

Budget monitoring period nine 2016/17 (December 2016)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2016/17 is +£1.1m overspend, down from +£6.1m last month (paragraph 1).
2. Forecast efficiencies and service reductions for 2016/17 is £65.1m, up from £62.9m last month (paragraph 48).
3. The quarter end positions for: balance sheet, earmarked reserves, debt and treasury management (paragraphs App 7 to App 21).
4. The Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary (main report, paragraphs 16 to 20).

Cabinet is asked to approve the following.

5. Reduce the 2016/17 capital budget by £10.7m related to local growth deal programme consolidation (paragraph 59 and 60).
6. Reprofile £1.4m highways capital funding and expenditure relating to maintenance and flood risk management between 2016/17 and 2017/18 (paragraph 61).
7. Reduce the 2016/17 capital budget by £0.8m related to re-evaluation of the scheme for a new fire station in Spelthorne (paragraph 62).

Revenue summary

The +£1.1m forecast overspend at as 31 December 2016 represents a further -£5.0m improvement on the position forecast as at 30 November 2016 and -£21.3m improvement on the unprecedented +£22.4m overspend forecast as at 30 September 2016.

The significant improvement in the 2016/17 financial position from the overspend reported as at 30 September 2016 is largely due to spending delays and one off savings measures. These do not remove the continuing pressure on the council's financial position, illustrated by the £18m shortfall of forecast against planned efficiencies and means the underlying overspend will continue into 2017/18, which is reflected in the Budget Report for 2017/18 elsewhere on this agenda.

The main movements in the -£5.0m improvement in forecast outturn position since 30 November 2016 are worsening positions of +£3.7m in Children's Services and +£0.9m in Commissioning & Prevention, set against the following services' improvements in financial position: -£3.8m in Schools & SEND (Special Educational Needs & Disabilities); -£3.3m in Adult Social Care; and -£2.2m Orbis joint and managed budgets.

The council continues its actions to bring the 2016/17 budget back into balance including:

- the Chief Executive and Director of Finance have agreed a series of actions with service directors and are meeting regularly to review progress;
- all services are delaying planned spending in year;
- all services are reviewing all options to identify how they can manage service demands more effectively; and

- Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable Medium Term Financial Plan (MTFP) is made.

In February 2016 Surrey County Council set its Medium Term Financial Plan (MTFP) 2016-21, including £1,686m revenue gross expenditure budget for the 2016/17 financial year. The 2016/17 budget includes measures determined at short notice aimed at mitigating the impact of the shock funding reduction by Government. A key objective of MTFP 2016-21 is to increase the council's overall financial resilience. This plan includes making efficiencies totalling £82.9m during 2016/17. As at 31 December 2016, the council forecasts achieving £65.1m efficiencies, the shortfall is largely due to rising demographic demand affecting delivery of efficiency plans.

While the council's financial position has improved over the last three months, the underlying additional pressure on the 2016/17 budget remains significant and will continue into 2017/18. For example, despite the improvement in its forecast outturn this month, Adult Social Care still carries a £21m shortfall against its planned 2016/17 savings. The Section 151 Officer expresses the view in her Annex to the Budget Report to Cabinet on this agenda (31 January 2017) that the risks to the council's financial situation have become even more serious since setting last year's budget. Previous Cabinet reports have reported that the 2016/17 budget is balanced, but not yet sustainable in future years. This report reiterates that position. Demand and cost pressures and funding reductions the council had expected to meet from 2017/18 onwards are having a significant and detrimental impact on the council's finances in the current year.

The forecast overspend mainly relates to +£27.0m demand increases affecting the council's main social care services to adults and children:

- +£17.7m net forecast overspend in Adult Social Care, largely due to demand and price pressures preventing the service from achieving its demanding £55m savings target (paragraphs 10 to 18); and
- +£9.3m overspend in Children's Services due to demand (paragraphs 19 to 21).

Within the forecast outturn position for 2016/17 these are mostly offset by:

- -£2.6m underspend in Schools & SEND (Special Educational Needs & Disabilities) largely due to underspends on centrally held budgets (paragraphs 22 and 23);
- -£0.1m underspend in Commissioning & Prevention within Children, Schools & Families directorate (paragraph 24);
- -£13.6m underspend in Central Income and Expenditure from revisions to minimum revenue provision (MRP), higher Investment Strategy income and reduced interest charges (paragraphs 25 and 26);
- -£1.5m underspend in Local Taxation from higher retained business rates income (paragraph 27);
- -£2.5m additional savings in Property (paragraph 28); and
- -£1.6m additional savings from the council's contribution to the Orbis Joint Operating Budget (paragraph 29).

In addition, this report outlines areas for Cabinet to be aware of that could become significant relating to: Schools, Children's Services, Environment & Planning, Highways & Transport and Finance (paragraphs 31 to 35).

The council forecasts achieving £65.1m efficiencies against its £82.9m target. Adult Social Care forecasts £21.0m shortfall in achieving its savings target for reasons outlined in paragraph 15 and Environment & Planning anticipates £1.5m savings shortfall, primarily Waste Management, where the introduction of charges for non-household waste at community recycling centres was delayed, and waste contract savings have not yet been secured.

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

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £638m capital programme in MTFP 2016-21. As at 31 December 2016, services forecast spending £133m against the £154m current 2016/17 budget and £247m in total, including long term investments.

As part of increasing the council's overall financial resilience, it plans £114m net investment in long term capital investment assets in 2016/17 (paragraphs 57 and 58).

Revenue budget

Overview

1. As at 31 December 2016, the forecast year end budget variance is +£1.1m overspend (down from +£6.1m as at 30 November 2016).
2. The overall forecast overspend is mainly due to +£27.0m overspends in social care of: +£17.7m in Adult Social Care, and +£9.3m in Children's Services. These are offset by: -£13.6m in Central Income & Expenditure, -£1.5m in Local Taxation, -£2.5m in Property Services, -£1.6m against the Orbis Joint Operating Budget, -£2.6m in Schools & SEND, and -£4.0m other smaller underspends.
3. While the forecast outturn position is almost balanced, the underlying forecast budget variance remains significant. The Section 151 Officer now takes the view that the council's financial situation has become even more serious since setting last year's budget. Previous Cabinet reports have reported the 2016/17 budget as balanced, but the council's budgets were not yet sustainable in future years. This report reiterates that view. The cost, demand (such as the growth across the whole health and social care system in Surrey and care for looked after children) and funding pressures the council had expected to face from 2017/18 onwards are already having significant and detrimental impact on the council's finances.
4. The following actions have been agreed to manage this position with the aim of bringing the budget back into balance by the end of the financial year:
 - the Chief Executive and Director of Finance have agreed a series of actions with service directors and are meeting regularly to review progress;
 - all services are delaying planned spending in year;
 - all services are reviewing all options to identify how they can manage service demands more effectively; and
 - Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable MTFP made.
5. All services have committed to reduce expenditure including:
 - freezing recruitment where possible;
 - reducing meetings and attendance at meetings to bring down travel costs;
 - avoiding or reducing all administrative costs such as printing, venue hire, IT equipment, telephony etc.

Revenue budget monitoring position

6. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £24.8m. Table App1 in the appendix outlines the updated revenue budget by service after in year budget virements and carry forward of budgets from the 2015/16 financial year.
7. Table 1 shows the actual year to date total net expenditure is £31.4m. This compares to the profiled, budgeted year to date net expenditure of £42.7m. The difference

between the two is -£11.3m year to date underspend (down from +£0.4m overspend as at 30 November 2016). Table App3 in the appendix shows more detail.

Table 1: 2016/17 revenue budget subjective summary as at 31 December 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,652.8	-1,228.5	-1,659.5	-6.7
Gross expenditure	1,677.6	1,259.9	1,685.4	7.8
Total net expenditure	24.8	31.4	25.9	1.1

Note: * Profiled year to date net budget is £42.7m compared to actual net expenditure of £31.4m

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

8. In March 2016, Cabinet approved the council's 2016/17 revenue expenditure budget at £1,686.0m. Changes in the first nine months of 2016/17 to reflect agreed carry forwards and other budgetary adjustments reduced the expenditure budget as at 31 December 2016 to £1,677.6m. Table 2 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of -£672.2m from local taxation and £24.8m from reserves.
9. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, Table 2 shows the net expenditure position (gross expenditure less income from specific grants and fees, charges and reimbursements). The council's general funding sources include general government grants, local taxation (council tax and business rates) and planned use of reserves.

Table 2: 2016/17 updated revenue budget forecast as at 31 December 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.7	1.3	-0.4
Strategic Leadership	1.0	0.7	0.9	-0.1
Adult Social Care	368.0	285.3	385.7	17.7
Children's and Safeguarding services	94.6	74.9	103.9	9.3
Commissioning & Prevention	40.8	28.4	40.7	-0.1
Schools & SEND (Special Educational Needs & Disabilities)	63.2	45.3	60.6	-2.6
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.7	2.0	3.4	-0.3
Coroner	1.8	1.2	1.6	-0.2
Cultural Services	9.6	7.0	9.2	-0.4
Customer Services	3.5	2.4	3.4	-0.1
C&C Directorate Support	1.0	0.7	0.9	-0.1
Emergency Management	0.5	0.3	0.4	-0.1
Surrey Fire & Rescue Service	33.1	24.9	33.0	-0.1
Trading Standards	2.0	1.5	1.9	-0.1
Environment & Planning	80.3	61.4	81.1	0.8
Highways & Transport	44.7	31.8	44.0	-0.7
Public Health	0.3	0.2	0.7	0.4
Central Income & Expenditure	56.3	26.3	42.7	-13.6
Communications	2.2	1.5	2.2	0.0
Finance	3.1	1.8	2.3	-0.8
Human Resources & Organisational Development	4.3	2.6	3.5	-0.8
Information Management & Technology	13.3	8.9	12.7	-0.6
Democratic Services	3.9	2.8	4.0	0.1
Legal Services	4.5	3.3	4.4	-0.1
Strategy & Performance	1.8	1.2	1.5	-0.3
Procurement	0.9	0.6	0.8	-0.1
Property	20.9	11.3	18.4	-2.5
Orbis Joint Operating Budget	38.0	26.2	36.4	-1.6
Business Operations	0.2	0.2	0.2	0.0
Total services' net revenue expenditure	899.3	655.5	901.9	2.6
General funding sources				
General Government grants	-202.3	-150.7	-202.3	0.0
Local taxation (council tax and business rates)	-672.2	-473.4	-673.7	-1.5
Total general funding	-874.5	-624.1	-876.0	-1.5
Total movement in reserves	24.8	31.4	25.9	1.1

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

Significant revenue budget variances

Adult Social Care - +£17.7m overspend (-£3.3m change since 30 November 2016)

10. Adult Social Care (ASC) forecasts +£17.7m year end overspend. The -£3.3m reduction in ASC's forecast overspend is due to some savings, service reductions and additional fees and charges.
11. The remaining forecast overspend is still very significant and almost entirely due to failure to achieve the ambitious additional savings budgeted for 2016/17 over and above the level of savings that ASC has typically achieved in recent years. Seismic change to demand growth and large scale service redesign were required for ASC to achieve these additional savings in such a short amount of time. Huge effort

continues to progress health and social care integration, which will improve both the cost and quality of service delivery in the long term. However this is not yet leading to reduced demand, indeed demand continues to grow in terms of hospital admissions and social care packages. When combined with the need to pay higher prices for social care provision to maintain market sustainability (particularly since the introduction of the National Living Wage) it is simply not possible to achieve this scale of additional savings in the short to medium term without impinging on the delivery of the council's statutory duties for social care.

12. Demand in the key service areas which support the highest volume of individuals has continued to rise, in the majority of areas, compared to the budgeted demand resulting in significant pressures on the service. In addition the demand growth was most significant in the first half of the financial year which has the greatest cost impact on this year's budget
13. It is evident across England adult social care requires a new funding model to be sustainable. The Kings Fund published a report in September 2016 which estimates the national social care funding gap will rise to between £2.8bn and £3.5bn by 2019/20 without funding reform. The council is actively making the case to government for additional social care funding and this year's forecast outturn position is a stark indication of the scale of financial pressure if the government does not provide local authorities a means for additional funding.
14. ASC has agreed an action plan to reduce its overspend in the remainder of 2016/17, including the following measures.
 - Reduce demand through a more robust assessment process across three areas:
 - work closely with CCGs (clinical commissioning groups) to manage care services for older people at a locality level, with renewed emphasis on managing demand within budgetary constraints;
 - specialised assessors and managers will manage care packages for people with physical & sensory disabilities aged 18-64 and people with learning disabilities aged 18-64;
 - robustly manage the Transition 18-25 budget for individuals moving from Children's or education services to ensure best value in all new care packages.
 - Continue emphasis on maximising income following implementation of the new charging policy.
 - Continue to work with clinical commissioning groups (CCGs) to review whether any health winter pressures or other funding could help support ASC care package costs.
15. Initial modelling indicates that these measures could bring down the ASC overspend reported in September by £4-5m.
16. As at 31 December 2016, ASC has reduced care costs by -£1.6m and forecasts raising -£1.1m additional fees & charges income for this year. This represents -£2.7m towards the £4-5m target to reduce the overspend.
17. The principal reason for the forecast overspend is +£21.0m forecast shortfall against ASC's savings target (of which +£19.0m is a shortfall against ongoing savings) adding pressure to the budget as described below.

- +£10.1m from the Family, Friends & Community (FFC) programme, which continues to face challenges in reducing the cost of new care packages in the context of increasing price pressures in the market and (as in previous years) not fully achieving the 20% stretch savings target. FFC also forecasts a +£2m shortfall on direct payment reclaims.
 - +£5.9m from the high rate of demand growth across the whole health and social care system in Surrey is preventing delivery of savings from demand management and from a shift in the care pathway for older people.
 - +£2.5m from ASC's contracts & grants review budgeted 50% expenditure reductions. After completing impact assessments, ASC decided implementing the savings fully would impinge on delivery of statutory duties, leave some people at risk and potentially lead to higher costs in the medium term. ASC identified -£3.3m savings against the -£5.8m target, leaving a +£2.5m pressure on the ASC budget.
 - +£0.7m from the considerable work continues on health and social care integration, within which the development of Sustainability and Transformation Plans is shifting the focus, nature and timing of the planned 2016/17 savings.
 - +£0.3m from implementation of the pay & reward proposals reducing forecast staff turnover savings.
 - +£1.5m from underachievement against other savings plans affected by the continued demand growth.
18. In addition to these challenges with its savings plans, ASC's other variances that reduce the overall forecast overspend to +£17.7m are:
- +£1.3m increased contractual commitments for the provision of some services;
 - -£2.2m lower costs of conducting Deprivation of Liberty Safeguard (DoLS) assessments;
 - -£1.1m increased fees & charges from the increase in demand and the change in the charging policy; and
 - reduction in the spot care forecasts from actions as part of implementing the new system and gatekeeping access to services.

Children's Services - +£9.3m overspend (+£3.7m change since 30 November 2016)

19. Children's Services estimates an overspend of +£9.3m as at 31 December 2016, an increase of £3.7m since 30 November 2016. This increased forecast overspend is mainly due to external placements for looked after children (+£0.7m), unaccompanied asylum seeking children (+£1.4m) and additional resources required for the Multi Agency Safeguarding Hub (MASH) (+£1.0m).
20. Improvements such as investment in Child and Adolescent Mental Health Service (CAMHS) and creating a MASH are progressing with the intention of reducing longer term demand. However demand for services particularly care for looked after children (LAC) and unaccompanied asylum seekers continues to exceed that planned. As at 31 December 2016, the number of looked after children (LAC) was 903. This higher than average level is leading to budget pressures.
- +£2.4m need for social work capacity due to higher demand, including cost pressure for 20 more posts than budgeted and from the large number of locums (78 at 31 December 2016, down from 95 at 30 November 2016). On average, each locum costs £20,000 a year more than permanent staff.

- +£2.8m additional placement costs for the 224 children currently in ongoing placements compared to the 204 budgeted (an increase from 215 at 30 November 2016). Within this: demand for much more expensive residential placements (average cost £206,000 a week, more than four times the average cost of external foster placements) is currently higher (67) than planned (46); and the number of residential family assessment placements (average cost £36,000 each) is 25 for the year to 31 December 2016, compared to 12 budgeted for the whole year. Children's services had anticipated the number of external residential and external fostering placements would reduce over the remainder of the year in line with previous years. This has not happened as expected, increasing the pressures against this budget further.
 - +£2.1m care for a high level of asylum seeking children following demand increases over the past 18 months. With world events, these are not expected to fall. The Home Office has increased the level of funding. However, this only applies to new cases from 1 July 2016. A thorough review of the forecast by Children's Services confirmed the cost of unaccompanied asylum seeking children has risen by 7% since 2015/16 and the costs for those over 18 has increased by +£0.5m due to the number of young people continuing in their external fostering placement in line with the Government's "staying put" initiative.
 - +£1.0m greater demand for services to support children with disabilities, particularly care packages.
21. Also +£1.0m additional resources have been required for the MASH. The MASH began operation in October and additional staff have been needed to manage demand as new approaches and processes bed in. The resources needed to operate the MASH are being reviewed in the context of the wider social care system.

Schools & SEND - -2.6m underspend (-£3.8m change since 30 November 2016)

22. Overall Schools & SEND (Special Educational Needs and Disabilities) forecasts to underspend by -£2.6m as at 31 December 2016. This is a significant reduction of -£3.8m since 30 November 2016. Following the Dedicated Schools Grant (DSG) funding settlement for 2016/17, Schools & SEND are planning to manage the overspend in High Needs within DSG in 2017/18. Schools & SEND will continue to monitor these budgets closely as the risk remains that DSG funding may not be enough to meet all of the overspend.
23. Within the overall Schools & SEND forecast underspend position, the significant forecast variances include:
- +£0.8m overspend on transport overall, with +£1.1m SEND transport, +£0.2m overspend on alternative provision and -£0.4m underspend on mainstream transport;
 - +£0.7m overspend on the social care element of external residential education placements reflecting the ongoing pressure on placement budgets across social care and education;
 - -£3.0m underspend on centrally held budgets; and
 - -£0.5m contribution to overheads by Commercial Services..

Commissioning & Prevention - -£0.1m underspend (+£0.9m change since 30 November 2016)

24. Commissioning & Prevention forecasts -£0.1m underspend as at 31 December 2016. The main reasons for this include the following.
- Schools Forum voted for the County Council to retain 5% of the DSG Early Years funding for statutory centrally retained services in Early Years. However, Schools Forum refused a further 2% to be retained centrally, which was planned to cover the DSG overspend in 2016/17. Part of the DSG funding for 2016/17 is based on the census pupil count on a day in January, which was particularly low in January 2016. However, numbers on roll have increased during the year, and nursery providers have been reimbursed for their actual placement take up which is higher than the level on which the funding was based, therefore leading to a +£1.2m overspend.
 - -£1.3m planned investment in Early Help is unlikely to be spent fully in 2016/17.
 - -£0.5m lower costs from careful management of vacancies in the central transformation team.
 - +£0.3m additional staffing to support work with Children in Need as part of the Children's Service improvement plan.
 - +£0.2m shortfall on SOLD's (Surrey Outdoor Learning Development) stretch income target.

Central Income & Expenditure - -£13.6m underspend (no change since 30 November 2016)

25. Central Income & Expenditure forecasts -£13.6m year end underspend. -£8.0m is due to a change in the council's minimum revenue provision (MRP) for amounts set aside for repayment of loans. The council regularly reviews MRP to ensure it remains prudent without adding unnecessary pressure to the council's revenue budget. Agreed changes in MRP remain consistent with the policy approved by the County Council and realise significant short to medium term savings.
26. The remaining -£5.6m underspend is due to forecast savings on the interest payable budget, including -£3.8m additional contributions from the Investment Strategy, as new investments undertaken since setting the MTFP budget have led to an increase in income; and -£1.2m savings from minimising cash balances and using internal cash to fund capital expenditure and -£0.8m from lower interest rates in accordance with Treasury Management Strategy changes agreed by the County Council in July 2016.

Local taxation - -£1.5m underspend (no change since 30 November 2016)

27. Local taxation forecasts -£1.5m year end underspend. This is due to higher forecast business rates income than budgeted as a result of the final 2015/16 business rates receipts being greater than forecast.

Property Services - -£2.5m (-£0.8m change since 30 November 2016)

28. Property's forecast -£2.5m underspend largely as a consequence of the decision to stop some spend, such as building maintenance, with the plan to reprioritise the maintenance programme over several years.

Orbis Joint Operating Budget - -£1.6m (-£0.6 change since 30 November 2016)

29. Orbis Joint Operating Budget services are on track to deliver £1.2m efficiencies in 2016/17 and continue to review their costs and income to deliver a further challenging £3.9m next year. Services are holding vacancies and managing non staffing costs ahead of the savings required in 2017/18. As a result Orbis Joint Operating Budget in total is likely to deliver £2.1m of 2017/18's savings early and -£0.2m one off savings, so the council's 70% contribution to Orbis will be -£1.6m lower than budgeted.

Areas to be aware

30. At this point in the financial year, services may still encounter issues, which could present risks to their 2016/17 outturn positions.

Children, Schools & Families – (DSG and Children's Services)

31. Services funded through the high needs and early years blocks of DSG are overspending. There is already a budget pressure included in the forecast of +£1.2m for Early Years. Schools Forum has approved for the High Needs Block DSG overspend to be carried forward and funded from within the 2017/18 DSG. However, there is a slight risk that there is insufficient funding in 2017/18 to cover all of the overspend. This is particularly worrying as demand for SEND services continues to increase.
32. Demand pressures continue to rise within Children's Services, especially around external residential placements, independent foster care, Unaccompanied Asylum Seeking Children, MASH and staffing.

Environment & Planning

33. Environment & Planning currently forecasts +£0.8m overspend primarily against the Waste budget. Some savings have been delayed (e.g. introduction of charges for some non-household waste at community recycling centres and contract cost reductions). Other smaller financial pressures within Environment & Planning include bus contract costs, Countryside management and shortfalls against some savings plans. The forecast overspend takes account of steps taken during the year to reduce costs in order to offset these pressures, including delaying or stopping recruitment and maximising income.

Highways & Transport

34. Pressures totalling £1.6m exist across the Highways & Transport service including delayed implementation of savings, increased street lighting energy costs following the introduction of a new pricing tariff, increased drainage maintenance costs, and higher than budgeted insurance claim costs. A number of measures have been agreed to offset these pressures and these are expected to create a -£0.7m underspend this financial year, including maximising income, delaying or stopping recruitment, and deferring non-essential works and equipment purchases.

Finance

35. Finance's forecast underspend follows a review of its services. As a result of reduced costs and volume of insurance claims it will reduce its contribution to the insurance reserve by -£0.8m. This is an ongoing saving.

Revolving Infrastructure & Investment Fund

36. Table 3 shows the council forecasts generating -£1.8m net income in 2016/17 by the joint venture project to deliver regeneration in Woking town centre, various property acquisitions made for future service delivery and the Halsey Garton Property group. The council anticipates transferring the net income to the Revolving Infrastructure and Investment Fund at the year end.
37. The projected income is £0.5m lower than last month because loans to Woking Bandstand were repaid earlier than anticipated and one property from the portfolio has been approved for sale and so rental income to be received during the year is reduced. The decision to sell the property is however expected to deliver a net profit compared to the cost of acquisition.
38. Net capital expenditure in 2016/17 includes equity investment and loans to the Halsey Garton Property group, development of the former Thales site in Crawley and a forecast receipt from the proposed sale of an office asset in the portfolio. Loans to Woking Bandstand have now been repaid in full as the project moves into its second phase.
39. The net income is shown above after the deduction of assumed funding costs. The council may fund its capital expenditure through the use of its reserves, capital receipts and prudential borrowing. As the council does not hypothecate these funding sources against individual projects or acquisitions, we assume that all the council's activities in progressing the Investment Strategy will increase the requirement to borrow. All investments are therefore required to demonstrate a return in excess of the assumed cost of capital which is calculated with reference to assumptions made in the MTFP and adjusted if required in accordance with market conditions. As a result of changes in the treasury management strategy, the reduction in base rates since August 2016 and the expectation of continued low long-term interest rates, the assumed funding rate has reduced leading to an increase in the overall return.
40. The assumed cost of capital is charged to each individual investment in a similar way to an inter-company charge with the credit entry recorded within the Central Income & Expenditure account. As the council has made extensive use of cash resources rather than borrowing this year, an underspend on interest payable is reported in the monitoring under the Central Income & Expenditure heading.

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

	YTD actual	Full year forecast
Revenue	£m	£m
Income	-6.4	-9.8
Expenditure	0.2	0.5
Net income before funding	-6.2	-9.3
Funding costs	5.3	7.5
Net revenue income after funding	-0.9	-1.8
Capital expenditure	125.2	113.5

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

Staffing costs

41. 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.
42. 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.
43. 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 full year staffing budget for 2016/17 is currently £277.8m based on 7,145 budgeted FTEs.
44. The council has 675 vacancies, measured as the difference between budgeted and occupied FTEs. It is recruiting for 424 of these vacancies (down from 468 last month). 279 of these live vacancies are in social care (down from 355 last month).

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

	FTE
Budget	7,145
Occupied contracted FTEs	6,470
FTE vacancies (budget less occupied FTEs)	675
Live vacancies (i.e. actively recruiting)	424

45. Table 5 shows staffing cost as at 31 December 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 services where the apprentices 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.
46. 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 the Staffing expenditure line in Table App3 in the appendix.
47. Table 5 shows the year to date budget as at 31 December 2016 is £206.6m and expenditure incurred is £190.4m. Table App 3 shows +£1.5m overspend at year to date on employment costs and services forecast +£1.0m overspend at year end.

Table 5: Staffing costs and FTEs to 31 December 2016

Service	<----- Staffing spend by category ----->						Amended Budgeted FTE	Occupied contracted FTEs
	YTD staff budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Strategic Leadership	0.7	0.7	0.0	0.0	0.7	-0.1	10	7
Adult Social Care	45.8	43.0	2.2	1.4	46.6	0.8	1,860	1,532
Children, Schools & Families ¹	87.3	79.8	6.4	3.4	89.6	2.3	2,951	2,798
Community Partnership & Safety	0.9	0.9	0.0	0.0	0.9	0.0	25	25
Coroner	0.3	0.2	0.2	0.0	0.4	0.1	2	2
Cultural Services	14.2	12.7	0.0	1.2	14.0	-0.1	529	526
C&C Directorate Support	0.8	0.7	0.0	0.0	0.7	0.0	26	24
Emergency Management	0.4	0.4	0.0	0.0	0.4	0.0	12	10
Surrey Fire & Rescue Service	20.7	20.0	0.1	1.2	21.3	0.5	648	593
Trading Standards	2.4	2.2	0.1	0.0	2.2	-0.2	75	62
Environment & Planning	7.6	7.3	0.0	0.2	7.5	-0.1	215	193
Highways & Transport	11.5	9.7	0.2	0.1	10.0	-1.5	370	310
Public Health	1.8	1.8	0.0	0.0	1.8	0.0	48	41
Central Income & Expenditure	0.0	0.1	0.0	0.0	0.1	0.1	0	0
Communications	1.0	0.9	0.0	0.0	1.0	0.0	27	28
Customer Services	2.6	2.3	0.2	0.0	2.5	-0.1	107	98
Legal & Democratic Services	4.0	3.7	0.1	0.0	3.8	-0.3	129	113
Strategy & Performance	1.5	1.5	0.0	0.0	1.5	0.0	27	28
Orbis Joint Operating Budget and Business Services ²	3.2	2.8	0.3	0.1	3.2	0.0	84	80
Service net budget	206.6	190.4	10.0	7.7	208.1	1.5	7,145	6,470

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

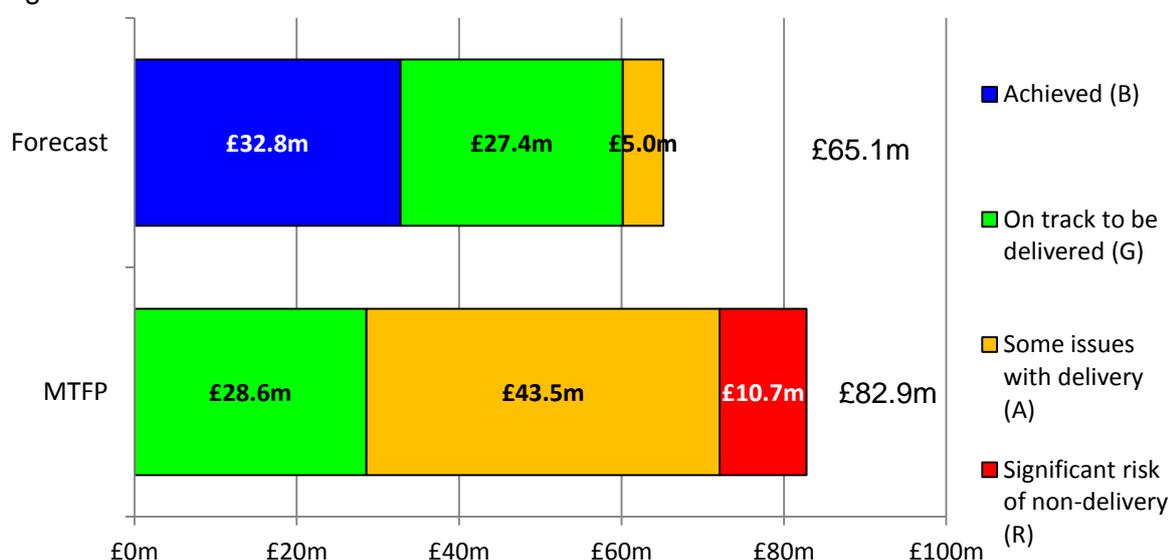
1 - Children, Schools & Families' FTEs include: Children's & Safeguarding, Commissioning & Prevention, Schools & SEND and Delegated Schools

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

Efficiencies

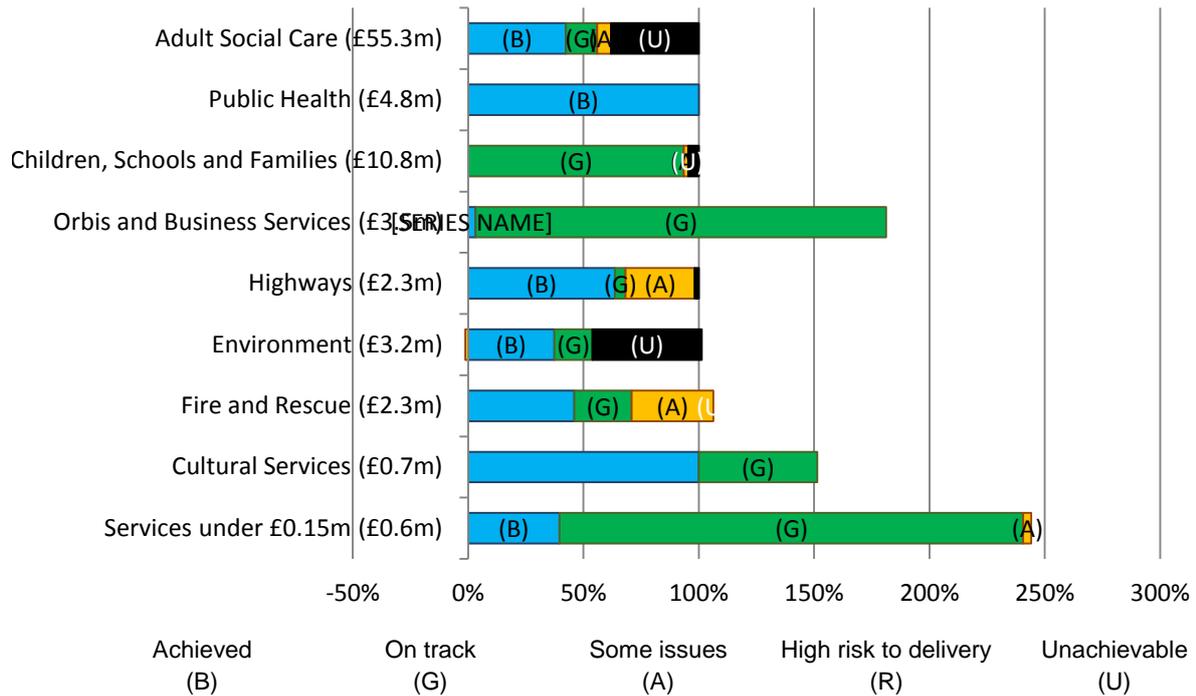
48. MTFP 2016-21 incorporates £82.9m efficiencies in 2016/17. Council services currently forecast to achieve £65.1m of this target (£2.2m increase since 30 November 2016). This represents a £17.8m shortfall overall.
49. Services review progress with their efficiency plans to assess:
- the extent of each efficiency's deliverability,
 - the risks to delivery and
 - the value of the savings they will achieve.
50. Figure 1 summarises services' overall efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2016/17 overall risk rated efficiencies as at 31 December 2016



51. 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.
52. Figure 2 overleaf, shows services' risk ratings for achieving their efficiencies.

Figure 2: 2016/17 efficiencies risk ratings by service as at 31 December 2016



53. As at 31 December 2016, the main significant variations in services' progress against their MTFP 2016-21 efficiencies & service reductions were as follows.

- £21.0m shortfall in Adult Social Care is unachievable due to issues affecting savings planned from: Friends, Family & Community programme, demand management, health and social care integration, staff turnover and optimising transition as outlined in paragraph 15.
- £1.5m shortfall in Environment & Planning, primarily Waste Management, where the introduction of charges for non-household waste at community recycling centres was delayed, and waste contract savings have not yet been secured.

Capital budget

54. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £638m 2016-21 MTFP capital programme.
55. Cabinet approved the original capital expenditure budget for 2016/17 at £194.4m and carry forward of £13.0m scheme budgets requested in the 2015/16 Outturn report. Cabinet approved -£55.8m reprofiling from the 2016/17 capital budget into the remaining years of the capital programme in July 2016 and £4.8m for the Fire Service joint transport project in October 2016. As at 31 December 2016, capital virements totalled £6.9m (Table App 4).
56. Table 6 shows the construction of the current year capital expenditure budget from the MTFP budget.

Table 6: Capital expenditure budget 2016/17 as at 31 December 2016

	MTFP budget £m	2015/16 budget c/fwd £m	Budget virement £m	Reprofile £m	Current full year budget £m
School basic need	75.6	-8.1	0.0	-34.2	33.2
Highways recurring programme	58.1	-0.2	-0.3	0.0	57.7
Property & IT recurring programme	25.8	5.2	-0.4	0.7	31.4
Other capital projects	34.9	16.0	7.6	-27.3	31.3
Service capital programme	194.4	13.0	6.9	-60.7	153.6
Long term investments					0.0
Overall capital programme	194.4	13.0	6.9	-60.7	153.6

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

57. Table 7 compares the current full year overall capital programme budget of £153.6m to the current forecast expenditure for the service capital programme of £133.2m and the current forecast expenditure for the overall capital programme, including long term investments, of £246.7m.

Table 7: Forecast capital expenditure 2016/17 as at 31 December 2016

	Current full year budget £m	Apr - Dec actual £m	Jan - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	33.2	26.7	6.5	33.2	0.0
Highways recurring programme	57.7	32.4	17.1	49.5	-8.2
Property & IT recurring programme	31.4	17.9	9.0	26.9	-4.5
Other capital projects	31.2	14.1	9.4	23.5	-7.7
Service capital programme	153.6	91.2	42.0	133.2	-20.4
Long term investments	0.0	125.2	-11.7	113.5	113.5
Overall capital programme	153.6	216.4	30.4	246.7	93.1

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

58. Approved Investment Strategy spending is expected to be £113.5m in 2016/17 (as outlined in paragraphs 36 to 40) and total capital expenditure £246.7m. There are no significant variances to the current service capital programme.

Capital virements

59. The Medium Term Financial Plan (MTFP) 2016-21 includes estimated spend for Local Enterprise Partnership (LEP) major transport schemes. Consolidation of the scheme has identified a need to reprofile the funding of the programme. The Budget

report also on this Cabinet meeting agenda includes the impact of the reprofile. The 2016/17 adjustment (reduction of capital spend of £10.7m) will reduce the forecast underspend variance and does not change the council's need to borrow.

60. Planned expenditure has decreased as partners are now delivering elements of schemes the council had previously anticipated delivering itself. This adjustment also covers changes in funding, as external funding has been increased with a greater proportion of the current programme now funded by external partners, making the council's previously planned contribution available for future schemes.

Table 8 Reprofiling of LEP funding major transport schemes

	2016/17
	£m
Current MTFP (including approved carry forwards)	24.053
Revised profiles	13.325
Variance	-10.728

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

61. Highways would also like to request to reprofile £750,000 from Major Maintenance and £650,000 from Flood Risk Management between 2016/17 and 2017/18. These are allocated amounts within highways budget lines for local growth deal schemes and these reprofiles are required for the same reason as already stated.
62. MTFP 2016-21 includes estimated spend for the new fire station in Spelthorne. Re-evaluation of the scheme has identified a need to reprofile it. The Budget report also on this Cabinet meeting agenda includes the impact of the reprofile. The 2016/17 adjustment (reduction of capital spend of £0.8m) will reduce the forecast underspend variance and does not change the council's need to borrow.

Appendix to Annex

Updated budget - revenue

App 1. The council's 2016/17 revenue expenditure budget was initially approved at £1,686.0m. Adding virement changes in the first nine months of 2016/17 decreased the expenditure budget as at 31 December 2016 to £1,677.6m. Table 1 summarises the updated budget, Table App1 shows the original and updated income and expenditure budgets by service, including the overall net expenditure the council plans to meet from reserves.

Table App1: 2016/17 updated revenue budget as at 31 December 2016

	Carry fwds			Carry fwds			Updated net expenditure budget £m
	MTFP income £m	& internal movements £m	Approved income £m	MTFP expenditure £m	& internal movements £m	Approved expenditure £m	
Economic Growth	0.0	0.0	0.0	1.7	0.0	1.7	1.7
Strategic Leadership	0.0	0.0	0.0	1.0	0.0	1.0	1.0
Adult Social Care	-60.9	-9.7	-70.6	429.5	9.1	438.7	368.0
Children, Schools & Families	-167.7	2.0	-165.7	365.3	-1.0	364.4	198.7
Delegated Schools	-457.7	13.2	-444.5	457.7	-13.2	444.5	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	3.0	0.9	3.9	3.7
Coroner	0.0	0.0	0.0	1.8	0.0	1.8	1.8
Cultural Services	-13.1	0.1	-13.1	22.7	0.0	22.7	9.6
Customer Services	-0.1	0.0	-0.1	3.6	0.0	3.6	3.5
Directorate Support	-0.1	0.0	-0.1	1.1	0.1	1.1	1.0
Emergency Management	0.0	0.0	0.0	0.5	0.0	0.6	0.5
Surrey Fire & Rescue Service	-13.6	-0.8	-14.4	46.8	0.8	47.5	33.1
Trading Standards	-1.7	0.0	-1.7	3.7	0.0	3.7	2.0
Environment & Planning	-6.5	-2.1	-8.7	86.3	2.7	89.0	80.3
Highways & Transport	-7.6	-0.1	-7.6	51.9	0.4	52.3	44.7
Public Health	-38.5	0.0	-38.5	38.8	0.0	38.8	0.3
Central Income & Expenditure	-0.5	-0.3	-0.8	60.0	-2.9	57.1	56.3
Communications	0.0	0.0	0.0	2.0	0.2	2.2	2.2
Orbis - Joint and Managed	-17.2	6.2	-11.0	97.7	-6.0	91.7	80.7
Legal & Democratic Services	-0.5	0.0	-0.5	9.0	-0.1	8.9	8.4
Strategy & Performance	-0.8	0.0	-0.8	1.9	0.6	2.5	1.8
Service total	-786.7	8.4	-778.3	1,686.0	-8.4	1,677.6	899.3
Government grants	-202.3		-202.3			0.0	-202.3
Local taxation	-672.2	0.0	-672.2		0.0	0.0	-672.2
Grand total	-1,661.2	8.4	-1,652.8	1,686.0	-8.4	1,677.6	24.8

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

App 2. When the County 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 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements

above £500,000 require the relevant Cabinet Member's approval. There were two virements above £500,000 in the first nine months of 2016/17, none in December.

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

Table App 2: 2016/17 revenue expenditure budget movements as at 31 December 2016

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement Count
MTFP	-1,661.2	1,686.0		24.8	
Carry forwards		3.9	-3.9	0.0	1
	-1,661.2	1,689.9	-3.9	24.8	1
Q1 Movements	5.7	-5.7		0.0	75
Q2 movements	-7.2	7.2		0.0	49
October movements	11.3	-11.3		0.0	46
November movements	0.4	-0.4	0.0	0.0	16
December movements					
Internal service movements	-1.7	1.7	0.0	0.0	17
Funding changes	0.0	0.0	0.0	0.0	1
Total December movements	0.4	-0.4	0.0	0.0	16
December approved budget	-1,652.8	1,681.5	-3.9	24.8	205

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

App 5. 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 31 December 2016

	Year to date			Full year			
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-473.2	-473.3	-0.1	-672.2	-200.4	-673.7	-1.5
Government grants	-634.2	-618.1	16.1	-824.9	-190.5	-808.6	16.3
Other income	-116.3	-137.1	-20.8	-155.7	-40.1	-177.2	-21.5
Income	-1,223.7	-1,228.5	-4.8	-1,652.8	-431.0	-1,659.5	-6.7
Expenditure:							
Staffing	206.6	208.1	1.5	277.8	84.0	278.8	1.0
Service provision	702.3	694.3	-8.0	955.3	255.5	962.1	6.8
Non schools sub-total	908.9	902.4	-6.5	1,233.1	339.4	1,240.9	7.8
Schools expenditure	357.5	357.5	0.0	444.5	87.0	444.5	0.0
Total expenditure	1,266.4	1,259.9	-6.5	1,677.6	426.4	1,685.4	7.8
Movement in balances	42.7	31.4	-11.3	24.8	-4.5	25.9	1.1

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

Updated budget – capital

App 6. Cabinet approved £13.0m carry forward of scheme budgets requested in 2015/16's Outturn report and approved -£55.8m reprofiling of expenditure from 2016/17 to the remaining years of the 2016-21 capital programme in July 2016. Capital virements made in December amount to £1.0m to add to the net total £5.9m virements made between April and November 2016. Table App 4 summarises the capital budget movements for the year.

Table App 4: 2016/17 Capital budget movements as at 31 December 2016

	1 Apr 2016 £m	30 Nov 2016 £m	31 Dec 2016 £m
MTFP (2016-21) (opening position)	194.4	194.4	194.4
In year changes			
Carry forwards from 2015/16		13.0	13.0
Property Services' reprofiling		-55.4	-55.4
Environment & Infrastructure reprofile		-0.5	-0.5
Joint Fire transport project		-4.8	-4.8
Reprofiling & carry forwards		-47.7	-47.7
Virements			
In year changes			
Limnerlease (Watts Gallery Trust)		1.0	1.0
Woodfuel & timber grant		0.3	0.3
Lindon Farm		-1.8	-1.8
Salt barns		0.2	0.2
Horley Library		2.1	2.1
IMT contributions to Equipment Replacement Reserve		0.5	0.5
Schools contributions		2.2	3.2
Developer contributions to schools		0.2	0.2
East Surrey Integrated Care unit - ASC		0.9	0.9
Local transport systems		0.3	0.3
In year budget changes		5.9	6.9
2016/17 updated capital budget		152.6	153.6

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

Balance sheet

App 7. Table App 5 shows a summary of the council's balance sheet as at 31 December 2016.

Table App 5: Balance sheet

As at 31 Mar 2016		As at 31 Dec 2016	
£m		£m	
1,792.9	Property, plant & equipment	1,789.5	
1.0	Heritage assets	1.0	
62.9	Investment property	62.9	
5.5	Intangible assets	4.8	
3.2	Long term investments	39.3	
28.7	Long term debtors	111.4	
1,894.2	LONG TERM ASSETS	2,008.9	
65.0	Short term investments	0.0	
0.8	Intangible assets	0.8	
24.2	Assets held for sale	24.2	
1.4	Inventories	0.8	
152.1	Short term debtors	135.8	
0.0	Cash & cash equivalents	55.4	
243.5	CURRENT ASSETS	217.0	
-19.6	Short term cash & cash equivalents	0.0	
-30.9	Short term borrowing	-158.2	
-182.1	Creditors	-170.9	
-3.1	Provisions	-1.4	
-0.1	Revenue grants receipts in advance	-0.1	
-0.3	Capital grants receipts in advance	-0.3	
-7.6	Other short term liabilities	-7.6	
-243.7	CURRENT LIABILITIES	-338.5	
-30.6	Provisions	-29.9	
-397.8	Long term borrowing	-397.8	
-1,383.5	Other long term liabilities	-1383.5	
-1,811.9	LONG TERM LIABILITIES	-1,811.2	
82.1	NET ASSETS	76.2	
-317.1	Usable reserves	-329.3	
235.0	Unusable reserves	253.1	
-82.1		-76.2	

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

Earmarked reserves

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

	Opening balance 1 Apr 2016	Balance at 31 Dec 2016	Forecast 31 Mar 2017
	£m	£m	£m
Revolving Infrastructure & Investment Fund	21.1	11.1	11.1
Budget Equalisation Reserve *	13.1	6.9	11.7
Eco Park Sinking Fund	11.7	5.8	4.4
Insurance Reserve	11.9	7.7	7.7
Investment Renewals Reserve	8.8	9.0	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	3.0
Economic Downturn Reserve	9.2	9.2	9.2
Public Health Reserve	2.7	0.0	0.0
Economic Prosperity Reserve	2.5	2.5	2.5
Equipment Replacement Reserve	2.1	3.4	2.0
Child Protection Reserve	1.1	0.0	0.0
Business Rate Appeals Reserve	1.3	1.3	1.3
Pension Stabilisation Reserve	1.1	0.0	0.0
Interest Rate Reserve	1.0	1.0	1.0
Total earmarked revenue reserves	101.8	71.4	65.6
General Fund Balance	21.3		21.3

* £5.8m of the balance on the Budget Equalisation Reserve was approved to support the 2017/18 budget, in the 2016-21 MTFP.

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

Debt

App 8. During the nine months to 31 December 2016, the Accounts Payable team raised invoices totalling £213.9m (up from £149.6m at 30 September 2016). The amount overdue on these invoices was £21.4m of gross debt as at 31 December 2016 (down from £23.2m at 30 September 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 31 December 2016

	<1 month	2-12 months	1-2 years	+2 years	Gross debt	Overdue debt
Account group	£m	£m	£m	£m	£m	£m
Care debt – unsecured	4.0	4.1	2.1	3.2	13.5	9.4
Care debt – secured	0.5	1.9	1.3	3.5	7.3	6.8
Total care debt	4.6	6.0	3.4	6.8	20.8	16.2
Schools, colleges and nurseries	0.7	1.8	0.0	0.0	2.5	1.8
Clinical commissioning groups	3.5	0.6	0.1	0.1	4.4	0.9
Other local authorities	1.3	0.3	0.2	0.1	1.9	0.7
General debt	2.6	1.4	0.5	0.0	4.6	1.9
Total non-care debt	8.1	4.2	0.8	0.3	13.4	5.2
Total debt	12.7	10.2	4.2	7.1	34.1	21.4

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

App 9. Adjusting the overdue debt to take into account those balances not secured (on property) produces the overdue, unsecured debt figures shown in Table App 8. Over the quarter, overdue, unsecured debt has fallen by £1.7m, comprising £1.1m in unsecured care debt and £0.6m in non-care debt.

Table App 8: Overdue, unsecured debt summary as at 31 December 2016

	2016/17 Q3 £m	2016/17 Q2 £m	2016/17 Q1 £m	2015/16 Q4 £m	2014/15 Q4 £m	2013/14 Q4 £m
Care related debt	9.4	10.5	10.5	10.8	8.9	6.5
Non care related debt	5.2	5.8	7.7	7.6	4.2	3.1
Total	14.6	16.3	18.2	18.4	13.1	9.6

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

App 10. The council's debt policy includes a target of 30 days to collect non-care debt. The average number of debtor days for the period 1 April 2016 to 31 December 2016 was 20 days (down from 28 days as at 30 September 2016).

App 11. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. During the quarter to 31 December 2016, the Director of Finance has written off 85 such debts with a total value of £444,756, of which £413,203 is care related and £31,553 is non care related debt.

Treasury management

Borrowing

App 12. The council borrows money to finance the amount of our capital spending that exceeds receipts from grants, third party contributions, capital receipts and reserves. The council must also demonstrate the costs of borrowing are affordable, prudent and sustainable under the Prudential Code. Table App 9 shows movements in the council's long term borrowing.

Table App 9: Long term borrowing as at 31 December 2016

	£m
Debt outstanding as at 1 April 2016	397.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 31 December 2016	397.2

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

App 13. The weighted average interest rate of the council's entire long term debt portfolio is 4.1% as at 31 December 2016.

App 14. The revised Treasury Strategy, approved on 12 July 2016, set out the continuation of the policy of internal borrowing and where necessary to borrow short term to meet the capital programme liquidity requirements.

Table App 10: Short term borrowing as at 31 December 2016

	£m
Debt outstanding as at 30 September 2016	0.0
Loans raised	121.4
Loans repaid	0.0
Current balance as at 31 December 2016 (Excluding Surrey Police Authority)	121.4

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

App 15. The weighted average interest rate of the council's short term external debt is 0.33% as at 31 December 2016.

App 16. The council also manages cash on behalf of Surrey Police Authority (£30.3m as at 31 December 2016) which is classed as temporary borrowing.

Maturity profile

App 17. The council sets limits for the maturity structure of borrowing in accordance with the Prudential Code, as shown in Table App 11. The actual amounts as at 31 December 2016 exclude balances invested on behalf of Surrey Police Authority.

Table App 11: Maturity structure of the council's borrowing as at 31 December 2016

	Upper limit	Lower limit	Actual
Repayable in 1 year*	50%	0%	27.6%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	0%
Repayable in 5-10 years	75%	0%	1.7%
Repayable in 10-15 years	75%	0%	0%
Repayable in 15-25 years	75%	0%	1.3%
Repayable in 25-50 years	100%	25%	69.4%

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

Early debt repayment and rescheduling

App 18. The council has not made early repayments or rescheduled debt in 2016/17.

Investments

App 19. The council had an average daily level of investments of £181.6m throughout 2015/16, with an average of £79.1m so far in 2016/17. The balance of funds managed on behalf of schools was £44.7m at 31 December 2016.

App 20. 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 12 shows activity during the nine months to 31 December 2016.

Table App 12: Deposit activity for the six months up to 31 December 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	Total limit
		£m	£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 21. The weighted average return on all investments received in the quarter to 31 December 2016 is 0.30%. This compares to the average 7-day London Interbank Bid Rate (LIBID) of 0.12% for the same period. Table App 13 shows the comparison.

Table App 13: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
Quarter 3	0.12%	0.30%
2015/16 total	0.36%	0.54%
2014/15 total	0.35%	0.42%

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