Services	1.8	1.6	0.1	0.0	1.7	-0.1	*107*	*92*
Legal & Democratic Services	2.7	2.4	0.0	0.0	2.5	-0.2	*129*	*108*
Strategy & Performance	1.0	1.0	0.0	0.0	1.0	0.0	*27*	*30*
Orbis Joint Operating Budget and Business Services [2]	2.1	1.9	0.2	0.0	2.2	0.0	*84*	*82*
Service net budget	**136.5**	**126.6**	**6.1**	**5.1**	**137.8**	**1.3**	***7,123***	***6,426***

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

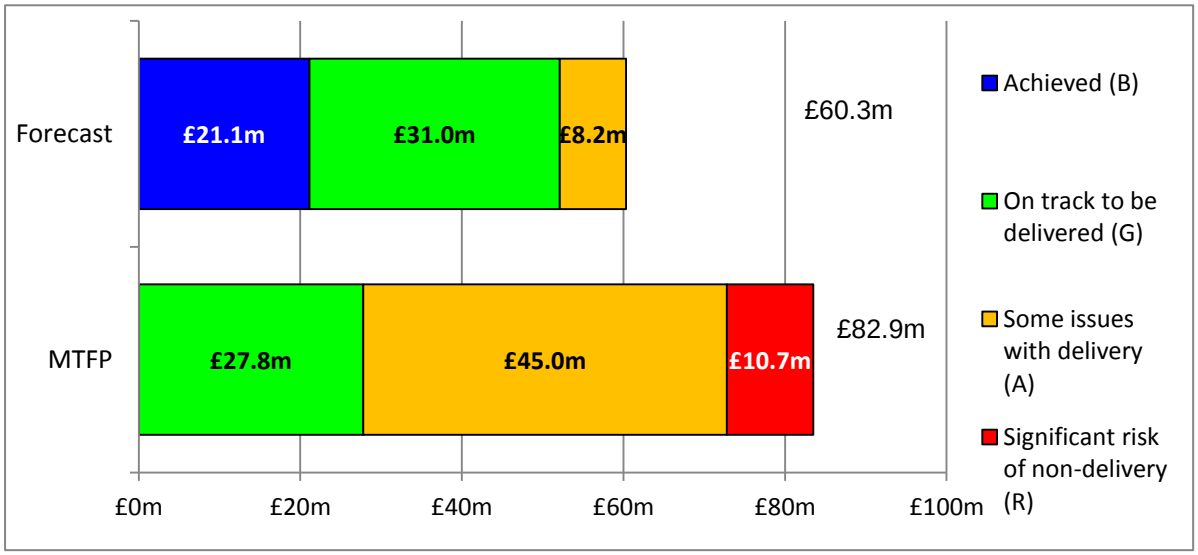
1 - Children, Schools & Families' FTEs include: Children's & Safeguarding, Commissioning & Prevention, Schools & SEND and Delegated Schools

2 - The Orbis Joint Operating Budget is formally delegated to the Joint Operating Committee for management (including staffing), as such the council's monitoring only reports its contribution to the joint budget. The cost of staff that are managed by the partnership but sit outside of the Joint Operating Budget, for example staff delivering the Local Assistance Scheme, is reported in the table above

Efficiencies

32. MTFP 2016-21 incorporates £82.9m efficiencies in 2016/17. Council services currently forecast to achieve £60.3m of this target (down from £75.8m as at 31 August 2016) and recognise the level of risk involved in delivery of the efficiencies. Figure 1 summarises services' overall efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2016/17 overall risk rated efficiencies as at 30 September 2016



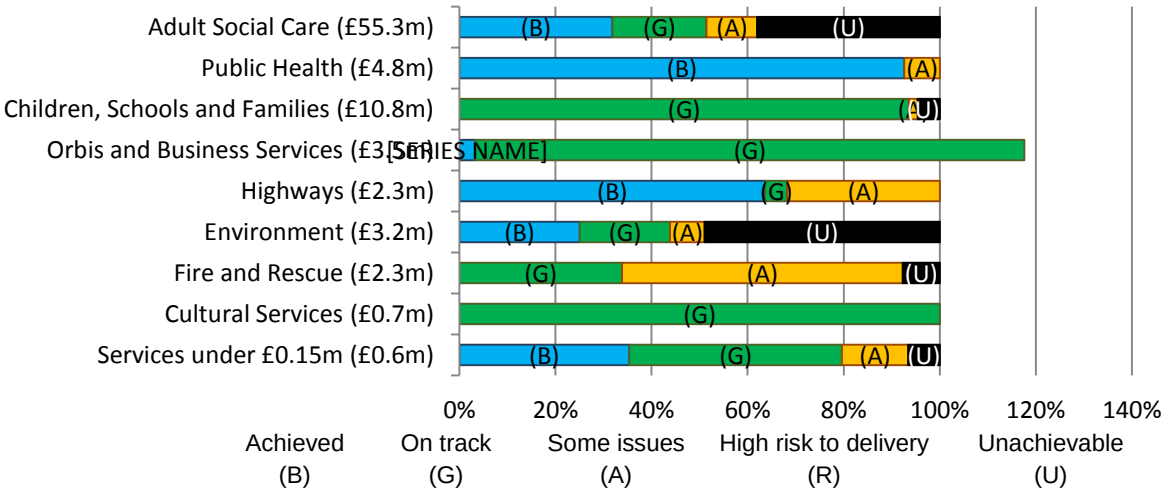
33. Each service's assessment of its progress on achieving efficiencies uses the following risk rating basis:

- 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.

34. Figure 1 above, shows that overall there is a projected shortfall in the delivery of efficiencies of £22.5m (up from £7.7m as at 31 August 2016).

35. Figure 2 overleaf, shows services' risk ratings for achieving their efficiencies.

Figure 2: 2016/17 efficiencies risk ratings by service as at 30 September 2016



36. As at 30 September 2016, the main significant variations in services' progress against their MTFP 2016-21 efficiencies & service reductions were as follows.

- £21.0m in Adult Social Care is unachievable due to issues affecting savings planned from: Friends, Family & Community programme, demand management, and health and social care integration as outlined in paragraphs 10 to 13.
- £1.4m shortfall in Environment & Planning, primarily Waste Management, where the introduction of charges for non-household waste at community recycling centres was delayed, and waste contract savings have not yet been secured.

Capital budget

37. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £638m 2016-21 MTFP capital programme.

38. Cabinet approved the original capital expenditure budget for 2016/17 at £194.4m and carry forward of £13.0m scheme budgets requested in the 2015/16 Outturn report. In July 2016, Cabinet approved -£55.8m reprofiling from the 2016/17 capital budget into the remaining years of the capital programme. As at 30 September 2016, capital virements totalled £4.7m.

39. Table 6 shows the construction of the current year capital expenditure budget from the MTFP budget.

Table 6: Capital expenditure budget 2016/17 as at 30 September 2016

	MTFP budget	2015/16 budget c/fwd	Budget virement	Reprofile	Current full year budget
	£m	£m	£m	£m	£m
School basic need	75.6	-8.1		-34.2	**33.2**
Highways recurring programme	58.1	-0.2	-0.4		**57.6**
Property & IT recurring programme	25.7	4.5	-0.4	0.5	**31.2**
Other capital projects	35.0	16.8	5.5	-22.1	**34.3**
Service capital programme	**194.4**	**13.0**	**4.7**	**-55.8**	**156.3**
Long term investments					**0.0**
Overall capital programme	**194.4**	**13.0**	**4.7**	**-55.8**	**156.3**

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

40. Table 8 compares the current full year overall capital programme budget of £156.3m to the current forecast expenditure for the service capital programme of £148.3m and the current forecast expenditure for the overall capital programme, including long term investments of £209.3m.

Table 8: Forecast capital expenditure 2016/17

	Current full year budget £m	Apr - Sep actual £m	Oct - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	**33.2**	21.1	12.1	**33.2**	**0.0**
Highways recurring programme	**57.6**	20.3	37.3	**57.6**	**0.0**
Property & IT recurring programme	**31.2**	14.1	16.9	**30.9**	**-0.2**
Other capital projects	**34.3**	8.4	18.1	**26.5**	**-7.8**
Service capital programme	**156.3**	**63.8**	**84.4**	**148.3**	**-8.0**
Long term investments	**0.0**		61.0	**61.0**	**61.0**
Overall capital programme	**156.3**	**63.8**	**145.4**	**209.3**	**53.0**

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

41. Approved Investment Strategy spending is expected to be £61.0m in 2016/17 and total capital expenditure £209.3m. There are no significant variances to the current service capital programme

Surrey Fire & Rescue Service - Joint Transport project capital reprofile request (£4.8m)

42. The Joint Transport project capital scheme is a grant funded collaborative project to provide an integrated transport function between Surrey Fire & Rescue Service (SFRS) and other blue light organisations operating in Surrey and Sussex. Due to delays and its scale, the project is only likely to achieve certain elements in 2016/17

around: fuel, workshops planning and telematics design. SFRS has reviewed the capital project and seeks to re-profile £4.8m to future years. The grant provider has been informed and confirmed project duration extension.

Appendix to Annex

Updated budget - revenue

App 1. The council's 2016/17 revenue expenditure budget was initially approved at £1,686.0m. Adding virement changes in the first six months of 2016/17 reduced the expenditure budget as at 30 September 2016 to £1,674.4m. Table 1 shows the updated budget, Table App1 shows the original and updated income and expenditure budgets, including the overall net expenditure the council plans to meet from reserves.

Table App1: 2016/17 updated revenue budget as at 30 September 2016

	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	0.0	**0.0**	1.7	0.0	**1.7**	**1.7**
Strategic Leadership	0.0	0.0	**0.0**	1.0	0.0	**1.0**	**1.0**
Adult Social Care	-60.9	-8.4	**-69.3**	429.5	8.2	**437.8**	**368.5**
Children, Schools & Families*	-167.7	3.9	**-163.8**	365.3	-2.8	**362.5**	**198.7**
Delegated Schools	-457.7	12.9	**-444.8**	457.7	-12.9	**444.8**	**0.0**
Community Partnership & Safety	-0.2	0.0	**-0.2**	3.0	0.9	**3.9**	**3.8**
Coroner	0.0	0.0	**0.0**	1.8	0.0	**1.8**	**1.8**
Cultural Services	-13.1	0.1	**-13.1**	22.7	-0.1	**22.6**	**9.6**
Customer Services	-0.1	0.0	**-0.1**	3.6	0.0	**3.6**	**3.5**
Directorate Support	-0.1	0.0	**-0.1**	1.1	0.1	**1.1**	**1.0**
Emergency Management	0.0	0.0	**0.0**	0.5	0.0	**0.6**	**0.5**
	0.0	0.0	**0.0**	0.0	0.0	**0.0**	**0.0**
Surrey Fire and Rescue Service	-13.6	-0.8	**-14.4**	46.8	0.8	**47.5**	**33.2**
Trading Standards	-1.7	0.0	**-1.7**	3.7	0.0	**3.7**	**2.0**
Environment & Planning	-6.5	-1.9	**-8.5**	86.3	1.9	**88.2**	**79.7**
Highways & Transport	-7.6	-0.1	**-7.6**	51.9	0.6	**52.5**	**44.9**
Public Health	-38.5	0.0	**-38.5**	38.8	0.0	**38.8**	**0.3**
Central Income & Expenditure	-0.5	-0.3	**-0.8**	60.0	-2.9	**57.2**	**56.3**
Communications	0.0	0.0	**0.0**	2.0	0.1	**2.2**	**2.1**
Orbis - Joint and Managed	-17.2	6.2	**-11.0**	97.7	-6.2	**91.5**	**80.6**
Legal & Democratic Services	-0.5	0.0	**-0.6**	9.0	0.0	**9.0**	**8.5**
Strategy & Performance	-0.8	0.0	**-0.8**	1.9	0.5	**2.5**	**1.7**
Service total	**-786.7**	**11.5**	**-775.1**	**1,686.0**	**-11.5**	**1,674.4**	**899.3**
Government grants	-202.3		**-202.3**			**0.0**	**-202.3**
Local taxation	-672.2	0.0	**-672.2**		0.0	**0.0**	**-672.2**
Grand total	**-1,661.2**	**11.5**	**-1,649.6**	**1,686.0**	**-11.5**	**1,674.4**	**24.8**

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

App 2. When Council agreed the MTFP in February 2016, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimated 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 relevant Cabinet Member's approval. There were two virements above £500,000 in the first six months of 2016/17, none in September.

App 4. The delegated schools budgets have reduced to recognise effect of further school conversions to academy status.

App 5. Table App 2 summarises the movements to the revenue expenditure budget.

Table App 2: 2016/17 revenue expenditure budget movements as at 30 September 2016

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement Count
MTFP	-1,661.2	1,686.0		24.8	
Carry forwards		3.9	-3.9	0.0	1
	-1,661.2	1,689.9	-3.9	24.8	1
Q1 movements	5.7	-5.7		0.0	75
July and August movements	-2.5	2.5	0.0	0.0	14
September movements					
Internal service movements	-4.9	4.9	0.0	0.0	21
Cabinet approvals	0.0	0.0	0.0	0.0	0
Funding changes	13.1	-13.1	0.0	0.0	1
Total September movements	8.2	-8.2	0.0	0.0	22
September approved budget	**-1,649.6**	**1,678.4**	**-3.9**	**24.8**	**126**

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

App 6. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2016/17 Revenue budget forecast position as at 30 September 2016

	Year to date			← Full year			→
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-337.0	-337.1	-0.1	-672.2	-336.6	-673.7	-1.5
Government grants	-422.5	-412.2	10.3	-824.5	-404.0	-815.6	8.9
Other income	-75.0	-88.3	-13.3	-152.9	-77.8	-166.1	-13.2
Income	-834.5	-837.6	-3.1	-1,649.6	-818.4	-1,655.4	-5.8
Expenditure:							
Staffing	136.5	137.8	1.3	276.9	139.2	277.0	0.1
Service provision	444.0	456.8	12.8	952.8	522.2	981.0	28.3
Non schools sub-total	580.5	594.6	14.1	1,229.7	661.4	1,258.0	28.4
Schools expenditure	237.1	237.1	0.0	444.8	207.7	444.8	0.0
Total expenditure	817.6	831.7	14.1	1,674.4	869.1	1,702.8	28.4
Movement in balances	**-16.9**	**-5.9**	**11.0**	**24.8**	**50.7**	**47.4**	**22.4**

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

Updated budget – capital

App 7. Cabinet approved £13.0m carry forward of scheme budgets requested in 2015/16's Outturn report and approved -£55.8m reprofiling of expenditure from 2016/17 to the remaining years of the 2016-21 capital programme in July 2016. Capital virements made in September amount to £0.1m to add to the net total £4.6m virements made between April and August 2016. Table App 4 summarises the capital budget movements for the year.

Table App 4: 2016/17 Capital budget movements as at 30 September 2016

	1 Apr 2016 £m	31 Aug 2016 £m	30 Sep 2016 £m
MTFP (2016-21) (opening position)	194.4	194.4	194.4
In year changes			
Carry forwards from 2015/16		13.0	13.0
Property Services' reprofiling		-55.4	-55.4
Environment & Infrastructure reprofile		-0.5	-0.5
Reprofiling & carry forwards		-42.9	-42.9
Virements			
In year changes			
Limnerlease (Watts Gallery Trust)		1.0	1.0
Woodfuel & timber grant		0.3	0.3
Lindon Farm		-1.8	-1.8
Salt barns		0.2	0.2
Horley Library		2.1	2.1
IMT contributions to Equipment Replacement Reserve		0.5	0.5
Schools contributions		1.3	1.3
East Surrey Integrated Care unit - ASC		0.9	0.9
Local transport systems		0.2	0.3
In year budget changes		4.6	4.7
2016/17 updated capital budget		**156.2**	**156.3**

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

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Balance sheet

App 8. Table App 5 shows a summary of the council's balance sheet as at 30 September 2016.

Table App 5: Balance sheet

As at 31 Mar 2016 £m		As at 30 Sep 2016 £m
1,792.9	Property, plant & equipment	1,811.2
1.0	Heritage assets	1.0
62.9	Investment property	62.9
5.5	Intangible assets	5.1
3.2	Long Term Investments	19.1
28.7	Long term debtors	75.4
1,894.2	**LONG TERM ASSETS**	1,974.6
65.0	Short term investments	30.4
0.8	Intangible assets	0.8
24.2	Assets held for sale	24.2
1.4	Inventories	0.8
152.1	Short term debtors	119.2
0.0	Cash & cash equivalents	20.3
243.5	**CURRENT ASSETS**	195.6
-19.6	Short term cash & cash equivalents	0.0
-30.9	Short term borrowing	-36.8
-182.1	Creditors	-185.6
-3.1	Provisions	-2.4
-0.1	Revenue grants receipts in advance	-0.1
-0.3	Capital grants receipts in advance	-0.3
-7.6	Other short term liabilities	-7.6
-243.7	**CURRENT LIABILITIES**	-232.8
-30.6	Provisions	-29.6
-397.8	Long term borrowing	-397.8
-1,383.5	Other long term liabilities	-1,383.5
-1,811.9	**LONG TERM LIABILITIES**	-1,811.0
82.1	**NET ASSETS**	126.5
-317.1	Usable reserves	-411.0
235.0	Unusable reserves	284.5
-82.1		-126.5

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

Earmarked reserves

Table App 6: Earmarked revenue reserves as at 30 September 2016

	Opening balance 1 Apr 2016 £m	Balance at 30 Sep 2016 £m	Forecast 31 Mar 2017 £m
Revolving Infrastructure & Investment Fund	21.1	11.1	11.1
Budget Equalisation Reserve	13.1	6.9	11.7
Eco Park Sinking Fund	11.7	5.8	4.4
Insurance Reserve	11.9	7.7	7.7
Investment Renewals Reserve	8.8	9.2	2.1
General Capital Reserve	5.2	5.2	5.2
Street lighting PFI Reserve	5.1	4.4	4.4
Vehicle Replacement Reserve	3.9	3.9	2.0
Economic Downturn Reserve	9.2	9.2	9.2
Public Health Reserve	2.7	0.0	0.0
Economic Prosperity Reserve	2.5	2.5	2.5
Equipment Replacement Reserve	2.1	3.0	2.0
Child Protection Reserve	1.1	0.1	0.0
Business Rate Appeals Reserve	1.3	1.3	1.3
Pension Stabilisation Reserve	1.1	0.0	0.0
Interest Rate Reserve	1.0	1.0	1.0
Total earmarked revenue reserves	**101.8**	**71.3**	**64.6**
General Fund Balance	**21.3**		**21.3**

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

Debt

App 9. During the six months to 30 September 2016, the Accounts Payable team raised invoices totalling £149.6m (up from £83.8m at 30 June 2016). The amount overdue on these invoices was £23.2m of gross debt as at 30 September 2016 (down from £24.6m at 30 June 2016). Table App 7 shows the age profile of the council's debts. The overdue debt is the gross debt less those balances not immediately due (i.e. less than 30 days old).

Table App 7: Age profile of the council's debts as at 30 September 2016

Account group	<1 month £m	2-12 months £m	1-2 years £m	+2 years £m	Gross debt £m	Overdue debt £m
Care debt – unsecured	3.4	5.2	1.9	3.3	13.8	10.5
Care debt – secured	0.5	2.1	1.6	3.2	7.4	6.9
Total care debt	**3.9**	**7.3**	**3.6**	**6.5**	**21.3**	**17.4**
Schools, colleges and nurseries	1.6	1.5	0.0	0.0	3.1	1.5
Clinical commissioning groups	8.4	1.0	0.1	0.2	9.7	1.3
Other local authorities	1.5	0.9	0.2	0.1	2.7	1.2
General debt	2.2	1.5	0.3	0.0	4.1	1.9
Total non-care debt	**13.8**	**4.8**	**0.6**	**0.4**	**19.6**	**5.8**
Total debt	**17.6**	**12.1**	**4.2**	**6.9**	**40.8**	**23.2**

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

App 10. Adjusting the overdue debt to take into account those balances not secured (on property) produces the overdue, unsecured debt figures shown in Table App 8. Over the quarter, overdue, unsecured debt has fallen by £1.9m, wholly due to reductions in non-care related debt.

Table App 8: Overdue, unsecured debt summary as at 30 September 2016

	2016/17 Q2 £m	2016/17 Q1 £m	2015/16 Q4 £m	2014/15 Q4 £m	2013/14 Q4 £m
Care related debt	10.5	10.5	10.8	8.9	6.5
Non care related debt	5.8	7.7	7.6	4.2	3.1
Total	**16.3**	**18.2**	**18.4**	**13.1**	**9.6**

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

App 11. 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 2016 to 30 September 2016 was 28 days (down from 32 days as at 30 June 2016).

App 12. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. During the quarter to 30 September 2016, the Director of Finance has written off 121 such debts with a total value of £267,732, of which £257,380 is care related and £10,352 is non care related debt.

Treasury management

Borrowing

App 13. 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 shows movements in the council's long term borrowing.

Table App 9: Long term borrowing as at 30 September 2016

	£m
Debt outstanding as at 1 April 2016	397.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 30 September 2016	**397.2**

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

App 14. The weighted average interest rate of the council's entire long term debt portfolio is 4.1% as at 30 September 2016.

App 15. The council also manages cash on behalf of Surrey Police Authority (£37.9m as at 30 September 2016) 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 10: Borrowing against the authorised limit and operational boundary as at 30 September 2016

	Authorised limit £m	Operational boundary £m
Gross borrowing	397.2	397.2
Limit / boundary	882.9	608.9
Headroom	**485.7**	**211.7**

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

Capital Financing Requirement

App 17. The Capital Financing Requirement (CFR) represents the council's underlying need to borrow for a capital purpose. The council must ensure that, in any one year, net external borrowing does not, except in the short-term, exceed the estimated CFR for the next three years. Table App 11 shows the council's position against the estimated CFR, as reported to the County Council in February 2016. The council's net current borrowing position of £332.7m more in borrowing than the council holds in short term deposits is substantially below its CFR.

Table App 11: The council's position against the estimated CFR

Capital Financing Requirement			Net borrowing
2015/16	2016/17	2017/18	
£870.9m	£916.4m	£950.3m	£332.7m

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

Maturity profile

App 18. The council sets limits for the maturity structure of borrowing in accordance with the Prudential Code, as shown in Table App 12. The actual amounts as at 30 September 2016 exclude balances invested on behalf of Surrey Police Authority.

Table App 12: Maturity structure of the council's borrowing as at 30 September 2016

	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 difference

Early debt repayment and rescheduling

App 19. The council has not made early repayments or rescheduled debt in 2016/17.

Investments

App 20. The council had an average daily level of investments of £181.6m throughout 2015/16, with an average of £87.7m so far in 2016/17. The balance of funds managed on behalf of schools was £57.1m at 30 September 2016.

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, or with the Debt Management Office (DMO). Table App 13 shows activity during the six months to 30 September 2016.

Table App 13: Deposit activity for the six months up to 30 September 2016

Timed deposits	Number	Average value £m	
Deals using a broker	0	0	
Direct deal facilities	0	0	
Deals with DMO	0	0	
Instant access	**Number**	**Individual limit £m**	**Total limit £m**
Active call accounts	1	20.0	20.0
Active money market funds	5	25.0	125.0

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

App 22. The weighted average return on all investments received in the quarter to 30 September 2016 is 0.45%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.28% for the same period. Table App 14 shows the comparison.

Table App 14: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
Quarter 2	0.28%	0.45%
2015/16 total	**0.36%**	**0.54%**
2014/15 total	0.35%	0.42%

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

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