

Budget monitoring: Outturn 2015/16 (31 March 2016)

Summary recommendations

Cabinet is asked to note the following.

1. The council achieved -£7.1m underspend for 2015/16 (paragraph 1). 2015/16 is the sixth year in succession, the council has achieved a small underspend or balanced outturn.
2. requests to carry forward £3.9m of the underspend for spending on planned service commitments that continue beyond 2015/16, leading to a net underspend of -£3.2m. This is less than 0.2% of the Council's full year gross expenditure budget of £1,675m (Annex 2)
3. Services achieved £65.8m efficiencies and savings (paragraph 57) against the planned target of £67.4m.
4. The council invested £251.7m through its capital programme in 2015/16 (paragraph 68).
5. The council's balance sheet, year end reserves and balances, debt analysis and treasury management report (Appendix 1, paragraphs App 6 to App 22).

Cabinet is asked to approve the following.

6. £3.9m revenue carry forward requests and transfer funding to the Budget Equalisation Reserve (paragraph 3 and Annex 2).
7. £3.2m transfer of remaining revenue underspend to the Budget Equalisation Reserve also (paragraph 4).
8. £4.3m draw down from the waste sinking fund to offset higher waste management costs in 2015/16 (paragraph 31).
9. £18.0m additional funding to enhance existing 2015/16 Highways and Environment schemes (paragraphs 69 to 73)
10. £0.5m transfer of Revolving Infrastructure and Investment Fund net income back into the fund (paragraph 47).
11. £13.0m net capital programme reprofiling (paragraph 74 and Annex 2).
12. £2.1m to be earmarked from the capital programme efficiencies for future SuperFast Broadband initiatives, subject to robust business case proposals and subsequent Cabinet approval (paragraph 76 and Annex 2).
13. £40,000 contribution to commemorate the bicentenary of the artist G F Watts in 2017 (Annex 1, paragraph 77 and Annex 2).

Revenue summary

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

As part of the council's long term planning in a period of austerity, services have sought to maximise underspends as part of a deliberate strategy to manage revenue and capital spending in light of the serious financial challenges the council faces in 2016/17 to achieve a sustainable budget.

As at 31 March 2016, services underspent by -£7.1m and achieved £65.8m of its planned efficiencies. The underspend is due to several offsetting variances, including the following.

- +£0.4m net overspend on Adult Social Care (ASC) due to +£8.5m increase in demand offset by: -£8.2m use of 2015/16 central government grant and an underspend in ASC's Deprivation of Liberties budget; +£1.8m forecast unachieved savings and -£1.8m additional fees and charges.
- +£3.1m children's services' costs due to higher volumes of children in need.
- -£1.5m underspend on Highways & Transport due to underspends on winter maintenance, insurance claims and local growth deal schemes.
- -£5.4m underspend on business services, including -£2.4m from restricting building maintenance to essential work only in February and March 2016.
- +£3.4m contribution to East Surrey Local Transformation Fund to improve health and social care provision, which the council will benefit from in future years.
- -£4.3m more increased income from business rates and related grants than expected.

This is a decrease from the underspend forecast as at 29 February 2016 of +£1.6m. The principal reasons for this include:

- -£0.4m improvement in Adult Social Care mainly due to fees & charges income;
 - -£0.8 increase in Highways & Transport underspend primarily due to lower than expected highway maintenance costs and increased income and recharges;
 - -£0.4m increase in Information Management & Technology's underspend mainly from IT applications where a proportion cost less than anticipated;
 - other smaller service net underspendings;
- offset by
- +£3.4m contribution for transformational work undertaken to improve capacity in health and social care in the east of the county; and
 - +£0.4m reduction in business rates pool income due to a successful rating appeal finding for a large company for a site in Spelthorne.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2015/16, Cabinet approved use of £3.7m from the Budget Equalisation Reserve and carry forward of £8.0m to fund continuing planned service commitments. The financial strategy has a number of long term drivers to ensure sound governance, management of the council's finances and compliance with best practice as follows.

- Keep any additional call on the council taxpayer to a minimum, consistent with delivery of key services through continuously driving the efficiency agenda.

- Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
- Balance the council's 2015/16 budget by maintaining a prudent level of general balances and applying reserves as appropriate.
- Continue to maximise our investment in Surrey.

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £696m capital programme in MTFP 2015-20. As at 31 March 2016, services spent £189.2m against the updated 2015/16 service capital budget of £197.7m.

To help increase its overall financial resilience, the council invested £62.5m in long term capital investment assets in 2015/16.

The council's total capital expenditure for 2015/16, including long term investments, was £251.7m (paragraphs 64 to 78).

Revenue budget

1. As at 31 March 2016 the council achieved an overall -£7.1m underspend.
2. In March 2015, Cabinet approved the council's 2015/16 gross expenditure budget at £1,671.3m, financed by -£1,667.6m gross income and -£3.7m from reserves. Changes during 2015/16 reflecting agreed carry forwards and small budgetary adjustments increased the gross expenditure budget to £1,675.1m and gross income to -£1,671.4m. The council's use reserves to balance 2015/16 remained at -£3.7m.

Revenue budget carry forward requests –

3. Services request to carry forward £3.9m to support ongoing projects as detailed in Annex 2. These include:
 - £0.7m Community Partnership & Safety;
 - £0.8m Highways;
 - £0.5m Information Management & Technology;
 - £0.5m Strategy & Performance;
 - £1.0m Central Income & Expenditure; and
 - £0.4m smaller service requests.

Revenue budget monitoring position

4. Table 1 summarises the council's 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 was £3.7m. The full year -£7.1m underspend is subject to £3.9m carry forward requests leaving £3.2m available for appropriation to the Budget Equalisation Reserve. Table 1 summarises the outturn position. Table App3 in the Appendix gives more detail.

Table 1: 2015/16 revenue budget subjective outturn summary

| Subjective summary | Full year final budget £m | Full year outturn £m | Full year variance £m |
|---|--|-------------------------------------|--------------------------------------|
| Gross income | -1,671.4 | -1,721.2 | -49.8 |
| Gross expenditure | 1,675.1 | 1,717.8 | 42.7 |
| Total net expenditure | 3.7 | -3.4 | -7.1 |
| Potential 2016/17 carry forwards | | 3.9 | 3.9 |
| | 3.7 | 0.5 | -3.2 |

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

5. Table App1 in the appendix, outlines the full year revised revenue budget by service after taking account of virements and budgets carried forward from 2014/15. Table App2 in the appendix analyses these further.
6. Table 2 shows the revenue budget outturn position analysed by services and the council's general funding sources. For each service, the table shows the net expenditure position comprising 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.

7. Table 2 shows most services achieved a balanced outturn or underspend in 2015/16.

Table 2: 2015/16 revenue budget outturn

| Service | Full year final budget £m | Full year position £m | Full year variance £m |
|---|--|--------------------------------------|--------------------------------------|
| Economic Growth | 1.7 | 1.2 | -0.5 |
| Strategic Leadership | 0.4 | 0.4 | 0.0 |
| Adult Social Care | 372.2 | 372.6 | 0.4 |
| Children's Services | 91.4 | 94.5 | 3.1 |
| Services for Young People | 15.3 | 15.1 | -0.2 |
| Schools & Learning | 74.2 | 73.9 | -0.3 |
| Strategic Services (CSF) | 2.2 | 2.4 | 0.2 |
| Delegated Schools | 0.0 | 0.0 | 0.0 |
| Community Partnership & Safety | 3.5 | 2.8 | -0.7 |
| Coroner | 1.3 | 1.5 | 0.2 |
| Cultural Services | 9.6 | 9.2 | -0.4 |
| Customer Services | 3.4 | 3.3 | -0.1 |
| C&C Directorate Support | 1.0 | 0.9 | -0.1 |
| Emergency Management | 0.6 | 0.5 | -0.1 |
| Magna Carta | 0.8 | 0.6 | -0.2 |
| Surrey Fire & Rescue Service | 34.9 | 34.5 | -0.4 |
| Trading Standards | 2.1 | 2.1 | 0.0 |
| Environment & Planning | 80.8 | 80.6 | -0.2 |
| Highways & Transport | 45.0 | 43.5 | -1.5 |
| Public Health | 0.3 | 0.3 | 0.0 |
| Central Income & Expenditure | 49.7 | 53.1 | 3.4 |
| Communications | 2.1 | 2.0 | -0.1 |
| Finance | 8.4 | 7.5 | -0.9 |
| Human Resources & Organisational Development | 8.5 | 7.9 | -0.6 |
| Information Management & Technology | 25.8 | 24.8 | -1.0 |
| Legal & Democratic Services | 8.5 | 8.4 | -0.1 |
| Strategy & Performance | 2.6 | 2.4 | -0.2 |
| Procurement | 3.3 | 3.1 | -0.2 |
| Property | 28.9 | 26.5 | -2.4 |
| Business Operations | 4.7 | 4.5 | -0.2 |
| Total services' net revenue expenditure | 883.0 | 880.2 | -2.8 |
| General funding sources | | | |
| General Government grants | -237.2 | -238.8 | -1.6 |
| Local taxation (council tax and business rates) | -642.1 | -644.8 | -2.7 |
| Total general funding | -879.3 | -883.6 | -4.3 |
| Total movement in reserves | 3.7 | -3.4 | -7.1 |

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

Services' budget outturn commentaries 2015/16

8. The following commentaries on services' significant budget variances set out:

- changes since 29 February 2016; and
- the impact of the variances on the council's overall financial position

Adult Social Care

9. Adult Social Care (ASC) overspent +£0.4m. This includes £35.5m savings and is a -£0.4m improvement from the forecast as at 29 February 2016, mainly due to additional fees & charges income.
10. ASC +£0.4m outturn uses funding support from -£7.4m central government Care Act Implementation grant and -£0.8m use of ASC's Deprivation of Liberty Safeguards (DoLS) budget to offset an underlying +£8.6m overspend.
11. ASC's 2015/16 central government grant funding included £7.4m for service reform new burdens. Following postponement of the reforms, the Government announced it would not claw back the funding in 2015/16 and ASC has used these funds as a one-off measure to help offset increased demand pressures in 2015/16.
12. ASC's 2015/16 DoLS budget increased by £1m in response to considerable growth in demand for assessments following a 2014 Supreme Court ruling. Difficulties recruiting specialist Best Interest Assessors meant ASC would not spend all the additional budget in 2015/16, enabling it to apply £0.8m of the DoLS underspend against the underlying overspend.
13. The main drivers of the underlying +£8.6m overspend are as follows.
 - +£8.5m additional pressures from increased demand for care services. Over 2015/16, care service demand volumes increased by significantly more than the 5% budgeted. A key priority for ASC is to manage demand effectively through prevention, information and advice, plus greater collaboration and integration with the NHS. These strategies help limit demand increases, but have not yet succeeded in reducing the rate of demand to budgeted levels. In addition to the increased demand, costs for individuals already receiving care are also rising due to growing levels of need and complexity.
 - Demand for care is a whole system issue. Ongoing local health systems pressures affect social care significantly. Local clinical commissioning groups' demand for hospital admissions is not falling as planned. Unplanned admissions to hospitals are higher than last year's baseline (and much higher than the budgeted 1% reduction). This highlights why work to develop a whole systems approach to health and social care across Surrey is crucial to increasing health and wellbeing and reducing demand pressures on the care system.
 - Achievement of an average of 16% savings for each completed reassessment compared to ASC's 20% FFC (Family, Friends & Community) stretch savings target, plus underachievement of demand management related savings due to increased service volumes, offset by surpluses on some other savings such as applying the national Continuing Health Care (CHC) framework equates to a 95% achievement (+£1.8m overspend) against ASC's overall savings target of £37.3m.
 - -£1.4m surplus on fees & charges income directly related to the increased demand for care outlined above, plus -£0.4 additional government grant funding to help meet the increased demand for DoLS assessments.

14. ASC is developing plans to manage the underlying overspend in the new financial year and beyond.

Children's Services

15. Children's Services overspent +£3.1m (up from +£2.8m forecast as at February 2016). The three main reasons for the overspend are: external placements, asylum seekers and locum social workers.
16. These reflect the ongoing rise in numbers and complexity of need of Looked After Children (LAC). After reaching a plateau through 2014/15, the LAC numbers rose sharply in 2015/16. On average the council had 847 LAC at any one time in 2015/16, 9% higher than 2014/15's average of 776. There are also high numbers of children who are not looked after, but whose families need support.
17. The growth in external placements mainly affects the fostering budget (+0.4m overspent) but there are also overspends in relation to external agency placements and asylum seeking young people. The agency budget overspend is £2.2m (plus £0.3m funded from Dedicated Schools Grant). This is mostly due to the type of placements required. Overall volume of placements in 2015/16 was generally below the 206 expected but have needed more expensive residential placements and less use of external fostering. In particular there have been several very high cost placements with seven cases currently costing over £5,000 a week each. There were also more short term, 12 week, Family Assessment Centre placements - 30 during in 2015/16, costing £1.1m.
18. Numbers of unaccompanied asylum seeking children increased by 50% in 2015/16, accounting for a significant proportion of the rise in LAC numbers. The overspend is +£1.6m net of grant income. The grant does not fully cover costs, on average there is a £10,000 shortfall a year for each child under 18, in addition to care leavers and those without recourse to public funds.
19. Staffing pressures within the area referral, assessment and care management teams led to a +£1.3m overspend. These teams needed additional social work capacity to manage caseloads safely, with several teams operating above establishment. All of the area teams have increased reliance on locum social workers throughout 2015/16. Number rose from 63 at the start of the year to 78 at the end. Each locum social worker costs around £2,000 a month more than a permanent member of staff causing a significant budget pressure that is likely to persist in the near future.
20. -£1.0m underspend on 2015/16's Adoption Reform grant and -£1.2m additional income from inter agency adoptions and partner contributions to short breaks contracts offset these overspends.
21. Children's Services is developing plans to manage the underlying overspend in the new financial year and beyond.

Schools & Learning

22. Schools & Learning underspent -£0.3m. This is a -£0.3m improvement from the forecast as at February 2016.

23. Overall, home to school transport overspent by +£1.1m, mainly due to overspends of +£1.5m on Special Educational Needs (SEN) transport and +£0.4m on transport to alternative provision settings, partly offset by -£0.8m underspend from denominational transport changes introduced in 2012 which continue to reduce costs. Early years overspent by +£0.8m due to not pursuing planned efficiencies.
24. The following underspends in Schools & Learning's budget more than offset these overspends. SEN services made -£0.8m fewer county funded agency placements in education establishments than budgeted; area services underspent by -£0.4m; and Commercial Services made -£1.1m greater than budgeted contribution to overheads.

Community Partnership & Safety

25. Community Partnership & Safety underspent by -£0.7m. This is mainly due to committed expenditure that will not be incurred until 2016/17 for the Community Improvements Fund (£0.5m) and Members' allocations (£0.2m) for which carry forwards are requested. As this underspend was due to the timing of expenditure, it will not affect the 2016/17 budget.

Coroner's Service

26. Coroner's Service overspent by +£0.2m. This is predominantly due to the Deepcut Inquest (£120,000) and an increased number of inquests during the year (£57,000). The 2016/17 budget recognises the likelihood of increased number of inquests. However, the ongoing Deepcut Inquest could result in a pressure.

Cultural Services

27. Cultural Services underspent by -£0.4m. This is mainly due to Libraries' -£0.4m underspend from -£0.7m staff savings, partially offset by investment in more library self-service machines and door entry systems ahead of future efficiency savings. These savings form part of the 2016/17 budget.

Economic Growth

28. Economic Growth underspent by -£0.5m, mainly as a result of -£0.3m uncommitted expenditure against the Surrey Growth Fund and -£0.2m in relation to the economic development budget. Carry forwards for both of these amounts are requested for these activities in 2016/17.

Surrey Fire & Rescue Service

29. Surrey Fire & Rescue Service (SFRS) underspent by -£0.4m. This includes reversal of a £0.2m provision set up in 2014/15 for an Employment Tribunal. The hearing found in Surrey's favour, so the provision is not required. SFRS's underlying position for 2015/16 is -£0.2m underspend due to additional net income, largely from the council's wholly owned trading company S.E. Business Services Ltd.. SFRS officers seconded to the company have been integral to the success of the fire related contract and associated profit. This contribution has been recognised by adjusting SFRS's income budget at year-end. The dividend will be recorded centrally when it is received, as trading income.

Environment & Planning

30. Environment & Planning underspent by -£0.2m. This is due to several offsetting factors, most significantly -£0.5m for Travel & Transport concessionary fares reimbursements as levels of passenger journeys have been lower than budgeted.
31. Waste management costs were higher than budget due to higher waste volumes, demographics and treatment costs plus the delayed impact of planned savings. To offset these higher costs in 2015/16, Cabinet is requested to approve drawing £4.25m from the waste sinking fund, as noted in earlier budget monitoring reports.
32. Environment & Planning requests £0.04m carry forward to enable inspection of rights of way structures (e.g. footbridges).

Highways & Transport

33. Highways & Transport underspent by -£1.5m. This includes underspends against the winter maintenance (-£0.4m) and insurance claim (-£0.2m) budgets and the impact of delayed development of local growth deal schemes (-£0.7m).
34. Highways & Transport requests £0.84m carry forward to complete drainage and flooding projects and to fund initial development of Local Growth Deal schemes.

Public Health

35. Public Health (PH) achieved a balanced outturn despite receiving a £2.2m in year cut to its funding. In June 2015 the Chancellor announced a £200m cut to the 2015/16 Public Health ring-fenced grant, of which Surrey's share was £2.2m. To meet this cut, PH achieved: £0.8m efficiency or one off reductions, reduced £1.0m expenditure in lower priority service areas and transferred £0.45m from the Public Health Reserve (created from delayed funding to PH's 2014/15 ring fenced grant in anticipation of supporting activities in later years). If the grant cut continues, future years will involve further front line service reductions as the service uses up the Public Health Reserve.

Finance

36. Finance underspent by -£0.9m. This was mainly due to reductions in insurance premiums and the external auditor's fee, staffing savings and increased income. The savings on insurance and the audit fee (£0.4m) will continue in 2016/17 and are recognised in the budget.

Human Resources & Organisational Development

37. Human Resources & Organisational Development (HR&OD) underspent by -£0.6m. This was mainly due to staffing savings and lower training costs. Of this variance £0.3m is early delivery of 2016/17 efficiency savings.
38. HR&OD requests a £0.2m carry forward to cover a backlog of occupational health risk assessments.

Information Management & Technology

39. Information Management & Technology (IMT) underspent by -£1.0m. This was mainly due to lower costs of IT applications and delays in the Modern Worker programme, following a review to identify areas to make savings in 2016/17. Savings on SAP procurement will continue in 2016/17, the full year saving is £0.4m.
40. IMT requests a £0.45m carry forward to complete projects to upgrade IT systems, equipment and effective ways of working across the council.

Property Services

41. Property Services underspend by -£2.4m (up from -£2.2m forecast as at February 2016). This is primarily due to: only carrying out essential building maintenance in the later months of 2015/16; holding staff vacancies ahead of Orbis restructures, and lower utilities costs due to the relatively warm winter weather. £0.5m of this saving, mainly relating to building running costs, will continue in 2016/17.
42. Property Services requests to carry forward £0.05m to complete the implementation of the managed print service, due in May 2016.

Central Income & Expenditure

43. Central Income & Expenditure overspent by +£3.4m. This is mainly due to: +£3.4m contribution to East Surrey Local Transformation Fund for transformational work undertaken in 2015/16 to improve capacity in health and social care provision in the east of the county from which the council will benefit in future years; and capital financing costs +£1.1m above budget due to the council's strategy of retaining capital receipts for investment, and a small pressure due to borrowing early to fund the capital programme at lower interest rates. These overspendings were partially off-set by higher interest receivable on cash balances and -£1.0m underspend on redundancy costs.
44. Cabinet is requested to carry forward the -£1.0m Redundancy and Compensation budget underspend to meet expected 2016/17 pressures from service transformation.

General Government Grants and Local Taxation

45. General Government Grants and Local Taxation budget received -£4.3m more than in the original budget. The main reasons for this are: -£1.6m in additional business rates income as the district and borough councils' final schedules being higher than the estimates used to produce the budget; -£1.6m due to the government grant compensating councils for the business rate relief scheme being higher than expected; and -£1.1m from business rates pooling arrangements with four Surrey district and borough councils. This is £0.4m less than forecast as at February 2016 due to a successful rating appeal finding for a large company for a site in Spelthorne. Pooling maximises the business rate returns to each authority by pooling tariff and top-payments from central government and has resulted in this additional amount due to the council for 2015/16.

Revolving Infrastructure & Investment Fund

Table 3: Summary revenue and capital position as at 31 March 2016

| | Full year outturn |
|---------------------------------|----------------------|
| Revenue expenditure | £m |
| Income | -3.9 |
| Expenditure | 0.4 |
| Net income before funding | -3.5 |
| Funding costs | 3.0 |
| Net income after funding | -0.5 |
| Capital expenditure | 62.5 |

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

46. The Revolving Infrastructure & Investment Fund generated -£0.5m net income from: the Joint Venture project to deliver regeneration in Woking town centre and from various property acquisitions made for future service delivery or economic regeneration purposes.
47. Cabinet is asked to approve the transfer of -£0.5m net income to the Revolving Infrastructure and Investment Fund.
48. Capital expenditure in 2015/16 includes: a property acquisition in Dorking; equity investment and loan to Halsey Garton Property Ltd (the council's wholly owned property investment company); development of the former Thales site in Crawley; and further loans to the Woking Bandstand Joint Venture Company.

Staffing costs

49. 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.
50. 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.
51. The council sets its staffing budget on the estimated labour it needs to deliver its services. It expresses this estimated labour as budgeted full time equivalent (FTEs) staff required on average over the full year and converts it to a budget cost. The budget comprises spending on all three categories of staff and is the key control in managing staffing costs.
52. In practice, throughout the year, the composition of occupied posts and FTEs will vary. However managers are still able to control total cost within budget. For example, there are several reasons a service might recruit new staff at lower cost than the current budget and use of fixed term contracts may temporarily result in higher than budgeted FTEs, but the service would remain within its overall budget.
53. The council's total MTFP full year staffing budget for 2015/16 is £300.6m based on 7,935 budgeted FTEs. Table 4 shows the composition of the council's workforce as at 31 March 2016. Of the 548 live vacancies, where the council is actively recruiting, 431 are in social care.

Table 4: Full time equivalents in post and vacancies as at 31 March 2016

| | |
|---|-------|
| | FTE |
| Budget | 7,935 |
| Occupied contracted FTE | 7,308 |
| "Live" vacancies (i.e. actively recruiting) | 548 |

54. Table 5 shows staffing cost as at 31 March 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs and occupied contracted FTEs. Variances between these two figures can arise for several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the service where they work); 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.

55. 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.
56. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix. Table 5 shows the 2015/16 staffing budget was £305.6m and actual expenditure was £300.8m. Table App 3 reiterates the -£4.8m underspend for the year.

Table 5: Staffing costs and FTEs to 31 March 2016

| Service | 2015/16 staffing budget £m | Staffing spend by category | | | | | Total £m | Variance £m | Budgeted FTE | Occupied contracted FTEs |
|--|-------------------------------------|----------------------------|--------------|------------------------|--------------|-------------|-------------|----------------|-----------------|--------------------------------|
| | | Contracted £m | Agency £m | Bank & casual £m | Total | Variance | | | | |
| Economic Growth | | | | | | | | 1 | 0 | |
| Strategic Leadership | 0.4 | 0.4 | 0.0 | 0.0 | 0.4 | 0.0 | | 2 | 3 | |
| Adult Social Care | 58.6 | 51.8 | 3.0 | 2.2 | 57.0 | -1.6 | | 1,925 | 1,605 | |
| Children's Services | 47.4 | 39.3 | 6.4 | 2.7 | 48.4 | 1.0 | | 1,108 | 997 | |
| Services for Young People | 14.0 | 13.4 | 0.0 | 0.5 | 13.9 | -0.1 | | 395 | 399 | |
| Strategic Services | 2.8 | 2.8 | 0.0 | 0.0 | 2.8 | 0.0 | | 52 | 59 | |
| Schools & Learning | 46.7 | 44.8 | 0.5 | 0.9 | 46.2 | -0.5 | | 1,332 | 1,272 | |
| Delegated Schools | | | | | | | | | | |
| Community Partnership & Safety | 1.2 | 1.3 | 0.0 | 0.0 | 1.3 | 0.1 | | 24 | 26 | |
| Coroner | 0.4 | 0.3 | 0.1 | 0.1 | 0.5 | 0.1 | | 1 | 2 | |
| Cultural Services | 18.7 | 16.5 | 0.0 | 1.6 | 18.1 | -0.6 | | 520 | 535 | |
| Customer Services | 3.4 | 3.1 | 0.2 | 0.0 | 3.3 | -0.1 | | 112 | 97 | |
| C&C Directorate Support | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 0.0 | | | | |
| Emergency Management | 0.5 | 0.5 | 0.0 | 0.0 | 0.5 | 0.0 | | 12 | 13 | |
| Magna Carta | | | | | | | | | | |
| Surrey Fire & Rescue Service | 27.7 | 26.0 | 0.2 | 1.7 | 27.9 | 0.2 | | 675 | 630 | |
| Trading Standards | 3.2 | 3.0 | 0.1 | 0.0 | 3.1 | -0.1 | | 100 | 94 | |
| Environment & Planning | 10.4 | 9.7 | 0.3 | 0.3 | 10.3 | -0.1 | | 215 | 198 | |
| Highways & Transport | 13.8 | 11.6 | 0.9 | 0.2 | 12.7 | -1.1 | | 313 | 300 | |
| Public Health | 2.9 | 2.5 | 0.0 | 0.2 | 2.7 | -0.2 | | 51 | 44 | |
| Central Income & Expenditure | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 | | | | |
| Communications | 1.1 | 1.1 | 0.0 | 0.0 | 1.1 | 0.0 | | 23 | 22 | |
| Finance | 5.7 | 5.4 | 0.0 | 0.0 | 5.4 | -0.3 | | 101 | 102 | |
| Human Resources & Organisational Development | 5.4 | 4.8 | 0.1 | 0.1 | 5.0 | -0.4 | | 104 | 93 | |
| Information Management & Technology | 12.0 | 10.2 | 1.8 | 0.0 | 12.0 | 0.0 | | 221 | 203 | |
| Legal & Democratic Services | 5.4 | 4.7 | 0.4 | 0.0 | 5.1 | -0.3 | | 130 | 111 | |
| Policy & Performance | 2.6 | 2.5 | 0.2 | 0.0 | 2.7 | 0.1 | | 42 | 38 | |
| Procurement | 3.1 | 2.8 | 0.1 | 0.0 | 2.9 | -0.2 | | 57 | 50 | |
| Property | 8.6 | 8.0 | 0.6 | 0.0 | 8.6 | 0.0 | | 177 | 176 | |
| Shared Service Centre | 8.3 | 7.7 | 0.0 | 0.0 | 7.7 | -0.6 | | 242 | 241 | |
| Total | 305.6 | 275.4 | 14.9 | 10.5 | 300.8 | -4.8 | | 7,935 | 7,308 | |

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

Trading Standards' FTEs include C&C Directorate support

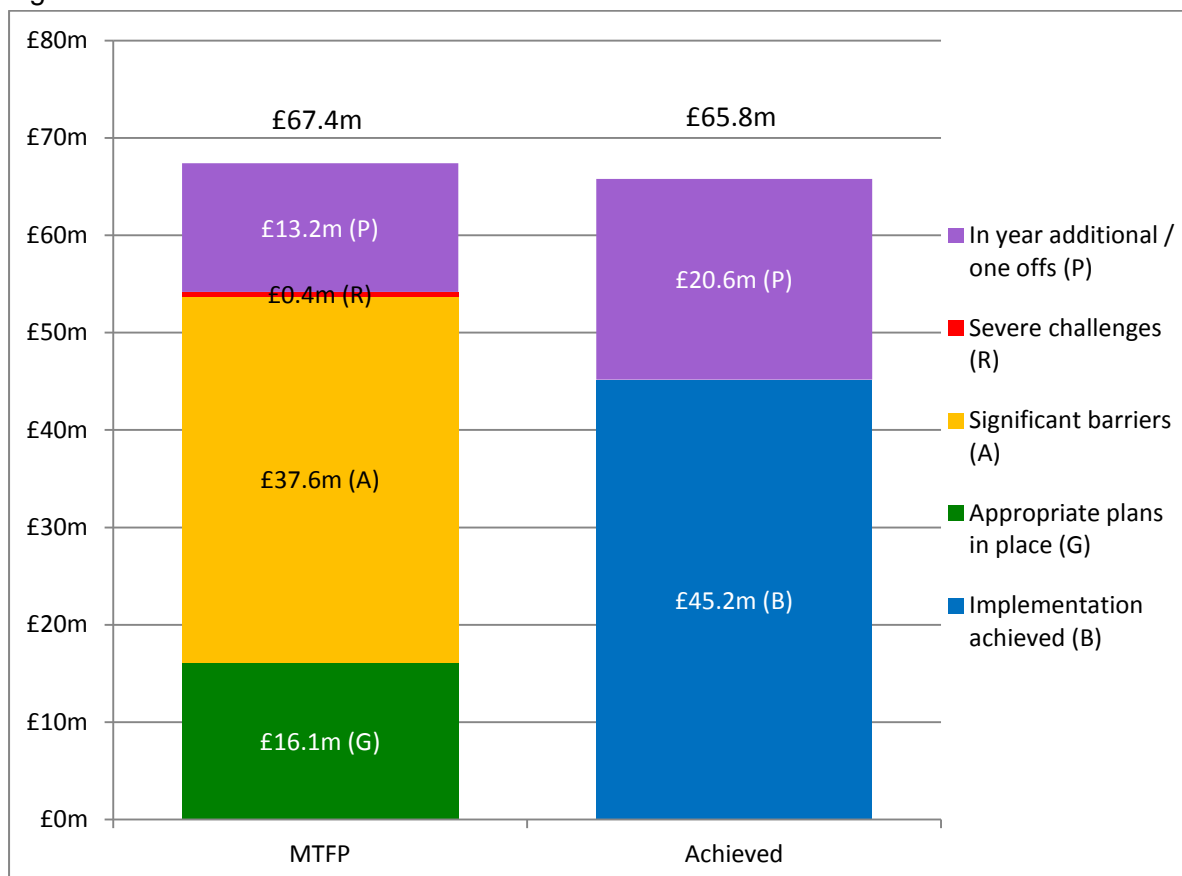
Efficiencies

57. MTFP 2015-20 incorporates £67.4m of efficiencies in 2015/16. Against this, the council achieved £65.8m or nearly 98% of its target (up from £65.1m as at 29 February 2016) a shortfall of £1.6m. Figure 1 summarises the council's overall efficiencies target, the risks to achieving them at the outset and their achievement.

58. Services' assessment for achieving efficiencies used the following risk rating basis:

- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place;
- AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place;
- GREEN – plans in place to take the actions to achieve the saving;
- BLUE – the action has been taken to achieve the saving;
- PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.

Figure 1: 2015/16 overall risk rated efficiencies as at 31 March 2016



59. Table 6 summarises services' achievement of their efficiencies. It shows most services achieved their planned efficiencies and all services achieved at least 90%. Adult Social Care, Environment & Planning, Surrey Fire & Rescue and Property supported their programmes with additional in year and one off efficiencies. These savings are not sustainable and services need to replace them with on-going savings as a part of the 2016/17 budget.

60. The next section sets out significant variances in efficiencies achieved and their impact on the council's overall position.

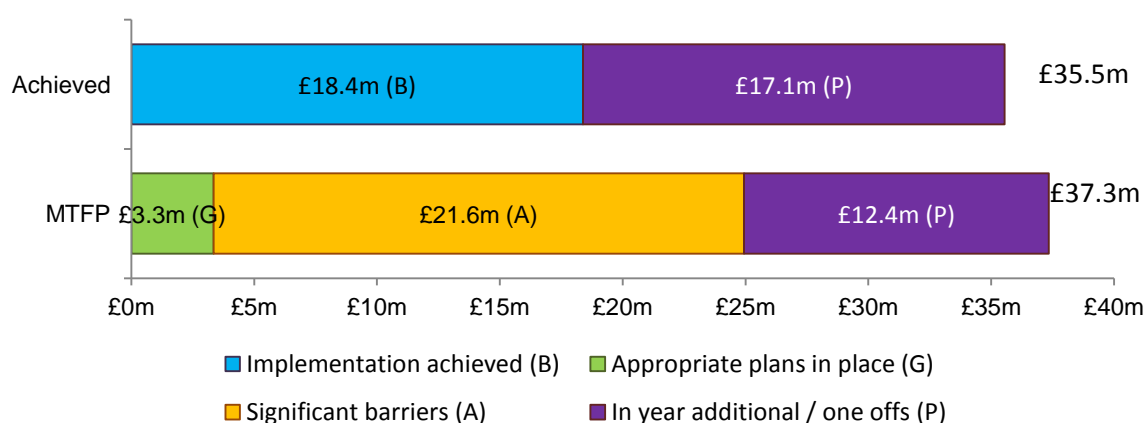
Table 6: 2015/16 Efficiency programme as at 31 March 2016

| Service | 2015/16 target £m | Achieved sustainable £m | Achieved one offs £m | Overall variance £m |
|--|----------------------|----------------------------|-------------------------|------------------------|
| Adult Social Care | 37.3 | 18.4 | 17.1 | -1.8 |
| Children's Services | 0.3 | 0.3 | 0.0 | 0.0 |
| Services for Young People | 1.9 | 1.9 | 0.0 | 0.0 |
| Schools & Learning | 9.8 | 8.8 | 0.0 | -1.0 |
| Cultural Services | 0.6 | 0.5 | 0.0 | 0.0 |
| Customer Services & Directorate Support | 0.2 | 0.2 | 0.0 | 0.0 |
| Surrey Fire & Rescue Service | 1.6 | 1.4 | 0.2 | 0.0 |
| Environment & Planning | 6.4 | 3.3 | 2.6 | -0.5 |
| Highways & Transport | 1.7 | 1.7 | 0.0 | 0.0 |
| Central Income & Expenditure | 0.9 | 0.8 | 0.0 | -0.1 |
| Communications | 0.1 | 0.1 | 0.0 | 0.0 |
| Finance | 0.7 | 1.0 | 0.0 | 0.3 |
| Human Resources & Organisational Development | 0.8 | 1.2 | 0.0 | 0.4 |
| Information Management and Technology | 0.6 | 0.8 | 0.0 | 0.3 |
| Legal & Democratic Services | 0.5 | 0.5 | 0.0 | 0.0 |
| Policy & Performance | 0.1 | 0.1 | 0.0 | 0.0 |
| Procurement | 0.1 | 0.5 | 0.0 | 0.3 |
| Property | 3.4 | 3.2 | 0.6 | 0.5 |
| Shared Service Centre | 0.1 | 0.2 | 0.0 | 0.1 |
| Total | 67.4 | 45.2 | 20.6 | -1.6 |

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

Significant variances in services' efficiencies & service reductions

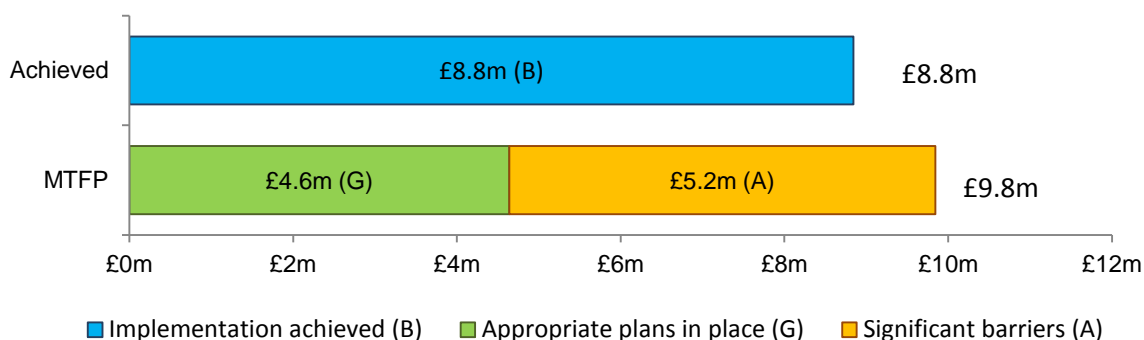
Adult Social Care



61. ASC made a £1.8m shortfall against its efficiencies target (a £0.7m improvement from the forecast at February 2016). This equates to 95% of the overall target. The difference was mainly due to non-achievement of the full 20% FFC (Family, Friends & Community) stretch savings target of £4.0m. 2015/16 performance suggests 16% is

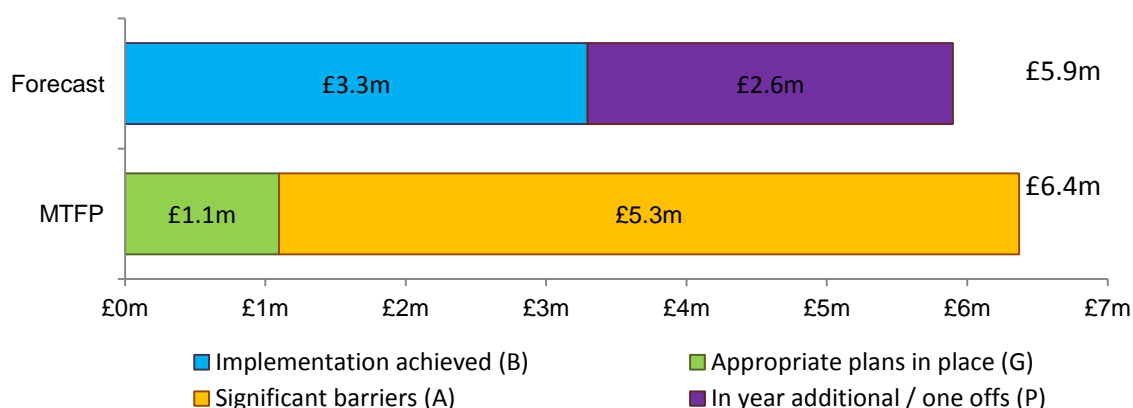
achievable for FFC re-assessments, but 20% savings on new care packages is difficult, particularly for Older People.

Schools & Learning



62. Schools & Learning made a £1.0m shortfall against its efficiencies target (no change from February 2016). This equates to 90% of the overall target. The decision to not progress some early years projects meant the service was unable to achieve £1.0m efficiencies in 2015/16.

Environment & Planning



63. Environment & Planning made a £0.5m shortfall against its efficiencies target (£0.1m deterioration from February 2016). This equates to 92% of the overall target. This results from partial achievement of some Environment & Infrastructure directorate-wide savings on income and employee costs. In addition, compensating savings of £2.6m were utilised in the year to offset delayed savings, primarily use of the waste sinking fund which is reported in paragraph 31.

Capital budget

- 64. The council demonstrated its firm long term commitment to supporting Surrey's economy through its £696m 2015-20 MTFP capital programme, including £176m capital expenditure budget for 2015/16.
- 65. During the 2015/16 financial year, the council has invested and delivered significantly, especially on highways infrastructure and school places. Over the year the budget

was revised to £197.7m, due to additional grant funding and the reinvestment of efficiencies. These movements are summarised in Table App 4 of Annex 1.

66. In addition, the council has continued its programme of investment in revenue generating assets that will improve its self sufficiency and reduced reliance on government funding over the longer term. During 2015/16 the council invested a further £62.5m.
67. Capital schemes are by their nature longer term, and planned in year expenditure will vary depending on a range of external circumstances such as planning permission and site conditions. The council's approach to this is to ensure that, where necessary, the funding to complete schemes is re-profiled into future years. £13.0m of the £197.7m budget is proposed to be re-profiled. These schemes are shown in Annex 2. A further £2.1m of the underspend is proposed for new SuperFast Broadband infrastructure initiatives and public art projects as outlined in paragraphs 76 and 77.
68. Table 7 compares the outturn expenditure (including proposed re-profiling and use of the capital underspend) for the service capital programme and long term investments of £251.7m to the revised full year budget of £197.7m.

Table 7: Capital expenditure 2015/16

| | Full year budget £m | Apr - Mar actual £m | Reprofile and use of underspend £m | Full year outturn £m | Full year variance £m |
|-----------------------------------|------------------------|------------------------|---------------------------------------|-------------------------|--------------------------|
| Schools basic need | 57.8 | 65.9 | -8.1 | 57.8 | 0.0 |
| Highways recurring programme | 51.5 | 52.8 | -1.2 | 51.6 | 0.1 |
| Property & IT recurring programme | 25.6 | 20.5 | 4.6 | 25.1 | -0.5 |
| Other capital projects | 62.8 | 34.9 | 19.9 | 54.7 | -7.9 |
| Service capital programme | 197.7 | 174.1 | 15.1 | 189.2 | -8.5 |
| Long term investments | 0.0 | 62.5 | 0.0 | 62.5 | 62.5 |
| Overall capital programme | 197.7 | 236.6 | 15.1 | 251.7 | 54.0 |

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

69. The programme includes four additional sources of funding to enhance existing 2015/16 capital schemes. The four sources are:
- Opportunity Pot (+£7.8m),
 - Surrey Growth Deal (+£7.8m)
 - Flexibility Funding (+£1.7m)
 - Safer Cycling schemes funding (£0.7m).

Opportunity Pot

70. The Opportunity Pot is due to supplier discounts from the commencement of the Project Horizon programme to date. The funding has been reinvested in Project Horizon to enable a total highways improvement works of 51.5 miles in 2015/16.

Surrey Growth Deal

71. When MTFP 2015- 20 capital programme was agreed, the Local Economic Partnerships (LEPs) had not confirmed their contributions to the Surrey Growth Deal. In recent months both Coast to Capital and Enterprise M3 LEPs have provided confirmation of £7.8m Surrey Growth Deal capital funding. The provenance of the

funding is from the Department of Transport and is now reflected in the capital budget as expenditure. The Surrey Growth Deal has delivered major highways and transport improvements across the county.

Flexibility Funding

72. Coast to Capital LEP agreed that if there are delays to LEP schemes, the funding can be substituted to non LEP schemes. This £1.7m Flexibility Funding is temporary and the funding must be reversed in 2016/17 so that Surrey will fund the delayed substituted LEP schemes.

Safer Cycling

73. Application of £0.7m transport grant and developer funding to meet the cost of the Safer Cycling scheme.

Capital programme variance

74. The 2015/16 capital programme variance is -£8.5m underspend against the approved final service budget of £197.7m. The main reasons for the overall underspend include:
- -£3.6m schools capital maintenance
 - -£4.3m corporate capital projects
 - -£5.2m Community Infrastructure Levy, Local Sustainable Transport Fund and other developer-funded schemes;
 - -£7.7m due to delays to SFRS's vehicle and equipment replacement programme; offset by
 - +£8.1m schools basic need delivering projects early;
 - +£13.0m reprofiling and carry forwards; and
 - +£2.1m proposed use of capital programme efficiencies to fund possible new SuperFast Broadband infrastructure and public art projects.
75. Annex 2 sets out the capital budget re-profiling and carry forwards. Nearly all of these are to fund completion of existing projects. However, there are two areas where there is a proposal to use efficiency savings within the capital programme.
76. Several years ago the council approved £21.3m investment to improve broadband infrastructure across the county. Due to the successful, high take up of broadband services within the project, the contract enables a £3.5m 'clawback' that can be used for further investment in broadband improvements. The whole project has been delivered for £2.1m less than the budget. This saving is proposed to be reinvested in broadband infrastructure improvement following the development of a robust business case and approval by Cabinet.
77. The council's capital budget for 2015/16 included the commissioning of public arts projects for the Magna Carta celebrations. These were delivered below the budget estimate and it is proposed that £40,000 is used to commemorate the bicentenary of the artist G F Watts in 2017.

78. Approved Investment Strategy spending was £62.5m in 2015/16 and total capital expenditure £251.7m (up from £62.2m and £224.1m forecast at February 2016). Table 8 shows significant variances to the 2015/16 service capital programme.

Table 8: Significant variances to the service capital programme

| Variance | As at 31 March 2016 £m |
|---|---------------------------------------|
| Schools capital maintenance, including children's centres | -3.6 |
| Fire reconfiguration and training investment | -1.3 |
| School projects | -1.0 |
| SEN Strategy | -0.3 |
| Corporate capital projects | -4.3 |
| Land acquisition for waste | -0.5 |
| Closed landfill sites | -0.3 |
| ASC infrastructure project | -0.6 |
| School Basic Need | 8.1 |
| Environment & Infrastructure programmes | -0.3 |
| Fire joint transport project & vehicle replacement | -7.7 |
| Super fast broadband | -2.6 |
| IT investment | -0.5 |
| Developers' contributions | -5.2 |
| Other variances | -3.5 |
| Reprofiling | 13.0 |
| Use of efficiencies for SuperFast Broadband and public art projects | 2.1 |
| Capital variance | -8.5 |

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

Appendix to Annex 1

Updated budget - revenue

App 1. The council's 2015/16 revenue expenditure budget was initially approved at £1,671.3m. Adding virement changes approved throughout the year increased the budget as at 31 March 2016 to £1,675.1m. Table App1 shows the original and updated income and expenditure budget, including the overall net expenditure the council plans to meet from reserves of £3.7m.

Table App1: 2015/16 updated revenue budget as at 31 March 2015

| Service | MTFP | Carry fwds | Approved | MTFP | Carry fwds | Approved | Final net |
|--|-----------------|-------------|-----------------|----------------|------------|----------------|--------------|
| | Income | & internal | income | expenditure | & internal | expenditure | expenditure |
| | £m | movements | £m | £m | movements | £m | budget |
| | | | | | | | £m |
| Economic Growth | 0.0 | 0.2 | 0.2 | 0.9 | 0.6 | 1.5 | 1.7 |
| Strategic Leadership | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 0.4 | 0.4 |
| Adult Social Care | -56.8 | 0.8 | -56.0 | 428.6 | -0.4 | 428.2 | 372.2 |
| Children's Services | -7.0 | 0.0 | -7.0 | 96.0 | 2.4 | 98.4 | 91.4 |
| Services for Young People | -10.6 | 0.0 | -10.6 | 25.9 | 0.1 | 26.0 | 15.4 |
| Schools & Learning | -145.3 | 9.3 | -136.0 | 217.3 | -7.1 | 210.2 | 74.2 |
| Strategic Services (CSF) | -1.5 | -0.9 | -2.4 | 3.6 | 1.1 | 4.6 | 2.2 |
| Delegated Schools | -469.0 | -12.5 | -481.5 | 469.0 | 12.5 | 481.5 | 0.0 |
| Community Partnership & Safety | -0.2 | 0.0 | -0.2 | 3.0 | 0.7 | 3.7 | 3.5 |
| Coroner | 0.0 | 0.0 | 0.0 | 1.3 | 0.0 | 1.3 | 1.3 |
| Cultural Services | -12.9 | -0.2 | -13.1 | 22.9 | -0.2 | 22.7 | 9.6 |
| Customer Services | -0.3 | 0.0 | -0.3 | 4.6 | 0.1 | 4.7 | 4.4 |
| Directorate Support | | | | | | | |
| Emergency Management | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.6 | 0.6 |
| Magna Carta | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.8 | 0.8 |
| Surrey Fire & Rescue Service | -13.1 | 0.3 | -12.8 | 47.9 | -0.3 | 47.7 | 34.9 |
| Trading Standards | -1.6 | 0.0 | -1.6 | 3.7 | 0.0 | 3.7 | 2.1 |
| Environment & Planning | -8.5 | -0.4 | -8.9 | 88.2 | 1.5 | 89.7 | 80.8 |
| Highways & Transport | -7.5 | -0.6 | -8.1 | 51.8 | 1.3 | 53.1 | 45.0 |
| Public Health | -35.5 | 2.2 | -33.3 | 35.8 | -2.2 | 33.6 | 0.3 |
| Central Income & Expenditure | -0.5 | -0.6 | -1.1 | 61.0 | -10.2 | 50.8 | 49.7 |
| Communications | 0.0 | 0.0 | 0.0 | 2.0 | 0.1 | 2.1 | 2.1 |
| Finance | -1.8 | -0.1 | -1.9 | 10.2 | 0.1 | 10.3 | 8.4 |
| Human Resources & Organisational Development | -0.2 | 0.1 | -0.1 | 9.3 | -0.7 | 8.6 | 8.5 |
| Information Management & Technology | -0.7 | 0.0 | -0.7 | 25.2 | 1.2 | 26.4 | 25.7 |
| Legal & Democratic Services | -0.5 | 0.0 | -0.5 | 8.9 | 0.1 | 9.0 | 8.5 |
| Policy & Performance | -1.1 | 0.0 | -1.1 | 3.7 | -0.2 | 3.5 | 2.4 |
| Procurement | -0.2 | 0.2 | 0.0 | 3.4 | -0.2 | 3.2 | 3.2 |
| Property | -8.9 | -0.7 | -9.6 | 37.2 | 1.4 | 38.5 | 28.9 |
| Shared Service Centre | -4.6 | -0.8 | -5.4 | 8.8 | 1.3 | 10.1 | 4.7 |
| Services total | -788.3 | -3.7 | -792.1 | 1,671.3 | 3.8 | 1,675.1 | 883.0 |
| General funding sources | | | | | | | |
| General Government grants | -237.2 | | -237.2 | | | 0.0 | -237.2 |
| Local taxation (council tax and business rates) | -642.1 | 0.0 | -642.1 | 0.0 | 0.0 | 0.0 | -642.1 |
| Total | -1,667.6 | -3.7 | -1,671.4 | 1,671.3 | 3.8 | 1,675.1 | 3.7 |

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

App 2. When Council agreed the MTFP in February 2015, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements

above £500,000 require the approval of the relevant Cabinet Member. There were no virements requiring Cabinet Member approval in March 2016. Table App 2 summarises virements to the revenue expenditure budget during 2015/16.

Table App 2: Movements in 2015/16 revenue expenditure budget

| | Income £m | Expenditure £m | Earmarked reserves £m | General balances £m | Virement count |
|------------------------------|-----------------|-------------------|-----------------------------|---------------------------|-------------------|
| MTFP | -1,667.6 | 1,671.3 | | 3.7 | |
| Carry forwards | 0.2 | 7.8 | -8.0 | 0.0 | 1 |
| | -1,667.4 | 1,679.1 | -8.0 | 3.7 | 1 |
| Q1 Movements | -2.4 | 2.7 | -0.3 | 0.0 | 99 |
| Q2 movements | -1.1 | 2.1 | -1.0 | 0.0 | 66 |
| Q3 movements | -4.7 | 4.7 | 0.0 | 0.0 | 54 |
| January movements | -0.3 | 0.3 | 0.0 | 0.0 | 15 |
| February movements | 0.6 | -0.6 | 0.0 | 0.0 | 14 |
| March movements | | | | | |
| Internal service movements | 4.0 | -4.0 | 0.0 | 0.0 | 50 |
| Cabinet approvals | 0.5 | -0.5 | 0.0 | 0.0 | 1 |
| Funding changes | | | 0.0 | 0.0 | |
| Total March movements | 4.5 | -4.5 | 0.0 | 0.0 | 51 |
| Final approved budget | -1,671.4 | 1,684.4 | -9.3 | 3.7 | 300 |

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

App 4. Table App 3 shows the outturn gross revenue position and variances supported by general balances.

Table App 3: 2015/16 Revenue budget outturn positions

| | Full year final budget £m | Full year outturn £m | Full year variance £m |
|-----------------------------|---------------------------------|----------------------------|-----------------------------|
| Income: | | | |
| Local taxation | -642.1 | -644.8 | -2.7 |
| Government grants | -886.8 | -887.6 | -0.8 |
| Other income | -142.5 | -188.8 | -46.3 |
| Total income | -1,671.4 | -1,721.2 | -49.8 |
| Expenditure: | | | |
| Staffing | 305.6 | 300.8 | -4.8 |
| Service provision | 857.4 | 904.9 | 47.5 |
| Non schools sub-total | 1,163.0 | 1,205.7 | 42.7 |
| Schools expenditure | 512.1 | 512.1 | 0.0 |
| Total expenditure | 1,675.1 | 1,717.8 | 42.7 |
| Movement in balances | 3.7 | -3.4 | -7.1 |

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

Updated budget – capital

App 5. Cabinet approved £17.4m carry forward of scheme budgets requested in 2014/15's Outturn report and £22.3m reprofiling of 2015/16 capital spending by Property and Information Management & Technology into future years in May 2015's budget monitoring report. Table App 4 summarises the capital budget movements for the year. There were four significant movements in March 2016 relating to:

- Project Horizon Opportunity Pot;
- Surrey Growth Deal;
- Flexibility Funding; and
- Safer Cycling schemes fund

Table App 4: Capital budget movements 2015/16

| | 31 December 2015 £m | 29 February 2016 £m | 31 March 2016 £m |
|---|------------------------|------------------------|---------------------|
| MTFP (2015-20) (opening position) | 176.2 | 176.2 | 176.2 |
| Approved budget movements: | | | |
| Carry forwards from 2014/15 | 17.4 | 17.4 | 17.4 |
| Business Services - reprofile to future years | -22.5 | -22.5 | -22.5 |
| Virements | | | |
| Weybridge Library - reprofile to future years | -0.1 | -0.1 | -0.1 |
| Schools projects | 0.6 | 0.6 | 0.6 |
| Lindon Farm, Alford, Cranleigh | 1.5 | 1.5 | 1.5 |
| Third party delegated school contributions | 2.5 | 3.2 | 5.0 |
| Developer contributions to schools | 0.1 | 0.1 | 0.1 |
| Highways | 0.1 | 0.1 | 0.1 |
| Newlands Corner | 0.1 | 0.1 | 0.1 |
| Project Horizon Opportunity Pot | | | 7.8 |
| Surrey Growth Deal funding | | | 7.8 |
| Flexibility Funding | | | 1.7 |
| Safer cycling fund | | | 0.7 |
| Minor virements | 0.2 | 0.9 | 1.3 |
| Total virements | 5.0 | 6.4 | 26.6 |
| 2015/16 updated capital budget | 176.2 | 177.6 | 197.7 |
| In year budget changes funded by: | | | |
| Third party contributions | 2.6 | 3.3 | 5.1 |
| Borrowing and reprofiling to future years | -2.6 | -1.9 | 16.4 |

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

Balance sheet

App 6. Table App 5 shows the council's draft balance sheet as at 31 March 2016. The balance sheet shown does not yet represent the final position as at 31 March 2016 as further accounting adjustments are required to comply with International Financial Reporting Standards.

Table App 5: Balance sheet

| As at 31 Mar 2015 £m | | As at 31 Mar 2016 £m |
|-------------------------------------|------------------------------------|-------------------------------------|
| 1,725.6 | Property, plant & equipment | 1,754.5 |
| 0.7 | Heritage assets | 0.7 |
| 30.8 | Investment property | 62.8 |
| 4.5 | Intangible assets | 3.8 |
| 0.4 | Long term investments | 3.2 |
| 15.2 | Long term debtors | 28.7 |
| 1,777.2 | LONG TERM ASSETS | 1,853.7 |
| 108.0 | Short term investments | 43.1 |
| 0.9 | Short term intangible assets | 0.8 |
| 34.0 | Assets held for sale | 34.0 |
| 1.1 | Inventories | 1.4 |
| 119.2 | Short term debtors | 136.4 |
| 16.6 | Cash & cash equivalents | 4.3 |
| 279.8 | CURRENT ASSETS | 220.0 |
| -32.6 | Short term borrowing | -30.9 |
| -187.3 | Creditors | -182.1 |
| -4.7 | Provisions | -5.1 |
| -0.2 | Revenue grants receipts in advance | -0.2 |
| -0.2 | Capital grants receipts in advance | -0.2 |
| -7.0 | Other short term liabilities | -7.0 |
| -232.0 | CURRENT LIABILITIES | -225.5 |
| -20.8 | Provisions | -21.0 |
| -397.8 | Long term borrowing | -397.8 |
| -1,605.7 | Other long term liabilities | -1,599.4 |
| -2,024.3 | LONG TERM LIABILITIES | -2,018.2 |
| -199.3 | NET ASSETS | -170.0 |
| -268.0 | Usable reserves | -354.0 |
| 467.3 | Unusable reserves | 524.0 |
| 199.3 | | 170.0 |

Earmarked reserves

Table App 6: Earmarked revenue reserves as at 31 March 2016

| | Opening balance 1 Apr 2015 £m | Balance at 31 Mar 2016 £m | Proposed use to support 2016/17 budget £m | Forecast balance at 1 Apr 2016 £m |
|--|--|---------------------------------|--|--|
| Revolving Infrastructure & Investment Fund | 20.6 | 21.1 | -10.0 | 11.1 |
| Budget Equalisation Reserve | 16.6 | 12.1 | -6.2 | 5.9 |
| Eco Park Sinking Fund | 16.0 | 11.7 | -5.9 | 5.8 |
| Insurance Reserve | 10.6 | 11.9 | -5.4 | 6.5 |
| Investment Renewals Reserve | 10.0 | 8.8 | | 8.8 |
| General Capital Reserve | 7.9 | 8.5 | | 8.5 |
| Street lighting PFI Reserve | 5.8 | 5.1 | | 5.1 |
| Vehicle Replacement Reserve | 5.6 | 6.5 | | 6.5 |
| Economic Downturn Reserve | 4.2 | 9.2 | | 9.2 |
| Public Health Reserve | 2.5 | 2.7 | | 2.7 |
| Economic Prosperity Reserve | 2.5 | 2.5 | | 2.5 |
| Equipment Replacement Reserve | 1.9 | 3.7 | | 3.7 |
| Child Protection Reserve | 1.9 | 1.1 | | 1.1 |
| Business Rate Appeals Reserve | 1.3 | 1.3 | | 1.3 |
| Pension Stabilisation Reserve | 1.1 | 1.1 | -1.1 | 0.0 |
| Interest Rate Reserve | 1.0 | 1.0 | | 1.0 |
| Total earmarked revenue reserves | 109.5 | 108.3 | -28.6 | 79.7 |
| General Fund Balance | 21.3 | 21.3 | | 21.3 |

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

Debt

App 7. During the twelve months to 31 March 2016, the Accounts Payable team raised invoices totalling £273.9m. The amount outstanding on these invoices was £37.2m of gross debt as at 31 March 2016.

Table App 7: Age profile of the council's debts as at 31 March 2016

| Account group | <1 month £m | 2-12 months £m | 1-2 years £m | +2 years £m | Total £m | Overdue debt £m |
|---------------------------------|-------------------|----------------------|--------------------|-------------------|-------------|-----------------------|
| Care debt – unsecured | 3.0 | 5.1 | 2.4 | 3.3 | 13.8 | 10.8 |
| Care debt – secured | 0.3 | 2.0 | 0.9 | 3.0 | 6.2 | 5.9 |
| Total care debt | 3.3 | 7.1 | 3.3 | 6.3 | 20.0 | 16.7 |
| Schools, colleges and nurseries | 1.4 | 0.1 | 0.0 | 0.0 | 1.4 | 0.1 |
| Clinical commissioning groups | 2.0 | 3.5 | 0.1 | 0.2 | 5.8 | 3.7 |
| Other local authorities | 2.7 | 2.6 | 0.4 | 0.0 | 5.6 | 3.0 |
| General debt | 1.9 | 2.2 | 0.2 | 0.0 | 4.3 | 2.4 |
| Total non-care debt | 7.9 | 8.3 | 0.6 | 0.3 | 17.1 | 9.2 |
| Total debt | 11.3 | 15.4 | 3.9 | 6.6 | 37.2 | 25.9 |

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

App 8. Adjusting the gross debt to take into account those balances not immediately due (i.e. less than 30 days old) or collectable (i.e. secured on property) produces the overdue debt figures shown in Table App 8.

Table App 8: Overdue debt summary as at 31 March 2016

| | 2015/16 Q4 £m | 2015/16 Q3 £m | 2015/16 Q2 £m | 2015/16 Q1 £m | 2014/15 Q4 £m | 2013/14 Q4 £m | 2012/13 Q4 £m |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Care related debt | 10.8 | 10.4 | 10.1 | 7.6 | 8.9 | 6.5 | 7.6 |
| Non care related debt | 7.6 | 7.3 | 7.7 | 8.2 | 4.2 | 3.1 | 3.8 |
| Total | 18.4 | 17.7 | 17.8 | 15.8 | 13.1 | 9.6 | 11.4 |

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

App 9. The council's debt policy includes a target of 30 days to collect non-care debt. Debtor billing volumes and values both rose by over 10% during 2015/16. The average number of debtor days for the period 1 April 2015 to 31 March 2016 was 30 days.

App 10. Non care related debt includes £3.7m with CCGs and £1.9m with other debtors. The largest of the other debtors is £1m with another public service organisation with which council has agreed a payment plan.

App 11. Changes introduced under the Care Act mean it is no longer possible to place a charge on an individual's property resulting in a rise in the level of unsecured debt (as this debt would previously have been reported as secured). The level of debt due from deceased individuals' estates has increased by £1m over 2015/16. Adult Social Care is working with Business Operations to review how to process more care related debt through legal channels.

App 12. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. This quarter (Q4 2015/16) the Director of Finance has written off 141 such debts with a total value of £204,644, of which £183,113 is care related and £21,531 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: Long-term borrowing as at 31 March 2016

| | £m |
|--|--------------|
| Debt outstanding as at 1 April 2015 | 397.2 |
| Loans raised | 0.0 |
| Loans repaid | 0.0 |
| Current balance as at 31 March 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 31 March 2016.

App 15. The council also manages cash on behalf of Surrey Police Authority (£29.9m as at 31 March 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 31 March 2016

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

Note: All numbers have been rounded - which might cause a casting 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 current borrowing position shows a net position of £329m more in borrowing than the council holds in short term deposits.

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

| Capital Financing Requirement | | | Net borrowing |
|--------------------------------------|----------------|----------------|----------------------|
| 2015/16 | 2016/17 | 2017/18 | |
| £767m | £838m | £899m | £329m |

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. This excludes balances invested on behalf of Surrey Police Authority.

Table App 12: Maturity structure of the council's borrowing as at 31 March 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. There has been no early repayment or rescheduling in 2015/16.

Investments

App 20. The council had an average daily level of investments of £142m throughout 2014/15, with an average of £181.6m for 2015/16. The balance of funds managed on behalf of schools was £43.6m at 31 March 2016.

App 21. The council invests cash on the money markets through one of five brokers, 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 gives a breakdown of activity during the year to 31 March 2016.

Table App 13: Deposit activity up to 31 March 2016

| Timed deposits | Number | Average value £m | |
|---------------------------|---------------|--------------------------------|---------------------------|
| Deals using a broker | 13 | 9.2 | |
| Direct deal facilities | 4 | 13.5 | |
| Deals with DMO | 0 | 0 | |
| Instant access | Number | Individual limit £m | Total limit £m |
| Active call accounts | 2 | 60.0 | 120.0 |
| Active money market funds | 5 | 25.0 | 125.0 |
| Local authorities | - | 20.0 | - |

App 22. The weighted average return on all investments is 0.59% received during the fourth quarter in 2015/16 and 0.54% received during the whole of 2015/16. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.36% for both of the equivalent periods. 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 4, 2015/16 | 0.36% | 0.59% |
| 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