

Cabinet



Date & time
Tuesday, 28 May
2019 at 2.00 pm

Place
Ashcombe Suite,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact
Vicky Hibbert or Angela
Guest
Room 122, County Hall
Tel 020 8541 9229 or 020
8541 9075

Chief Executive
Joanna Killian



We're on Twitter:
[@SCCdemocracy](#)

vicky.hibbert@surreycc.gov.uk or
angela.guest@surreycc.gov.uk

Cabinet Members: Mr Mel Few, Mr Matt Furniss, Mr Mike Goodman, Mrs Julie Iles, Mr Colin Kemp, Mrs Mary Lewis, Mrs Sinead Mooney, Ms Charlotte Morley, Mr Tim Oliver and Ms Denise Turner-Stewart

Deputy Cabinet Members: Mrs Natalie Bramhall, Miss Alison Griffiths, Mr Cameron McIntosh and Mr Wyatt Ramsdale,

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Vicky Hibbert or Angela Guest on 020 8541 9229 or 020 8541 9075.

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1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING: (30 APRIL 2019)

The minutes will be available in the meeting room half an hour before the start of the meeting.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

4 PROCEDURAL MATTERS

a Members' Questions

The deadline for Member's questions is 12pm four working days before the meeting (21 May 2019).

b Public Questions

The deadline for public questions is seven days before the meeting (20 May 2019).

c Petitions

The deadline for petitions was 14 days before the meeting, and no petitions have been received.

d Representations received on reports to be considered in private

To consider any representations received in relation why part of the meeting relating to a report circulated in Part 2 of the agenda should be open to the public.

5 REPORTS FROM SELECT COMMITTEES , TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL

None have been received.

6 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS/ INVESTMENT BOARD TAKEN SINCE THE LAST CABINET MEETING

(Pages 1 - 4)

To note any delegated decisions taken by the Leader, Deputy Leader, Cabinet Members and Investment Board since the last meeting of the Cabinet.

COUNCIL

7 2018/19 FINANCIAL OUTTURN REPORT

(Pages 5 - 22)

This report summarises:

- The revenue and capital outturn for the financial year ended 31 March 2019; and
- Details of service budget expenditure, carry forwards of capital budgets into 2019/20, a summary of the Reserves, Debt and Treasury Management activities into three Annexes.

[The decisions on this item can be called in by the Corporate Overview Select Committee]

8 EXCLUSION OF THE PUBLIC

That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

PART TWO - IN PRIVATE

9 INVESTMENT DISPOSAL

(Pages 23 - 28)

To approve recommendations for disposal of an investment.

This Part 2 report contains information which is exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies).

10 LAND DISPOSAL - WOKING

(Pages 29 - 56)

To approve recommendations for disposal of an asset in Woking.

This Part 2 report contains information which is exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies).

11 LEASE ACQUISITION - WALTON

(Pages
57 - 80)

To approve recommendations for a lease acquisition in Walton.

This Part 2 report contains information which is exempt from Access to Information requirements by virtue of paragraph 3 – Information relating to the financial or business affairs of any particular person (including commercially sensitive information to the bidding companies).

12 PUBLICITY FOR PART 2 ITEMS

To consider whether the item considered under Part 2 of the agenda should be made available to the Press and public.

**Joanna Killian
Chief Executive
Friday, 17 May 2019**

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within its terms of reference, in line with the procedures set out in Surrey County Council's Constitution.

Please note:

1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda).
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

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Thank you for your co-operation

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SURREY COUNTY COUNCIL**CABINET****DATE:** 28 MAY 2019**REPORT OF:** N/A**LEAD OFFICER:** JOANNA KILLIAN, CHIEF EXECUTIVE**COMMUNITY COUNCIL****VISION****OUTCOME:****SUBJECT:** LEADER/DEPUTY LEADER/CABINET MEMBER DECISIONS/
INVESTMENT BOARD DECISIONS TAKEN SINCE THE LAST
CABINET MEETING**SUMMARY OF ISSUE:**

To note the delegated decisions taken since the last meeting of the Cabinet.

RECOMMENDATIONS:

It is recommended that the Cabinet note the decisions taken by Cabinet Members / Investment Board since the last meeting as set out in Annex 1.

REASON FOR RECOMMENDATIONS:

To inform the Cabinet of decisions taken by Cabinet Members / Investment Board under delegated authority.

DETAILS:

1. The Leader has delegated responsibility for certain executive functions to the Deputy Leader and individual Cabinet Members, and reserved some functions to himself. These are set out in Table 2 in the Council's Scheme of Delegation.
2. The Leader has also delegated authority to the Investment Board to approve property investment acquisitions, property investment management expenditure, property investment disposals and the provision of finance to its wholly owned property company, Halsey Garton Property Ltd.
3. Delegated decisions are scheduled to be taken on a monthly basis and will be reported to the next available Cabinet meeting for information.
4. **Annex 1** lists the details of decisions taken by Cabinet Members since the last Cabinet meeting.

Contact Officer:

Angela Guest, Democratic Services Officer, Tel: 020 8541 9075

Annexes:

Annex 1 – List of Cabinet Member Decisions

Sources/background papers: Agenda and decision sheets from the Cabinet Member meetings (available on the Council's website)

CABINET MEMBER DECISIONS MAY 2019

(i) LEADER OF THE COUNCIL

GOVERNANCE REVIEW OF THE COUNCIL'S ASSETS, SHAREHOLDER AND INVESTMENT BOARDS

Details of decision

The following recommendations were agreed:

1. That the Investment Board and the Shareholder Board be dissolved and their functions amalgamated into a new Cabinet committee, the Strategic Investment Board, which will replace the current Asset Strategy Board, and will have the terms of reference as set out at Annex 1 (including the Leader's proposed addition to allow substitutes).
2. That the Strategic Investment Board be supported by two advisory officer panels, the Shareholder and Investment Panel and the Capital Programme Panel.
3. That Council be asked to approve the terms of reference as set out at Annex 1 (including the Leader's recommended addition) for inclusion in the Constitution.

Reasons for decision

The recommendations were agreed to ensure that the Council's arrangements for decision-making on assets and investment complies with legal requirements regarding transparency and recommended practice for good governance.

(Decision taken by the Leader of the Council – 7 May 2019)

CONSIDERING THE IMPACT OF REACHING THE ECO PARK GASIFICATION FACILITY LONG-STOP DATE

Details of decision

The recommendations laid out in the Part 2 report were agreed.

Reasons for decision

The recommendations were agreed due to the reasons outlined in the Part 2 report.

(Decision taken by the Leader of the Council – 7 May 2019)

(ii) CABINET MEMBER FOR ENVIRONMENT & WASTE

A331 AIR QUALITY SCHEME

Details of decision

The following recommendations were agreed:

1. The Full Business Case (FBC) was endorsed so that a speed limit reduction from 70mph to 50mph can be imposed on the relevant section of the A331 BVRR, as set out in the FBC.
2. The Executive Director for Community Protection, Transport and Environment, in consultation with the Cabinet Member for Environment and Waste, be authorised to:
 - a. Make any minor amendments to the FBC as required.
 - b. Submit the FBC to the Secretary of State by sending it to the Joint Air Quality Unit (JAQU) at the Department for Environment, Food and Rural Affairs (DEFRA) by 17 May 2019.

Reasons for decision

If the Council does not adopt the plan then the Council would be in breach of the Countryside and Rights of Way Act 2000 and would have to produce its own review of the management plan to cover the area of the AONB in Surrey.

(Decision taken by the Cabinet Member for Environment & Waste – 5 March 2019)

SURREY COUNTY COUNCIL**CABINET****DATE: 28 MAY 2019**

**REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE AND
LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF
RESOURCES**

LEAD OFFICER: EXECUTIVE DIRECTOR RESOURCES (S151 OFFICER)

**COMMUNITY COUNCIL
VISION
OUTCOME:**

SUBJECT: 2018/19 FINANCIAL OUTTURN REPORT

<u>SUMMARY OF ISSUE:</u>

The Council is halfway through a two year transformation programme which requires savings of c£200m to ensure its future financial viability. At this halfway stage in the transformation, the Council has achieved savings of £106m made up of original savings of £66m and an in year cost reduction target of £40m. The savings achieved in this financial year has avoided the use of any reserves, which were budgeted to be £21.3m.

This report summarises:

- The revenue and capital outturn for the financial year ended 31 March 2019; and
- Details of service budget expenditure, carry forwards of capital budgets into 2019/20, a summary of the Reserves, Debt and Treasury Management activities into three Annexes.

The revenue outturn for the year is positive, with an underspend against the original budget of £21.8m, resulting in a contribution to Reserves of £0.5m. This is against the original forecast drawdown of £21.3m.

This is an important step towards financial resilience and stabilisation of the Council's financial outlook. Despite the favourable outcome for the year further financial challenges should not be underestimated. The Council continues to face uncertainties arising from, the still to be announced, "Fair Funding Review" and the continuing rise in demand for its services while achieving the second tranche of savings in its two year programme of £82m in 2019/20.

Capital spending amounted to £117m of the £139m budget in 2018/19 with requests to carry forward £19.5m.

RECOMMENDATIONS:

The cabinet is asked to note;

1. the Council's overall revenue and capital budget positions as at 31 March 2019:
 - £21.8m underspend against the original 2018/19 budget;
 - Contributions to Reserves of £0.5m and those set out in paragraphs 3, 8 and 12 to 14;
 - Use of £14.4m capital receipts in-year to support transformation (paragraphs 16 and 16); and
 - £117m service capital expenditure against £139m budget

The Cabinet is asked to approve;

2. The carry forward of revenue budget underspends of £0.3m, in addition to the £4.1m approved at Month 11 (paras 5 and 7)
3. The carry forward of capital budget underspends of £19.5m. (para 24 and Annex 2)

REASONS FOR RECOMMENDATIONS

1. This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval of any necessary actions.

Revenue budget

2. Table 1 below shows the revenue budget outturn for the year by Service. **Annex 1** provides more detail of Service budget outturn.

Table 1 Summary revenue budget variances as at 31 March 2019

Service	Gross budget	Net budget	Net Actual	Actual variance	Last month variance
	£M	£M	£M	£M	£M
Children, Families, Learning & Communities	813.4	228.2	245.1	16.9	19.0
Health, Wellbeing & Adult Social Care	530.0	381.7	359.7	(22.0)	(22.0)
Highways, Transport & Environment	208.8	172.9	168.2	(4.7)	(4.5)
Customer, Digital & Transformation	93.7	82.7	72.3	(10.4)	(9.8)
Finance, Law & Governance	13.2	10.4	10.2	(0.2)	(0.2)
Central Income & Expenditure	56.0	51.1	42.6	(8.5)	(11.0)
Total services' revenue expenditure	1,715.1	926.9	898.1	(28.8)	(28.5)
Total general funding		(905.6)	(898.6)	7.0	7.6
Total movement in reserves		21.3	(0.5)	(21.8)	(20.9)

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

Significant Net Revenue Budget Variances

Children, Families, Learning & Culture

3. The Council's spend on Special Educational Needs and Disabilities (SEND) is funded from the High Needs Block of the Dedicated Schools Grant (DSG - outside the Council's revenue budget). The number of young people with a Special Educational Need or Disability and cost pressures have been rising over a number of years, both in Surrey, and elsewhere in the country. The Council's spent £145.6m, on this budget in 2018/19, exceeding the grant available by £17.6m. There was a carried forward deficit on this budget of £1.1m resulting in a cumulative deficit of £18.7m.
4. Expenditure on High Needs Block should be covered by DSG (Dedicated School Grant), and we continue to work with other partners to lobby the Department for Education (DfE), as well as working on the Transformational Project to contain costs. The Council has created an earmarked reserve, funded from the revenue budget, until these changes occur. A transfer from the General Fund of £18.7m has been made to this earmarked reserve.
5. Included within the outturn for the Directorate is an underspend of £85k on the Surrey Safeguarding Children's Board (SSCB). The SSCB is a pooled budget shared with Clinical Commissioning Groups (CCG), Police and Borough & Districts and needs to be carried forward in to the 2019/20 financial year.

Health, Wellbeing and Adults

6. Adult Social Care achieved an underspend of £22m during the year against the original budget of £381m. These savings were achieved through implementation of transformation programmes.

Highways, Transport & Environment

7. The Directorate has met and achieved its in-year budget reductions leading to a net underspend of £4.7m. Within this, the service request £0.2m is carried forward to cover highways schemes not completed by year end.
8. Construction of the Eco Park, was delayed during 2018/19. The delay in commissioning the plant has resulted in an underspend related to the capital and interest payments which were due on commissioning of the facilities of £17.6m, which has been transferred to a sinking fund reserve and will be used to offset the future running costs of the plant when commissioned

Customer, Digital & Transformation

9. Spending on buildings and property was reviewed during the year which led to an underspend on repairs, maintenance and running costs of £5.3m for the year.
10. £2.2m savings were achieved through reduced costs from the Orbis partnership.
11. Delays in the Modern Worker programme have led to underspend of £2.3m, with £0.4m being carried forward to meet committed costs in 2019/20.

Central Income & Expenditure

12. For 2018/19, the Council and Surrey Boroughs & Districts successfully bid to become a pilot area for 100% Businesses Rates Retention. An additional one-off gain of £20m was included in the budget. Further to this, additional potential benefit was triggered by the Boroughs and Districts releasing provisions for appeals. However this is accompanied by an outstanding potential liability, which means that there will be no immediate opportunity to release these.
13. £3m has been provided to cover a potential liability in relation to the retained fire fighters pension fund.
14. The Council is undergoing a significant transformation and improvement programme. Under the government's flexible use of capital receipts policy, much of this can be funded from this source. However, there may be some costs in future years which cannot be funded from this source, as a result a £2m has been transferred to reserves.

Transformation and Capital Receipts

15. The use of capital receipts to fund the costs of reforming services in compliance with the government's Flexible Use of Capital Receipts policy and guidance were approved at Full County Council Meetings in February 2018, May 2018 and February 2019.
16. In May 2018 the Council approved the use of capital receipts under this policy to fund savings projects that were included in the MTFP. During the 2018/19 financial year, £8.2m was spent on this programme. In addition, the Council has a significant Transformation Programme to reconfigure services and how they are provided. During 2018/19, £6.2m was spent on this programme. Capital receipts have been applied to both programmes.

Schools

Dedicated Schools Grant (DSG)

17. Surrey's final DSG budget for 2018/19 was £490m net (£840m gross of academies). In total the DSG blocks overspent by £7.7m, which is summarised in Table 2 below. The £17.6m overspend on High Needs SEND relates to paragraph 3 above.

Table 2. Dedicated Schools Grant variances 2018/19

DSG Block	£000
Schools	(4,902)
Central schools services	(260)
High Needs SEND	17,642
Early years	(4,734)
Net overspend	7,746

18. The underspend on schools was mainly due to the following:

- Underspent contingency budget brought forward from 2017/18 (£1.2m);
- Underspends on amounts “de-delegated” from maintained schools for specific purposes with Schools Forum approval (£0.7m);
- Underspends on sums set aside for growing schools and falling rolls protection, which was approved by Schools Forum (£2.2m); and
- Provision for business rates changes for new buildings (£0.6m).

Of the total underspend, £2.5m is already committed to schools’ budgets in 2019/20. The schools outturn is discussed with the Schools Forum in the summer term.

19. The High Needs block overspend is mainly caused by continued increases in the number and costs of placements in maintained, non-maintained and independent special schools (£14.9M), and additional individual pupil support (£3.5M). This reflects a continuing increase in demand in education health care plans, which have increased by 13% pa over two years. These were offset by underspends on post 16 placements (£0.7M) and on education in children’s homes (£0.5M).

Schools Balances

20. Surplus balances held by individual Surrey maintained schools have increased by £0.8m. Table 3 below explains the reasons for this increase.

Table 3 – Schools Balances

	£M
Surplus balances held by schools which were maintained by LA at 31 Mar 2019	37.3
Increase in balances during 2018/19	4.1
Surplus balances transferred to academies which converted between April 2018-March 2019	(3.0)
Deficits funded by Council	(0.3)
Surplus balances held by schools which were LA maintained at 31 March 2019	38.1

Capital Programme

21. The Council's final in-year budget for the 2018/19 Capital Programme was £139m. Expenditure to the end of March 2019 was £117m, leaving an underspend of £22m. **Annex 2** provides a schedule of requests to carry forward and re-profile £19.5m of the budget into the new financial year to complete the schemes.
22. Table 4 below provides a summary of the outturn for the capital budget, followed by an explanation of the significant variances.

Table 4 Summary capital programme budget variances as at 31 March 2019

	Current full year budget £m	Apr - Mar actual £m	Full year variance £m	M11 Variance £m	Reprofile / Carry Forward £m
Schools basic need	27.1	23.9	(3.2)	(3.2)	3.2
Property Services	30.8	26.5	(4.4)	(4.5)	2.8
Highways & Transport	58.6	54.8	(3.8)	(0.4)	3.2
Environment	1.7	1.2	(0.5)	(0.2)	0.4
IT & Digital	5.0	1.5	(3.5)	(3.5)	3.5
Other capital projects	15.5	8.8	(6.7)	(6.6)	6.4
Service capital programm	138.7	116.8	(22.0)	(18.5)	19.5

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

Significant Capital budget variances

23. The £22m service capital programme underspend is mostly due to the following:
- Schools Dedicated Formula Capital (£4.2m). Schools managed schemes funded by government grant;
 - Schools Basic Need (£3.2m). Negotiations with consultants, constructors and landowners continuing and causing delay over the year end on the completion of a number of projects providing an increase in pupil places;
 - IT Equipment replacement (£2.5m). Review of the specification and procurement route;
 - Non Schools Building Maintenance (£2.0m). Re-prioritisation of resources to complete school building maintenance programme;
 - Highways and transport schemes funded by LEPs (£1.5m), and National Productivity Improvement Fund (£1.1m). Reduced expenditure across a number of LEP funded projects during 2018/19, which will be completed in 2019/20 and therefore a carry forward of the funding is required, including the match funding from NPIF; and

- Fire & Rescue vehicles and equipment (£1.3m). A review of the specification to ensure alignment with the service's strategy and value of money.
24. Officers recommend that capital schemes that have been delayed in completion and cross the year-end, or are funded by grant or other third parties, have the funding re-profiled in to 2019/20. Following a review by officers, this totals £19.5m.
25. Annex 2 provides a full list of the projects were a carry forward of funding is recommended.

Investment Strategy

26. As part of increasing its overall financial resilience, the Council invested £100m in long-term income generating assets in 2018/19. This includes equity and loans to the Halsey Garton Property Group.
27. Net income from investment, less the costs of development activity to deliver income in future years, was £4.7m, which is £0.7m in excess of the budget held in Central Income & Expenditure.

Balance Sheet Indicators

28. The Council reports on a quarterly basis on the following key balance sheet indicators. These are presented in **Annex 3** and cover the following;
- Debt;
 - Treasury Management; and
 - Earmarked reserves
29. Earmarked reserves have increased over the year from £82m to £123m. In setting the budget for 2018/19, the Council planned to use £21m of reserves to support the budget that would have reduced reserves to £61m. Due to the positive revenue outturn this use of reserves has not been required. The increase in reserves is mainly to reflect the potential liabilities arising from the increased business rates income in year and the transfer to the Eco-Park Sinking Fund.
30. The Council's overdue debt stood at £26m at the 31 March 2019, an increase of £2m over the year. This has been driven by an increase in unsecured care debt due to a change in the national regulations. **Annex 3** provides further details on this.
31. The Council has continued its policy of minimising cash balances and exposure to low interest rates on short-term investments by internal and short term borrowing. The annex provides a further explanation of the impact of this policy on the Council's Balance Sheet.

CONSULTATION:

32. Executive Directors and Cabinet members have confirmed the outturn for their revenue and capital budgets.

RISK MANAGEMENT AND IMPLICATIONS:

33. 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 and the sustainability of the MTFP. In the light of the increased and significant financial risks faced by the Council, the Leadership Risk Register will be reviewed to increase confidence in Directorate plans to mitigate the risks and issues.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

34. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus.

SECTION 151 OFFICER COMMENTARY

35. The Section 151 Officer confirms the financial information presented in this report is consistent with the Council's general accounting ledger and that forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.
36. The Council has a duty to ensure its expenditure does not exceed resources available. During 2018/19, the Council planned to deliver £66m MTFP savings and to reduce spending by a further £40m as it moves towards a sustainable budget for future years. Although the outturn has been positive, in that there was a contribution rather than drawdown from reserves, the £106m savings and cost reductions included non-recurring savings of £6m that need to be replaced on a permanent basis to achieve long term financial stability.
37. It is drawn to Members' attention that the Council's Reserves were at low levels bearing in mind the ongoing uncertainty about future funding, demand pressures, savings and the transformation programme. Although the outturn position has improved the Reserves position, they are still relatively low and contain amounts set aside for possible future liabilities. The Council has considerable savings of £82m to deliver in 2019/20, these will need to be achieved to continue the progression towards financial stability.

LEGAL IMPLICATIONS – MONITORING OFFICER

38. The Council is under a duty to set a balanced and sustainable budget. 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 whilst continuing to meet its statutory duties.
39. 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 they 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, whilst complying with its statutory and common law duties.

EQUALITIES AND DIVERSITY

- 40. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary. In implementing individual management actions, the Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010 which requires it to have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 41. Services will continue to monitor the impact of these actions and will take appropriate action to mitigate additional negative impacts that may emerge as part of this ongoing analysis.

WHAT HAPPENS NEXT:

- 42. The relevant adjustments from the recommendations will be made to the Council's accounts.

Contact Officer:

Leigh Whitehouse, Executive Director of Finance
020 8541 7246

Consulted:

Cabinet, executive directors, heads of service.

Annexes:

Annex 1 – Actual Outturn revenue budget as at 31 March 2019.

Annex 2 – Capital budget carry forward requests

Annex 3 – Balance Sheet Indicators

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Outturn revenue budget (31 March 2019)

Service	Gross budget	Net budget	Actual	Proposed C/fwd	Outturn	Full year variance	Change from last month
	£M	£M	£M	£M	£M	£M	£M
Delegated Schools	313.4	0.0	0.0		0.0	0.0	0.0
Education, Lifelong Learning & Culture	320.5	68.5	86.1		86.1	17.6	19.4
Safeguarding & Family Resilience	45.6	42.2	42.3	0.1	42.4	0.2	0.2
Corporate Parenting	114.7	100.5	99.1		99.1	(1.5)	(1.4)
Quality Assurance	6.9	5.8	6.1		6.1	0.3	0.5
Commissioning	12.4	11.2	11.4		11.4	0.2	0.3
Children, Families, Learning & Communities	813.4	228.2	245.0	0.1	245.1	16.9	19.0
Adult Social Care	500.1	381.7	356.4	3.2	359.6	(22.1)	(21.9)
Public Health	29.9	0.0	0.1		0.1	0.1	(0.1)
Health, Wellbeing & Adult Social Care	530.0	381.7	356.5	3.2	359.7	(22.0)	(22.0)
Highways & Transport	80.3	67.7	63.7	0.7	64.4	(3.3)	(3.0)
Environment	73.8	69.7	69.1		69.1	(0.6)	(0.5)
Surrey Fire & Rescue Service	49.1	32.0	31.8		31.8	(0.2)	(0.4)
Trading Standards	3.9	1.8	1.8		1.8	0.0	(0.1)
Communities Support function	0.7	0.7	0.5		0.5	(0.2)	(0.2)
Economic Growth	1.1	1.0	0.7		0.7	(0.3)	(0.3)
Highways, Transport & Environment	208.9	172.9	167.6	0.7	168.3	(4.7)	(4.5)
Strategic Leadership	0.8	0.8	0.9		0.9	0.2	0.1
Strategy & Performance	1.9	1.7	1.3		1.3	(0.4)	(0.3)
Communications	1.7	1.7	1.5		1.5	(0.2)	(0.2)
Coroner	2.4	1.7	2.2		2.2	0.5	0.4
Customer Services	3.4	3.3	3.0		3.0	(0.2)	(0.3)
Human Resources & OD	3.9	3.9	2.9		2.9	(1.0)	(0.9)
Business Operations	(0.1)	(0.1)	0.0		0.0	0.1	0.0
Information Technology & Digital	13.0	12.4	10.1	0.4	10.5	(1.9)	(1.7)
Property	31.2	21.7	16.4		16.4	(5.3)	(4.9)
Joint Operating Budget ORBIS	35.6	35.6	33.5		33.5	(2.2)	(2.1)
Customer, Digital & Transformation	93.7	82.7	71.9	0.4	72.3	(10.4)	(9.8)
Finance	4.3	2.6	2.4		2.4	(0.2)	(0.3)
Democratic Services	4.5	3.8	3.5		3.5	(0.4)	(0.3)
Legal Services	4.4	4.0	4.3		4.3	0.3	0.5
Finance, Law & Governance	13.2	10.4	10.2	0.0	10.2	(0.3)	(0.2)
Central Income & Expenditure	56.0	51.1	42.6	0.0	42.6	(8.5)	(11.0)
Total services' revenue expenditure	1715.1	926.9	893.7	4.4	898.1	(28.8)	(28.5)
General funding sources							
Capital receipts		(15.0)	(8.2)		(8.2)	6.8	6.8
General Government grants		(40.0)	(39.9)		(39.9)	0.1	0.8
Local taxation (council tax & business rates)		(850.6)	(850.6)		(850.6)	0.0	
Total general funding		(905.6)	(898.6)	0.0	(898.6)	7.0	7.6
Total movement in reserves		21.3	(4.9)	4.4	(0.5)	(21.8)	(20.9)

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Proposed Capital Budget Carry Forwards

Service Area	Project	£000	Reason
SBN	Esher High, Runnymede and Farnham Heath End	1,387	On-going negotiations with consultants, constructors and landowners
SBN	St Mary's and Chart Wood	1,800	On-going negotiations with consultants, constructors and landowners
Property Services	School projects & SEN	385	Delays on aged modular buildings which have been re-programmed to 19/20 due to school requirements.
Property Services	Linden Farm (ASC)	696	Contract delays, although project has been successfully managed to complete in Q2 in line with revised scope.
Property Services	Schemes to deliver capital receipts	911	Mainly Horley Library - project progressing and due to complete in late March 2019 - Potential savings, to be confirmed, once final account has been agreed.
Property Services	Gypsy Romany & Traveller Sites	415	Kiln Lane planning delays and Downs site
Property Services	Contribution to Woking library maternity hub	88	Joint scheme with Woking BC and Health. £88k is SCC contribution to a larger project
Property Services	Surrey Fire & Rescue reconfiguration programme	309	Contractual delays at Fordbridge (£2m scheme) have been managed and project kept on track with minor delays.
HT&E	Basingstoke Canal	310	Delays in the delivery of the scheme due to resourcing.
HT&E	Newlands Corner Car-parking	71	Work is now being delivered as part of a larger Property led scheme and is due to be completed by the end of July 2019.
HT&E	LEP funded highways & transport schemes, including National Productivity Improvement Fund	2,602	Reduced expenditure across a number of LEP funded projects with NPIF match funding during 2018/19, which will be completed in 2019/20.
HT&E	Flood and drainage	199	
HT&E	Flood Resilience	211	Delays in negotiating access through the freeholders' land, and survey of protected species habitat
HT&E	Safety Barriers	188	To fund backlog of works that have built up on the network in the 2 years since the last survey was conducted.
HT&E	Fire – Joint transport Project	184	Delayed due to the scale of the project. The majority of the funding has now been allocated to projects.
HT&E	Bridge Strengthening	58	
HT&E	Off-set by overspend on Highways Maintenance	-269	Overspending on weather related highways maintenance works
IT&D	Equipment Replacement	2,503	Procurement and specification delays
IT&D	ASC Infrastructure	506	Delays due to trialling applications and further testing needed
IT&D	Data Centre & Network	494	Delays due to ongoing planning discussions

Service Area	Project	£000	Reason
Other Projects	Schools Kitchens	430	Completion of improvements to schools' kitchens funded from ring-fenced grant
Other Projects	Schools Dedicated Formula Capital	4,236	School scheme funded and managed schemes funded by grant
Other Projects	Schools capital funded by schools' expenditure	494	Schools funded and managed schemes
Other Projects	Fire & Rescue	1,279	Delays to the procurement of new vehicles & equipment
	Total	19,487	

Balance Sheet Indicators

Debt

- For the year to March 2019, the Council raised invoices totalling £366m. At the year-end, the gross debt outstanding on these invoices was £44.9m (c12%), representing a reduction of £13m from quarter 3. Table A below shows the age profile of the debts. The overdue debt is the gross debt less those balances not immediately due (i.e. less than 30 days old). Over the quarter overdue, a small increase in unsecured debt of £0.3M, mostly due to social care debt, was offset by a reduction in secured debt.

Table A Age profile of the Council's debt as at 31 March 2019

Account group	<1 month £M	1-12 months £M	1-2 years £M	+2 years £M	Gross debt £M	Overdue debt £M
Care debt – unsecured	5.2	5.4	3.2	4.3	18.1	12.9
Care debt – secured	0.5	2.6	1.7	4.2	8.9	8.4
Total care debt	5.6	7.9	4.9	8.5	26.9	21.3
Schools, colleges and nurseries	2.3	0.1	0.0	0.0	2.5	0.1
Clinical commissioning groups	5.0	0.9	0.2	0.1	6.2	1.1
Other local authorities	2.4	1.9	0.0	0.0	4.3	1.9
General debt	3.6	1.0	0.2	0.3	5.1	1.5
Total non-care debt	13.3	3.9	0.4	0.4	18.0	4.7
Total debt	18.9	11.8	5.3	8.9	44.9	26.0

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

Treasury Management

Borrowing

- The Council borrows to finance its capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The Council's long term debt stands at £397.2M, and has not increased this year.
- As at 31 March, the weighted average interest rate of the Council's long term debt portfolio remained 4.1%. The Treasury Strategy, approved by County Council in February 2018, continued the policy of internal borrowing and where necessary, to borrow short term to meet cash flow liquidity requirements. Table B shows a net £62m increase in the Council's short term borrowing activity during 2018/19, although a reduction of £40m from 31 December 2018.

Table B Short term borrowing as at 31 March 2019

	£M
Debt outstanding as at 31 March 2018	193
Loans raised	813
Loans repaid	(751)
Current balance as at 31 March 2019	255

Figures are for Surrey County Council only and do not include Surrey Police

4. The weighted average interest rate of the Council's short term external debt is 0.84% at 31 December 2018, representing a small increase in the last quarter of the year.

Authorised limit and operational boundary

5. The prudential indicators control the Council's overall level of borrowing. They comprise the authorised limit and the operational boundary as outlined below.
- The authorised limit is determined under the Local Government Act 2003, section 3(1). It reflects the level of borrowing which, while not sustainable, is affordable in the short term. It is the expected maximum borrowing needed with headroom for unexpected cash flow. For 2018/19 it is £1,643m and peak borrowing was £711m.
 - The operational boundary is an indicator to ensure the authorised limit is not breached. It is the probable external debt during the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. For 2018/19 it is £1,059M, with the year-end balance being £666m and peak borrowing being £711m.

Capital Financing Requirement

6. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purposes. The Council must ensure that, in any one year, net external borrowing does not, except in the short term, exceed its estimated CFR for the next three years. As at 31 March 2019, the Council has a net borrowing position of £635m (£666m total borrowing, less £31m cash deposits). The difference between net borrowing and the estimated CFR reflects the Council's strategy to maximise internal borrowing.

Maturity profile

7. The Council sets limits for the maturity structure of borrowing in accordance with the Prudential Code. This shows the Council's exposure to refinancing risk. Table C shows the limit range and actual amounts at 31 March 2019.

Table C Maturity structure of the Council's borrowing at 31 March 2019

	Upper limit	Lower limit	Actual
Repayable in 1 year	50%	0%	40%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	2%
Repayable in 5-10 years	75%	0%	0%
Repayable in 10-50 years	100%	25%	58%

Early debt repayment and rescheduling

8. The Council has not made early repayments or rescheduled debt in 2018/19.

Investments

9. The Council's average daily level of cash balances was £41m in 2018/19, compared to an average of £68.7m during 2017/18. This reflects the strategic policy to reduce cash held during the year by borrowing over shorter periods. The Council invests temporary cash surplus exclusively through the use of money market funds. Other investment facilities are available, including: brokers, direct dealing with counterparties through the use of call accounts or direct deal facilities, or with the government's Debt Management Office (DMO). No new fixed term deposits have been agreed during 2018/19 due to the low cash balances held and the need to maintain high liquidity.
10. Table D shows the weighted average return on all investments the Council received in the quarter to 31 March 2019 was 0.76%. This compares to the 0.57% average 7 day London Interbank Bid Rate (LIBID) for the same period.

Table D Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
2018/19 quarter 4	0.57%	0.76%
2018/19 quarter 3	0.49%	0.70%
2018/19 quarter 2	0.51%	0.58%
2018/19 quarter 1	0.36%	0.21%
2017/18 total	0.21%	0.22%

Note: All numbers in all tables have been rounded - which may cause a casting difference.

Earmarked Reserves

11. The positive outturn position, due to the in-year reductions in spending, has eliminated the need to use reserves in 2018/19 to support the revenue budget. This has left the balance of earmarked reserves in a better position than expected at the start of the year.
12. Reserves have also increased to reflect the potential liabilities arising from the increased business rates income in year and the transfer to the Eco-Park Sinking Fund.
13. Table E shows the Council's earmarked reserves and general balances as at 31 March 2018 and the total movements over the year.

Table E Earmarked revenue reserves as at 31 March 2019

	Balance 31/03/18	Net movement	Balance 31/03/19	Proposed Carry Forward	Balance 01/04/19
	£M	£M	£M	£M	£M
Business Rates Appeals Reserve	3.6	25.0	28.6		28.6
Budget Equalisation Reserve	22.6	9.4	32.0	(4.4)	27.6
Earmarked SEND High Needs Block Reserve	0.0	18.7	18.7		18.7
High Need Block DSG Deficit	0.0	(18.7)	(18.7)		(18.7)
Eco-Park Sinking Fund	6.7	9.7	16.4		16.4
Revolving Infrastructure Fund	11.1	0.0	11.1		11.1
Insurance Reserve	9.2	1.2	10.4		10.4
Economic Downturn Reserve	9.2	0.0	9.2		9.2
Investment Renewal Reserve	5.0	0.0	5.0		5.0
General Capital Reserve	4.8	0.1	4.9		4.9
Street Lighting PFI Sinking Fund	3.7	(0.6)	3.1		3.1
Equipment Replacement Reserve	2.2	0.7	2.9		2.9
Economic Prosperity Reserve	2.5	0.0	2.5		2.5
Interest Rate Reserve	1.0	0.0	1.0		1.0
Child Protection Reserve	0.1	(0.1)	0.0		0.0
Total Earmarked Reserves	81.7	45.4	127.1	(4.4)	122.7

The excess expenditure on the High Needs Block of the dedicated Schools Grant has been described above. This has led to a deficit, which is off-set by an earmarked reserve. Both of these are shown in Table E, with the deficit being shown as a negative balance.

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