

Budget monitoring period 3 2016/17 (June 2016)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget for 2016/17 is a -£1.5m underspend (paragraph 1).
2. Forecast efficiencies and service reductions for 2016/17 is £83.5m (paragraph 19).
3. The quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 8 to App 22).

Cabinet is asked to approve the following.

4. Reprofile -£55.4m capital expenditure from 2016/17 into remainder of the 2016-21 capital programme (paragraph 24).

Revenue summary

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

As at 30 June 2016, services forecast -£1.5m year end underspend and achieving £83.5m efficiencies. The underspend is due to higher than budgeted forecast income from retained business rates. It is still early in the financial year and services may yet encounter service delivery challenges, which present risks to the 2016/17 budget. However, as at 30 June 2016, services are on track to achieve their planned efficiencies. This is important to ensure the council maintains a balanced budget and achieves a sustainable financial position in future years.

The council aims to smooth resource fluctuations over its five year medium term planning period. To support 2016/17, Cabinet approved use of £24.9m from reserves and carry forward of £3.9m to fund continuing planned service commitments. The council continues to maintain £21.3m in general balances.

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

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

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £638m capital programme in MTFP 2016-21. As at 30 June 2016, services forecast spending £154m against the £154m current 2016/17 budget and £242m in total, including long term investments.

As part of increasing the council's overall financial resilience, it plans to invest £89m in long term capital investment assets in 2016/17 to add to the £120m invested to 31 March 2016 (paragraphs 26 and 27).

Revenue budget

1. As at 30 June 2016, the year to date budget variance is balanced and services forecast a small revenue budget variance at the year end, with a -£1.5m overall net underspend due to higher business rates receipts. It is still early in the financial year and where necessary, services are developing plans to ensure they achieve a balanced outturn.
2. In March 2016, Cabinet approved the council's 2016/17 revenue expenditure budget at £1,686.0m. Changes in the first quarter of 2016/17 to reflect agreed carry forwards and other budgetary adjustments reduced the expenditure budget as at 30 June 2016 to £1,684.0m. Table 1 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of £672.2m from local taxation and £24.9m from reserves.

Revenue budget monitoring position

3. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £24.9m. The expected year to date net expenditure included in the budget is -£46.0m. The actual year to date total net expenditure is -£45.7m, resulting in a balanced position overall. This is summarised in Table 1 below and in more detail in Table App1 in the Appendix.

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

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,659.1	-453.6	-1,660.6	-1.5
Gross expenditure	1,684.0	408.0	1,684.0	0.0
Total net expenditure	24.9	-45.7	23.4	-1.5

Note: * Profiled year to date net budget is -£46.0m compared to actual net expenditure of -£45.7m
All numbers have been rounded - which might cause a casting difference

4. In the appendix, Table App1 outlines the updated revenue budget by service after in year budget virements and carry forward of budgets from the last financial year.
5. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, the table shows the net expenditure position that comprises gross expenditure less income from specific grants and fees, charges and reimbursements. The council's general funding sources include general government grants, local taxation (council tax and business rates) and planned use of reserves.
6. Table 2 shows services are on track to achieve a balanced outturn or underspend in 2016/17. General funding shows a favourable forecast variance for business rates income.

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

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.2	1.7	0.0
Strategic Leadership	1.1	0.2	1.1	0.0
Adult Social Care	368.6	98.2	368.7	0.0
Children's and Safeguarding services	97.8	23.5	97.7	0.0
Commissioning & Prevention	37.9	8.7	37.9	0.0
Schools & SEND (Special Educational Needs & Disabilities)	63.3	15.4	63.2	-0.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.5	0.8	3.5	-0.1
Coroner	1.8	0.4	1.8	0.0
Cultural Services	9.6	2.1	9.6	0.0
Customer Services	3.5	0.7	3.5	0.0
C&C Directorate Support	1.0	0.2	1.0	0.0
Emergency Management	0.5	0.1	0.5	0.0
Surrey Fire & Rescue Service	33.2	8.3	33.2	0.0
Trading Standards	2.0	0.4	2.0	0.0
Environment & Planning	79.8	20.5	79.8	0.0
Highways & Transport	45.1	10.4	45.1	0.0
Public Health	0.3	0.0	0.3	0.0
Central Income & Expenditure	56.1	-2.6	56.2	0.1
Communications	2.1	0.4	2.1	0.0
Finance	3.1	0.7	3.1	0.0
Human Resources & Organisational Development	4.3	0.8	4.3	0.0
Information Management & Technology	13.1	3.0	13.1	0.0
Legal & Democratic Services	8.5	2.0	8.4	-0.1
Strategy & Performance	1.7	0.5	1.7	0.0
Procurement	0.9	0.2	0.9	0.0
Property	20.9	3.9	20.9	0.0
Joint Operating Budget ORBIS	38.0	8.0	38.0	0.0
Business Operations	0.2	0.0	0.2	0.0
Total services' net revenue expenditure	899.3	207.1	899.4	0.0
General funding sources				
General Government grants	-202.3	-52.4	-202.3	0.0
Local taxation (council tax and business rates)	-672.2	-200.3	-673.7	-1.5
Total general funding	-874.5	-252.7	-876.0	-1.5
Total movement in reserves	24.9	-45.7	23.4	-1.5

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

Significant revenue budget variances

Central Income & Expenditure - -£1.5m underspend (no change since 31 May)

- As at 30 June 2016, Central Income & Expenditure (CIE) forecasts -£1.5m year end underspend. This is due to higher forecast business rates income than budgeted as explained in the budget monitoring report for May 2016.

Areas to be aware

- It is still early in the financial year and services may yet encounter service delivery challenges, which present risks to their 2016/17 outturn positions.

Areas to be aware – Adult Social Care

- As at 30 June 2016, a risk of +£1.1m overspend has been identified for Adult Social Care (ASC). This is due to a potential underachievement of £0.9m against ASC's £55.3m efficiencies target and £0.2m of costs that were not budgeted for. ASC's

Leadership Team is taking a rigorous approach to tracking performance in the delivery of the service's efficiencies programme and continues to look for opportunities to recover the position which will be assessed for next month's report.

Revolving Infrastructure & Investment Fund

10. Table 3 shows the council forecasts generating net income of -£1.8m in 2016/17 (after subtracting funding costs and other expenses) by the joint venture project to deliver regeneration in Woking town centre, from various property acquisitions made for future service delivery and from the Halsey Garton group. The council anticipates transferring the net income to the Revolving Infrastructure and Investment Fund at the year-end.
11. Capital expenditure in 2016/17 includes equity investment and loans to the Halsey Garton group, development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and other town centre development projects. The forecast capital expenditure includes acquisitions and projects that are approved by separate Cabinet decisions. Of the £88.6m approved expenditure, the council has spent £53.4m to date on acquisitions and development projects.

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

	YTD actual £m	Full year forecast £m
Revenue		
Income	-1.8	-9.6
Expenditure	0.0	0.4
Net income before funding	-1.8	-9.2
Funding costs	1.5	7.4
Net revenue income after funding	-0.3	-1.8
Capital Expenditure	53.4	88.6

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

Staffing costs

12. 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.
13. 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.
14. The council sets its staffing budget on the estimated labour needed to deliver its services. It expresses this as budgeted full time equivalent (FTEs) staff and converts it to a cost for the budget. The budget includes spending on all three categories of

staff and is the key control in managing staffing expenditure. The council's total full year staffing budget for 2016/17 is £273.5m based on 7,122 budgeted FTEs.

15. The council has 618 "live" vacancies, where it is actively recruiting. 521 of these vacancies are in social care.

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

	FTE
Budget	7,122
Occupied contracted FTE	6,468
"Live" vacancies (i.e. actively recruiting)	618

16. Table 5 shows staffing cost as at 30 June 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs. Budget variances can arise for several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the service they work in); secondees' budgeted posts appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.
17. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and Table App3 in the appendix.
18. Table 5 shows the year to date budget as at 30 June 2016 is £68.8m and expenditure incurred is £66.9m. Table App 3 shows the -£1.9m year to date underspend on employment costs and services' forecast -£0.3m underspend at year end.

Table 5: Staffing costs and FTEs to 30 June 2016

Service	<----- Staffing spend by category ----->						Budgeted FTE	Occupied contracted FTEs
	YTD staff budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Strategic Leadership	0.3	0.2	0.0	0.0	0.2	0.0	10	9
Adult Social Care	14.5	13.2	0.5	0.5	14.2	-0.3	1,860	1,577
Children, Schools & Families ¹	29.7	26.1	1.9	1.1	29.1	-0.6	2,956	2,723
Community Partnership & Safety	0.3	0.3	0.0	0.0	0.3	0.0	25	27
Coroner	0.1	0.1	0.0	0.0	0.1	0.0	2	2
Cultural Services	4.7	4.2	0.0	0.4	4.6	-0.2	507	525
C&C Directorate Support	0.3	0.2	0.0	0.0	0.2	0.0	26	24
Emergency Management	0.1	0.1	0.0	0.0	0.1	0.0	12	12
Surrey Fire & Rescue Service	6.9	6.7	0.0	0.4	7.0	0.1	648	619
Trading Standards	0.8	0.7	0.0	0.0	0.7	-0.1	75	66
Environment & Planning	2.5	2.4	0.0	0.0	2.4	0.0	215	196
Highways & Transport	3.8	3.2	0.0	0.1	3.3	-0.6	370	310
Public Health	0.7	0.6	0.0	0.0	0.6	-0.1	48	43
Communications	0.3	0.3	0.0	0.0	0.3	0.0	22	27
Customer Services	0.9	0.8	0.1	0.0	0.8	-0.1	107	93
Legal & Democratic Services	1.4	1.2	0.0	0.0	1.2	-0.1	129	105
Strategy & Performance	0.5	0.5	0.0	0.0	0.5	0.0	27	30
ORBIS Managed Budget	1.1	1.0	0.1	0.0	1.1	0.0	84	80
Total	68.8	61.4	2.9	2.4	66.9	-1.9	7,123	6,468

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

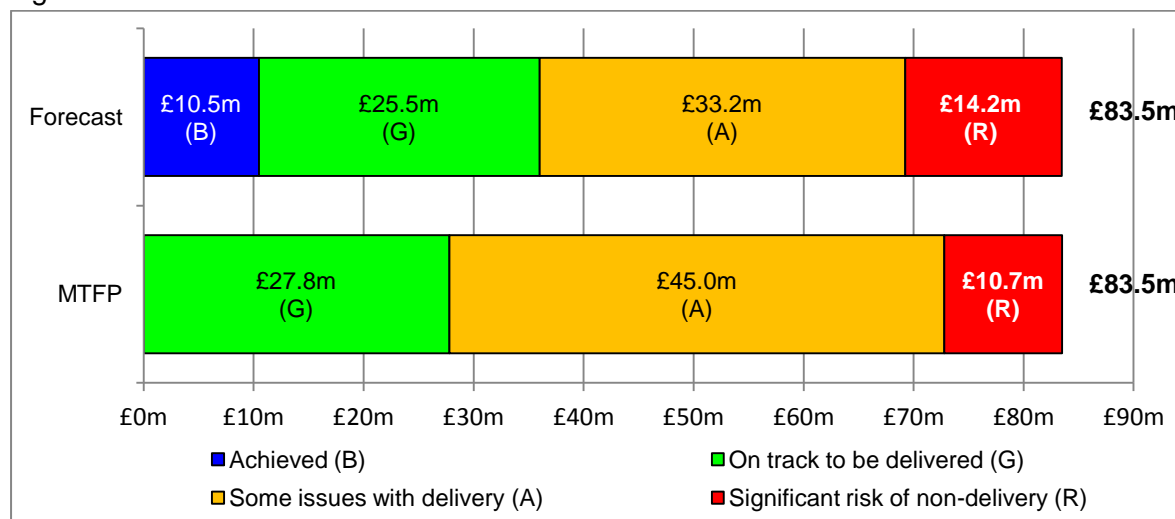
1 - Children, Schools & Families' FTEs include: Children's & Safeguarding, Commissioning & Prevention, Schools & SEND and Delegated Schools

2 - ORBIS Joint Operating Budget is formally delegated to the Joint Operating Committee for management (including staffing), as such the council's monitoring only reports its contribution to the joint budget

Efficiencies

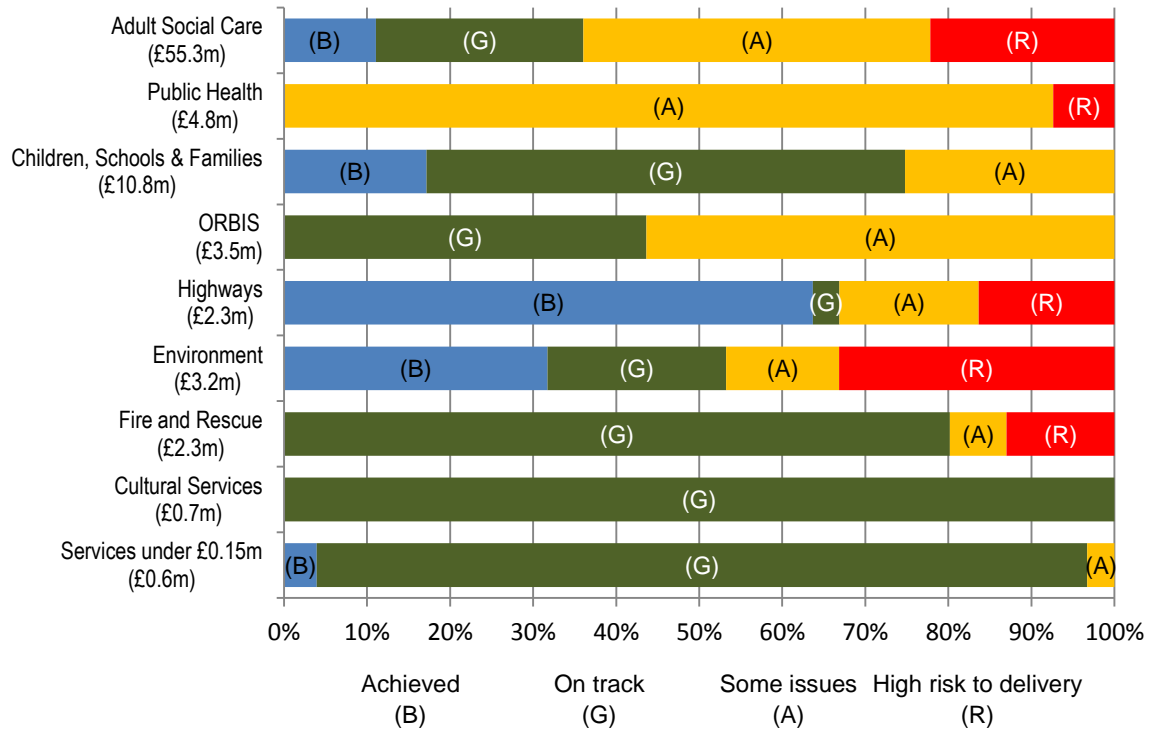
19. MTFP 2016-21 incorporates £83.5m efficiencies in 2016/17. Council services currently forecast to achieve these targets, although recognise the level of risk in their achievement. Figure 1 summarises services' efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2016/17 overall risk rated efficiencies



20. Each service's assessment of its progress on achieving efficiencies uses the following risk rating basis:
- RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place;
 - AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place;
 - GREEN – plans in place to take the actions to achieve the saving;
 - BLUE – the action has been taken to achieve the saving;
 - PURPLE – in year additional and one off savings to support the programme, which are not sustainable in subsequent years.
21. Figure 1 shows that overall, services are on track to achieve their planned efficiencies. Adult Social Care, ORBIS and Surrey Fire & Rescue are supporting their programmes with additional in year and one off efficiencies. Figure 2 shows services' risk ratings for achieving their efficiencies.

Figure 2: 2016/17 efficiencies risk ratings by service



Capital budget

22. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £638m 2016-21 MTFP capital programme.
23. Cabinet approved the original capital expenditure budget for 2016/17 at £194m and carry forward of £13.0m scheme budgets requested in the 2015/16 Outturn report. As at 30 June 2016, capital virements totalled £1.7m.

Capital reprofile request

24. Property Services proposes reprofiling the 2016/17 capital budget by - £55.4m into the remaining years of the capital programme. The biggest element of the reprofiling is -£34.2m for the schools basic need programme. Following a review of the scheme, need is reduced in 2016/17 by £3.5m because of additional places from a new free school and reduced costs. The remaining re-profiling is due to reconsideration of the schedule of demand for school places. Table 6 shows the proposed reprofiled expenditure over the current capital programme.

Table 6: Proposed reprofiled capital expenditure 2016-21

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2016-21 £m
School Basic Need - reduced programme	-3.5					-3.6
School Basic Need - reprofiling	-30.7	3.3	20.7	7.7	-1.0	0.0
Other Property and IMT programmes	-21.2	5.5	10.0	-0.4	6.0	0.0
Total reprofiling	-55.4	8.8	30.7	7.3	5.0	-3.6

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

25. Table 7 shows the construction of the current year capital expenditure budget from the MTFP budget.

Table 7: Capital expenditure budget 2016/17

	MTFP budget £m	2015/16 budget c/fwd £m	Budget virement £m	Proposed reprofile £m	Current full year budget £m
School basic need	75.6	-8.1		-34.2	33.2
Highways recurring programme	58.1	-0.2	-0.5		57.4
Property & IT recurring programme	25.7	4.5	0.4	-0.5	30.2
Other capital projects	35.0	16.8	1.8	-20.7	32.8
Service capital programme	194.4	13.0	1.7	-55.4	153.7
Long term investments					0.0
Overall capital programme	194.4	13.0	1.7	-55.4	153.7

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

26. Table 8 compares the current full year overall capital programme budget of £153.7m to the current forecast expenditure for the service capital programme of £153.7m and the current forecast expenditure for the overall capital programme, including long term investments of £242.3m.

Table 8: Forecast capital expenditure 2016/17

	Current full year budget £m	Apr - Jun actual £m	Jul - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	33.2	7.4	26.1	33.2	0.0
Highways recurring programme	57.4	10.3	47.2	57.4	0.0
Property & IT recurring programme	30.2	1.9	28.3	30.2	0.0
Other capital projects	32.8	3.6	30.9	32.8	0.0
Service capital programme	153.7	23.2	132.4	153.7	0.0
Long term investments	0.0	0.0	88.7	88.7	88.7
Overall capital programme	153.7	23.2	221.1	242.3	88.7

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

27. Approved Investment Strategy spending is expected to be £88.7m in 2016/17 and total capital expenditure £244.2m. There are no significant variances to the current service capital programme

Appendix to Annex

Efficiencies & service reductions

App 1. There were no significant variations in services' progress against their MTFP 2016-21 efficiencies & service reductions as at 30 June 2016.

Updated budget - revenue

App 2. The council's 2016/17 revenue expenditure budget was initially approved at £1,686.0m. Adding virement changes in quarter one reduced the expenditure budget as at 30 June 2016 to £1,684.0m. Table 1 shows the updated budget. Table App1 shows the original and updated income and expenditure budgets, including the overall net expenditure the council plans to meet from reserves.

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

	MTFP income £m	Carry fwds & Internal movements £m	Approval income £m	MTFP expenditure £m	Carry fwds & Internal movements £m	Approval expenditure £m	Updated net expenditure budget £m
Economic Growth			0.0	1.7		1.7	1.7
Strategic Leadership			0.0	1.0	0.1	1.1	1.1
Adult Social Care	-60.9	-2.0	-62.9	429.5	2.1	431.6	368.7
Children's & safeguarding services	-7.9		-7.9	104.7	0.9	105.6	97.8
Commissioning & Prevention	-51.9		-51.9	89.7	-0.1	89.6	37.8
Schools & SEND	-107.8	-0.4	-108.2	170.8	0.6	171.4	63.2
Delegated Schools	-457.7	-0.4	-458.1	457.7	0.4	458.1	0.0
Community Partnership & Safety	-0.2		-0.2	3.0	0.7	3.7	3.5
Coroner			0.0	1.8		1.8	1.8
Cultural Services	-13.1		-13.1	22.7	0.0	22.7	9.6
Customer Services	-0.1		-0.1	3.6		3.6	3.5
C&C Directorate Support	-0.1		-0.1	1.1	0.1	1.1	1.0
Emergency Management	0.0		0.0	0.5	0.0	0.6	0.5
Surrey Fire & Rescue Service	-13.6	-0.8	-14.4	46.8	0.8	47.6	33.2
Trading Standards	-1.7		-1.7	3.7		3.7	2.0
Environment & Planning	-6.5	-0.7	-7.2	86.3	0.7	87.0	79.8
Highways & Transport	-7.6		-7.6	51.9	0.7	52.6	45.1
Public Health	-38.5		-38.5	38.8		38.8	0.3
Central Income & Expenditure	-0.5		-0.5	60.0	-3.5	56.5	56.0
Communications	0.0		0.0	2.0	0.1	2.2	2.1
Finance	-1.4		-1.4	4.5	0.0	4.5	3.1
Human Resources & Organisational Development	-0.1		-0.1	4.7	-0.3	4.4	4.3
Information Management & Technology	-0.8		-0.8	13.2	0.6	13.8	13.1
Legal & Democratic Services	-0.5		-0.5	9.0	0.0	9.0	8.5
Strategy & Performance	-0.8	0.2	-0.6	1.9	0.3	2.2	1.7
Procurement			0.0	0.9		0.9	0.9
Property	-8.3	-0.4	-8.7	29.5	0.1	29.6	20.9
Joint Operating Budget ORBIS	-6.7	6.7	0.0	44.7	-6.7	38.0	38.0
Business Operations			0.0	0.2		0.2	0.2
Services total	-786.6	2.2	-784.4	1,686.0	-2.2	1,683.8	899.5
General Government grants	-202.3		-202.3			0.0	-202.3
Local taxation (council tax and business rates)	-672.2		-672.2			0.0	-672.2
Total movement in reserves	-1,661.2	2.2	-1,659.0	1,686.0	-2.2	1,683.8	24.8

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

App 3. When Council agreed the MTFP in February 2016, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 4. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements above £500,000 require the approval of the relevant Cabinet Member. There were no virements above £500,000 in the first quarter of 2016/17.

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

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

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m
MTFP	-1,661.2	1,686.0		24.8
Carry forwards		3.9	-3.9	0.0
	-1,661.2	1,689.9	-3.9	24.8
Internal service movements	2.2	-2.2	0.0	0.0
Council and Cabinet approvals	0.0	0.0	0.0	0.0
Total quarter 1 movements	2.2	-2.2	0.0	0.0
June approved budget	-1,659.0	1,687.7	-3.9	24.8

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

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

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

	Year to date			← Budget £m	Full year			→ Variance £m
	Budget £m	Actual £m	Variance £m		Remaining forecast £m	Projection £m		
Income:								
Local taxation	-200.2	-200.3	-0.1	-672.2	-473.4	-673.7	-1.5	
Government grants	-217.7	-210.8	6.9	-841.7	-623.7	-834.5	7.2	
Other income	-36.8	-42.5	-5.7	-145.1	-109.9	-152.4	-7.3	
Income	-454.7	-453.6	1.1	-1,659.0	-1,207.0	-1,660.6	-1.6	
Expenditure:								
Staffing	68.8	66.9	-1.9	271.4	204.2	271.1	-0.3	
Service provision	221.7	222.8	1.1	966.4	732.4	955.2	-11.1	
Non schools sub-total	290.5	289.7	-0.8	1,237.8	936.6	1,226.3	-11.5	
Schools expenditure	118.3	118.3	0.0	446.2	339.4	457.7	11.5	
Total expenditure	408.8	408.0	-0.8	1,684.0	1,276.0	1,684.0	0.0	
Movement in balances	-46.0	-45.7	0.3	24.9	69.1	23.4	-1.5	

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

Updated budget – capital

App 7. Cabinet approved £13.0m carry forward of scheme budgets requested in 2015/16's Outturn report. Property Services has proposed -£55.4m reprofiling of expenditure from 2016/17 to the remaining years of the 2016-21 capital programme. Capital virements in June 2016 amount to a net total £0.4m to add to £1.3m virements made in April and May. Table App 4 summarises the capital budget movements for the year.

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

	1 April 2016 £m	31 May 2016 £m	30 June 2016 £m
MTFP (2016-21) (opening position)	194.4	194.4	194.4
Carry forwards from 2015/16		13.0	13.0
Property Services' reprofiling			-55.4
Virements			
Limmerlease (Watts Gallery Trust)		1.0	1.0
Woodfuel & timber grant		0.3	0.3
Lindon Farm			-1.8
Salt barns			0.2
Horley Library			2.1
IMT contributions to Equipment Replacement Reserve			0.5
Environment & Infrastructure reprofile			-0.5
In year budget changes		14.3	-38.7
2016/17 updated capital budget		208.7	153.7

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

Balance sheet

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

Table App 5: Balance sheet

As at 31 Mar 2016 £m		As at 30 June 2016 £m
1,792.9	Property, plant & equipment	1,804.3
1.0	Heritage assets	1.0
62.9	Investment property	62.9
5.5	Intangible assets	5.3
3.2	Assets held for sale	17.0
28.7	Long term debtors	67.0
1,894.2	LONG TERM ASSETS	1,957.5
65.0	Short term investments	61.1
0.8	Intangible assets	0.8
24.2	Assets held for sale	24.2
1.4	Inventories	0.8
152.1	Short term debtors	137.6
0.0	Cash & cash equivalents	0.0
243.5	CURRENT ASSETS	224.5
-19.6	Short term cash & cash equivalents	-0.1
-30.9	Short term borrowing	-28.7
-182.1	Creditors	-186.8
-3.1	Provisions	-3.1
-0.1	Revenue grants receipts in advance	-0.1
-0.3	Capital grants receipts in advance	-0.3
-7.6	Other short term liabilities	-7.6
-243.7	CURRENT LIABILITIES	-226.7
-30.6	Provisions	-30.5
-397.8	Long term borrowing	-397.8
-1,383.5	Other long term liabilities	-1,383.4
-1,811.9	LONG TERM LIABILITIES	-1,811.7
82.1	NET ASSETS	143.6
-317.1	Usable reserves	-398.3
235.0	Unusable reserves	254.7
-82.1		-143.6

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

Earmarked reserves

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

	Opening balance 1 Apr 2016 £m	Balance at 30 June 2016 £m	Forecast 31 Mar 2017 £m
Revolving Infrastructure & Investment Fund	21.1	11.1	11.1
Budget Equalisation Reserve	13.1	6.9	11.7
Eco Park Sinking Fund	11.7	5.8	4.4
Insurance Reserve	11.9	6.5	6.5
Investment Renewals Reserve	8.8	8.3	2.1
General Capital Reserve	5.2	5.2	5.2
Street lighting PFI Reserve	5.1	4.4	4.4
Vehicle Replacement Reserve	3.9	3.9	1.3
Economic Downturn Reserve	9.2	9.2	9.2
Public Health Reserve	2.7	2.7	2.7
Economic Prosperity Reserve	2.5	2.5	2.5
Equipment Replacement Reserve	2.1	2.5	1.1
Child Protection Reserve	1.1	1.1	0.0
Business Rate Appeals Reserve	1.3	1.3	1.3
Pension Stabilisation Reserve	1.1	0.0	0.0
Interest Rate Reserve	1.0	1.0	1.0
Total earmarked revenue reserves	101.8	72.4	64.5
General Fund Balance	21.3		21.3

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

Debt

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

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

Account group	<1 month £m	2-12 months £m	1-2 years £m	+2 years £m	Gross debt £m	Overdue debt £m
Care debt – unsecured	2.9	5.2	2.1	3.2	13.4	10.5
Care debt – secured	0.1	2.0	1.6	3.2	6.6	6.5
Total care debt	3.0	7.1	3.4	6.4	20.0	17.0
Schools, colleges and nurseries	3.7	1.2	0.0	0.0	4.9	1.2
Clinical commissioning groups	7.7	2.0	0.1	0.2	10.0	2.3
Other local authorities	4.0	1.3	0.3	0.1	5.7	1.7
General debt	2.9	2.3	0.2	0.0	5.4	2.5
Total non-care debt	18.3	6.8	0.5	0.4	26.0	7.7
Total debt	21.4	13.9	3.9	6.8	46.0	24.6

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

App 10. Adjusting the overdue debt to take into account those balances not secured (on property) produces the overdue, unsecured debt figures shown in Table App 8.

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

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

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

App 11. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April 2016 to 30 June 2016 was 32 days.

App 12. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. During the quarter to 30 June 2016, the Director of Finance has written off 82 such debts with a total value of £94,052, of which £66,591 is care related and £27,461 is non care related debt.

Treasury management

Borrowing

App 13. The council borrows money to finance the amount of our capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The council must also demonstrate the costs of borrowing are affordable, prudent and sustainable under the Prudential Code. Table App 9 shows movements in the council's long term borrowing.

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

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

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

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

App 15. The council also manages cash on behalf of Surrey Police Authority (£30.7m as at 30 June 2016) which is classed as temporary borrowing.

Authorised limit and operational boundary

App 16. The following prudential indicators control the overall level of borrowing:

- The authorised limit represents the limit beyond which borrowing is prohibited. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with headroom for unexpected cash flow. This is a statutory limit determined under section 3(1) of the Local Government Act 2003.
- The operational boundary is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an indicator to ensure the authorised limit is not breached.

Table App 10: Borrowing against the authorised limit and operational boundary as at 30 June 2016

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

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

Capital Financing Requirement

App 17. The Capital Financing Requirement (CFR) represents the council's underlying need to borrow for a capital purpose. The council must ensure that, in any one year, net external borrowing does not, except in the short-term, exceed the estimated CFR for the next three years. Table App 11 shows the council's position against the estimated CFR, as reported to the County Council in February 2016. The current borrowing position shows a net position of £332.7m 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	
£870.9m	£916.4m	£950.3m	£332.7m

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

Maturity profile

App 18. The council sets limits for the maturity structure of borrowing in accordance with the Prudential Code, as shown in Table App 12. This excludes balances invested on behalf of Surrey Police Authority.

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

	Upper limit	Lower limit	Actual
Repayable in 1 year*	50%	0%	0%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	0%
Repayable in 5-10 years	75%	0%	2%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	2%
Repayable in 25-50 years	100%	25%	96%

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

Early debt repayment and rescheduling

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

Investments

App 20. The council had an average daily level of investments of £181.6m throughout 2015/16, with an average of £88.2m so far in 2016/17. The balance of funds managed on behalf of schools was £60.1m at 30 June 2016.

App 21. The council invests cash on the money markets through one of its five brokers, or directly with counterparties through the use of call accounts, money market funds or direct deal facilities, or with the Debt Management Office (DMO). Table App 13 shows activity during the year to 30 June 2016.

Table App 13: Deposit activity up to 30 June 2016

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

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

App 22. The weighted average return on all investments received to the end of the first quarter in 2016/17 is 0.50%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.36% for the equivalent period. Table App 14 shows the comparison.

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

	Average 7-day LIBID	Weighted return on investments
Quarter 1	0.36%	0.50%
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