Budget monitoring for period six of 2017/18 (September 2017)

Summary

The Council set its 2017/18 budget in the context of significant rising demand pressures (particularly in social care) compounded by falling Government funding and continuing restraint on the council's ability to raise funds locally without triggering a referendum. Consequently, to achieve a sustainable budget, the council would have needed to make £151m savings. However, the use of a series of one off measures meant the council faced having to plan to deliver an unprecedented high level of £104m savings to balance the 2017/18 budget. Delivering this on top of £450m savings already made since 2010 is a significant challenge.

In recognition of the scale of the challenges, close monitoring through an efficiency tracker that monitors progress against project milestones, consultations and equalities impact assessments is being carried out by budget holders supported by Finance and directors with key messages reported to Cabinet, enabling remedial action where appropriate.

Within 2017/18's £104m savings target, the council has agreed plans for £95m savings, with £9m savings to be identified. As at 30 September 2017 services forecast making £79m of these planned savings. Services have already achieved £47m savings with another £26m on track for delivery while £6m face potential barriers. £16m are now considered to be unachievable at this stage in 2017/18 (including £10m in Adult Social Care, £3m in Early Help and £3m in Waste Disposal). Services need to continue to take all reasonable action to manage costs within available resources by keeping costs down and maximising income.

In setting the 2017/18 budget, the council faced significant demand and cost pressures, mostly in social care. In some services a small change in volume can lead to significantly increased costs. The experience of the first six months of the year has seen numbers at this stage increase above what was expected even a short period ago. In Children's Services, demand continues to increase and is expected to add a £9m pressure by the end of the financial year. In Public Health, retendering of a major contract is forecast to result in a delay to planned changes and a pressure of up to £2m in this financial year. Currently, there are offsetting forecast underspends, including in: Orbis, Children, Schools & Families, Highways & Transport, Place Development & Waste, Surrey Fire & Rescue and Adult Social Care.

After six months of the financial year the combined impact of delivering lower savings than planned and demand rising faster than anticipated is a forecast overspend of £17m for 2017/18 before further mitigating action. The actions services have already taken as part of the recovery plan to manage down the overspend amount to £4m, including:

- £1.1m in Orbis from rescheduling spending,
- £1.3m in Surrey Fire & Rescue Service from a range of measures,
- £1.0m in Children, Schools & Families directorate through holding vacancies and
- £0.6m in Environment & Infrastructure directorate through delays in planned work.

However there remains considerable risks of volatility in a number of key budgets that are outside the council's control and the forecast position for the year end could worsen by up to £13m. This would increase the council's forecast overspend to around £30m.

Summary recommendations

As the forecast financial position could worsen and the council has a duty to ensure its expenditure does not exceed resources available. The outlook for future years means planned use of reserves at this time is not the solution to achieving a sustainable financial position.

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2017/18, is £17m overspend (paragraphs 1 and 8 to 39). This includes:
   £9m savings to be identified,
   £16m savings considered unachievable in 2017/18,
   £11m service demand pressures
   less
   £19m underspends and additional income.

2. Significant risks to the revenue budget (paragraphs 40 to 44) could add £13m to the forecast overspend, including: £8m in Children, Schools & Families and £3m in Adult Social Care.

3. Forecast planned savings for 2017/18 total £79m against £95m agreed savings and £104m target (paragraph 46).

4. All services continue to take all reasonable action to keep costs down and maximise income (eg minimising spending, managing vacancies wherever possible etc.).

5. The Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary in paragraphs 15 to 18 of the main budget monitoring report to Cabinet state that the council has a duty to ensure its expenditure does not exceed resources available and move towards a sustainable budget for future years.

6. The council and all eleven district and borough councils in Surrey have submitted an application to form a business rates retention pilot in 2018/19 (paragraph 45).

Cabinet is asked to approve the following

7. Transfer £8m from the Budget Equalisation Reserve to Central Income & Expenditure to negate the deferral of the increase in Waste PFI credits (paragraph 36).

Revenue budget summary

In March 2017 Cabinet approved Surrey County Council's Medium Term Financial Plan (MTFP) 2017-20. This incorporates the £1,672m gross expenditure budget for the 2017/18 financial year set by Full County Council in February 2017. MTFP 2017-20 is a key means for delivering the council's strategic aims in the face of rising pressures from growth in demand for services (particularly social care) and continuing falls in Government funding, which both put significant strains on the council's finances.

The Section 151 Officer's Annex to the Budget Report in February 2017 expressed the view that the risks to the council's financial position had become even more serious during 2016/17. To alleviate these risks and move towards a sustainable financial position, the council needs to achieve £104m savings in 2017/18 to balance this year's budget.

As at 30 September 2017, the council forecasts £17m overspend at year end with £13m significant additional budget risk. The main variances (paragraphs 8 to 39) relate to:

- £9m savings yet to be identified;
- £16m forecast underachievement of savings, including
  - £10m in Adult Social Care
  - £3m in Early Help and
  - £3m in Waste
- £8m net service pressures and underspends, including
  - £9m demand in Children's Services
  - £2m contractual issues in Public Health
  - less
  - £6m net underspends, additional income and other pressures in Adult Social Care
  - £3m cost reductions in Waste
  - £2m underspends and early achievement of savings in Orbis
  - £5m net underspend in Children, Schools & Families
  - £1m underspend in Central Income & Expenditure and
  - £2m aggregate smaller underspends in other services.

As at 30 September 2017, the council has £21m general balances and £74m reserves earmarked for specific purposes. The forecast level of earmarked reserves at 31 March 2018 is £65m, which the Director of Finance regards as being at the minimum safe level in the context of the uncertainty the council faces in the future.

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 £387m capital programme in MTFP 2017-20. As at 30 September 2017, services forecast spending £132m against the £145m current 2017/18 capital budget. The main significant variances are project delays and reprofiling in Orbis and Surrey Fire & Rescue Service's underspend on the joint transport project (paragraph 61).

As part of increasing the council's overall financial resilience, it currently plans £105m net investment in long term capital investment assets in 2017/18 (paragraphs 62 to 65). This means total capital spending, including long term investments, is forecast to be £237m in 2017/18.

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Revenue budget

Overview

1. As at 30 September 2017, the forecast year end budget variance is £17m overspend, a £4m improvement on the position reported as at 31 August 2017. The main changes since August include: £4m increase in savings shortfall in Adult Social Care partly offset by £1m increase in identified underspends and additional income, £3m increase in underspends in Schools & SEND, £3m cost reduction in 2017/18 in Waste, £1m increase in savings and underspends in Orbis.

2. These changes mean the overall forecast overspend includes: £16m forecast underachievement on savings; £9m savings which remain unidentified; and £8m net service underspends (paragraphs 8 to 39).

3. In addition, there remains considerable risks of volatility in a number of key budgets that are outside of the council's control and the forecast position for the year end could worsen by up to £13m.

4. At this point in the year, a forecast outturn overspend position of this size remains significant and the council needs to continue to act to keep costs down and maximise income while balancing actions so as not to affect service delivery unnecessarily.

Revenue budget monitoring position

5. In March 2017, Cabinet approved the council's 2017/18 gross revenue expenditure budget at £1,672.4m, gross revenue income budget at £1,660.6m and use of reserves at £11.8m.

6. Changes in the first six months of 2017/18 to reflect agreed carry forwards and other budgetary adjustments, decreased the gross expenditure budget as at 30 September 2017 to £1,672.0m and the gross income budget to £1,660.2m. Approved use of reserves remains unchanged. Table App1 in the appendix outlines the updated revenue budget by service after in year budget virements and budget carry forwards from the 2016/17 financial year.

7. Table 1 shows the updated net revenue expenditure budget position analysed by service. Net revenue expenditure budgets are services' gross expenditure less income from specific grants and fees, charges and reimbursements. Net revenue budgets do not include income from the council's general funding sources, which are general government grants and local taxation (council tax and business rates). Table App3 in the appendix shows year to date and forecast year end positions for the council's general funding sources.

Table 1: 2017/18 updated net revenue budget forecast as at 30 September 2017

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.0	0.5	1.1	0.1
Strategic Leadership	0.9	0.5	0.8	-0.1
Adult Social Care	362.0	177.5	366.5	4.5
Children's and Safeguarding services	106.1	56.6	115.1	9.0
Commissioning & Prevention	33.7	15.8	36.3	2.6
Schools & SEND (Special Educational Needs & Disabilities)	61.2	30.9	56.4	-4.8
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	0.0	0.0	0.0	0.0
Coroner	1.7	0.8	1.7	0.0
Cultural Services	9.3	4.2	8.9	-0.4
Customer Services	3.4	1.5	3.2	-0.2
C&C Directorate Support	0.8	0.3	0.7	-0.1
Emergency Management	0.5	0.3	0.5	0.0
Surrey Fire & Rescue Service	31.8	15.9	32.1	0.3
Trading Standards	1.9	0.9	1.8	-0.1
Place Development & Waste	82.0	42.6	82.1	0.1
Highways & Transport	46.6	20.3	45.9	-0.7
Public Health	0.0	0.0	2.1	2.1
Communications	2.0	0.8	1.9	-0.1
Finance	2.8	1.4	2.8	0.0
Human Resources & Organisational Development	3.9	1.2	3.5	-0.4
Information Management & Technology	12.5	5.1	12.2	-0.3
Legal Services	4.0	1.8	3.9	-0.1
Democratic Services	5.8	3.8	5.5	-0.3
Strategy & Performance	1.4	0.7	1.3	-0.1
Procurement	0.9	0.4	0.8	-0.1
Property	21.3	8.3	20.8	-0.5
Joint Operating Budget ORBIS	37.6	16.9	36.8	-0.8
Business Operations	-0.1	-0.1	-0.1	0.0
Central Income & Expenditure	54.2	34.1	52.8	-1.4
Savings to be identified	-9.0	0.0	0.0	9.0
Services' total net revenue expenditure	**880.5**	**442.7**	**897.9**	**17.4**
General funding sources				
General Government grants	-150.1	-72.1	-150.6	-0.5
Local taxation (council tax and business rates)	-718.6	-223.8	-718.6	0.0
Total general funding	**-868.7**	**-295.9**	**-869.2**	**-0.5**
Total movement in reserves	**11.8**	**146.8**	**28.7**	**16.9**

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

Significant net revenue budget variances

Adult Social Care - £4.5m overspend (£2.7m deterioration since 31 August 2017)

8. Adult Social Care (ASC) forecasts £4.5m overspend as at 30 September 2017. Against its £25.9m efficiency target, ASC forecasts to achieve £15.6m, which represents a £10.4m shortfall. The shortfall relates to underachievement of savings including:

- £4.0m in reducing ASC demand pressures;
- £3.0m in services to people with learning disabilities;
- £1.0m from support package guidelines in services for older people;

- £0.8m from continuing healthcare disputes;
- £0.6m of family, friends & community stretch savings target; and
- £0.5m from contracts, grants and housing related support.

9. Significant mitigations against this shortfall in planned ASC savings include: £1.8m underspends not linked to savings plans and £3.9m overachievement of fees and charges income due to increased demand in Older People and the work undertaken by ASC to review financial assessments, ensure benefit entitlements are claimed and changes in circumstances are accounted for in assessments.

Children's Services - £8.9m overspend (£0.3m deterioration since 31 August 2017)

10. Children's Services continues to experience exceptional demand for services continuing patterns seen in recent months and forecasts an £8.9m overspend. This is a £0.3m deterioration compared to the forecast as at 31 August 2017.

11. The increased levels of demand is leading to £2.1m pressures against staffing budgets and £6.8m significant demand pressures around the cost of placements for looked after children (LAC), care leavers and Unaccompanied Asylum Seeker Children (UASC).

12. Increased demand from children requiring support has led to the need for additional social work capacity and the need to have 23 staff above establishment at this time. Although the number of locums has reduced over the past six months as the permanent workforce stabilises, the service has 75 locums to staff both the Multi Agency Safeguarding Hub (MASH) and the Children's Services frontline teams. This includes the staffing pressures in the MASH. The MASH was established in October 2016 and the original staffing establishment had to be increased to manage the number of contacts, processes and workflows being experienced.

13. Pressures from increases in the number of LAC are mainly seen in the external placement budget, particularly the highest cost residential placements (£219,000 a year). The majority of these children have very complex needs and the service expects a £3.9m overspend. During the business planning stage, the service reasonably estimated a total of 216 external placements. The latest budget allows for 244 placements. As at 30 September 2017 there were 268 children in external placements. This is a decrease of six since 31 August 2017. The number of placements is volatile and the forecast assumes that external placement numbers will continue to increase during the remainder of the year.

14. As in previous years, the council has to subsidise UASC costs, as the grant funding is insufficient to cover total cost. In 2017/18 the service expects this to lead to £2.3m overspend on direct placement costs. The government raised the level of grant for UASC direct placement costs from July 2016 and Surrey receives the higher rate of grant for 47% of the young people concerned who are under 18. Nevertheless the new higher rate of grant is insufficient to cover direct placement costs and adding staffing and other necessary direct costs means the shortfall for a 16/17 year old against full cost is £18,000 a year for the new rate and £24,000 a year for the legacy rate.

15. The number of UASC supported as LAC has reduced as a high number turn 18 and move on to the leaving care service. Again the grant is insufficient to cover costs and

most of the young people are on the lower legacy grant rate of £150 a week whereas current support costs are £337 a week. These pressures do not include any of the staffing costs associated with supporting looked after asylum seeking children and care leavers that contribute to the demand for social work staff and the consequent overspends described above. The service estimates the total unsubsidised annual cost of supporting asylum seeking children is £4m in 2017/18.

16. In addition the service anticipates £0.6m overspend for the leaving care service, mainly arising from the need for more supportive packages for young people as they turn 18 and for more staff to support the rising numbers.

Schools & SEND - £4.8m underspend (£2.7m improvement since 31 August 2017)

17. Overall Schools & SEND estimates £4.8m underspend at year end. This is due to: holding short term vacancies, lower retirement costs in schools, universal area services, education welfare, SEN area services, school planning, one off adjustment to gross budget and Commercial Services' increased contribution.

18. Recruitment difficulties mean there are currently £0.5m short term underspends against staffing budgets principally in the education psychology teams. The service has filled these posts to ensure it can meet its requirement around Education, Health and Care Plans (EHCPs). The level of vacancies has however contributed to a £1.2m shortfall in traded income.

19. In addition there are projected underspends of £0.5m against the central allowance for retirement costs and £0.6m against use of grant funding for SEND reform.

20. Commercial Services expects £0.8m underspend from a greater than budgeted contribution to overheads, particularly for school catering. Any further improvement in the trading position will become clearer as the new academic year progresses.

21. These underspends are in part offset by an emerging £1.2m overspend on SEN transport. The number of children travelling increased towards the end of 2016/17 with overall numbers increasing by 105 across the year. If continued, these trends will place pressure on the budget in 2017/18. The position is now clearer, as travel patterns for the new academic year have established. Although volumes are increasing, work is underway to develop travel training for young people with SEN and encourage the take up of the parental travel allowance.

22. Furthermore, £0.8m pressures are emerging on the social care element of education placements as more residential school placements are made for SEND children with social care needs.

Commissioning & Prevention - £2.6m overspend (£0.2m deterioration since 31 August 2017)

23. Commissioning & Prevention anticipates £2.6m overspend in 2017/18 due to a planned delay implementing the transformation programme for Early Help. The service is developing a new operational model for early help to provide a cohesive and coordinated support offer for families. The development phase has been extended to ensure the offer is right for Surrey in the context of increasing demand currently experienced across the social care system in Surrey. As a result, the full

savings anticipated will not be delivered in 2017/18. However, the reconfiguration of support and commissioning services has delivered £2.3m savings for 2017/18.

Place Development & Waste - balanced (£2.5m improvement since 31 August 2017)

24. Place Development & Waste (PDW) forecasts a balanced position resulting from a number of pressures and offsetting savings, primarily within waste disposal.

25. Waste disposal currently forecasts £2.6m overspend due to savings which are not expected to be achieved this year, or only partially achieved. These include savings from improved kerbside recycling performance, better management of recycled materials, and further changes at community recycling centres (which require public consultation and Cabinet approval). These shortfalls are offset by the financial implications of delayed construction of the Eco Park, which results in costs being delayed until 2018/19. In addition a number of risks exist. The forecast assumes the service can save a total of £2m this year by making structural changes to the waste contract. Progress is ongoing, for example a £12m contract refinancing was approved by Cabinet in March 2017 and completed in June 2017. However this is a challenging project and delivery is not entirely within the council's control.

26. Other pressures include £0.3m residual savings from 2016/17 and residual savings from 2016/17 for which no plan currently exists. PDW (and the wider Environment & Infrastructure (E&I) directorate) is reviewing planned income and expenditure to identify additional savings to compensate for overspends, including taking advantage of recent bus contract retender savings and holding vacant posts. Through these measures it currently expects to offset this pressure and spend in line with budget.

Highways & Transport - £0.6m underspend (no change from 31 August 2017)

27. Highways & Transport (H&T) has reviewed planned income & expenditure to identify additional savings to compensate for £0.2m higher than expected inflation on street lighting energy costs (the budget assumed a 5% increase, but inflation is currently running at 12%) and overspends elsewhere in the council.

28. H&T has agreed several measures to reduce costs, including deferring planned hedge flailing, sign replacement and tree works, deferring drainage investigations and a safety barrier survey, and deferring equipment purchases. H&T has reviewed these measures to ensure that safety is not compromised and the Cabinet Member has agreed them on the basis that should there be a need to respond to any safety critical work or risk to income, delayed work may need to be reinstated. At this stage, taking account of the above measures, H&T expects to achieve £0.6m net underspend.

29. A year-to-date £1.7m underspend exists in H&T because some costs and activities are expected to occur later in the year. The service will adjust budgets to match the expected expenditure profile.

Surrey Fire & Rescue Service - £0.3m overspend (no change since 31 August 2017)

30. Surrey Fire & Rescue Service (SFRS) forecasts £0.3m year end overspend. SFRS has significant savings plans of £3.6m for the year and is on target to achieve £3.3m.

31. SFRS has confirmed £1.6m cost pressures. These are from: £0.9m delayed fire cover re-configuration saving, which will not be achieved while continuing to operate two

appliances within Spelthorne; £0.4m blue light collaboration activities as no collaboration savings are expected this year due to the positioning of partners; and £0.1m contingency crewing due to part year savings. In addition SFRS has added an expected £0.2m payroll cost pressure to reflect an anticipated higher than budgeted national fire fighter pay award.

32. These pressures are partially offset by £1.3m savings which include: £0.5m early achievement of planned middle management staff savings; £0.4m reductions in employer's pension contribution rates; £0.2m in house restructuring of fleet operations; and £0.2m other staffing, supplies and services savings.

Public Health - £2.1m overspend (no change since 31 August 2017)

33. Public Health forecasts £2.1m year-end overspend. £1.7m of this overspend is due to delays to implementing the new integrated sexual health service provider contract and having to extend the existing contract. As a priority Public Health leadership team is reviewing a series of mitigating actions to reduce the forecast overspend and will update the forecast monthly to reflect this. The remaining forecast £0.4m overspend is mainly on public health services for children and young people (0-19).

Central Income & Expenditure – £1.4m underspend (no change since 31 August 2017)

34. Central Income & Expenditure forecasts £1.4m year end underspend. This is mainly due to an underspend on the amount the council needs to set aside for the minimum revenue provision (MRP).

35. MRP is the amount the council needs to set aside for the future repayment of external borrowing, calculated with reference to the council's balance sheet as at the end of the previous financial year. Following completion of the council's audited accounts, the amount the council needs to set aside as MRP is £1.4m less than budgeted. The council's 2017/18 underspend on MRP is mainly due to underspends in 2016/17's general capital programme.

36. The council's Waste PFI has experienced a number of delays since its inception. The Department for the Environment, Fisheries and Rural Affairs (DEFRA) reduced the council's PFI credits for this project pending the completion and operation of the largest asset associated with the scheme. Initially the council expected the planned step increase in the amount of PFI credits received from 2017/18 onwards would be achieved for this year. It now looks increasingly likely this will not be the case and the increase in PFI credits will be delayed until at least the second quarter of 2018/19. This results in an under-recovery of PFI credits in 2017/18 compared to the £8m budget. This is not a permanent under recovery as the step increase in PFI credits will be achieved in future years when grant income will exceed the current budget assumptions. It is recommended the Budget Equalisation Reserve is used to smooth the impact of this under-recovery and Cabinet is asked to approve draw-down of £8m from the Budget Equalisation Reserve to the Central Income & Expenditure Budget to negate this under recovery in 2017/18.

Orbis - £2.1m underspend (£1.4m improvement since 31 August 2017)

37. Orbis forecasts £2.1m year end underspend. This comprises £1.3m underspend on budgets Orbis manages on behalf of the council and £0.8m underspend on the council's 70% contribution to Orbis' operating costs.

38. Orbis is on target to deliver £2.3m savings target from the budgets it manages on behalf of the council and forecasts a further £1.3m underspend. The significant forecast underspends are: £0.5m in Property and £0.4m each in Human Resources & Organisational Development and IT & Digital.

39. Orbis is on target to deliver its £3.9m 2017/18 efficiencies plus a further £0.8m early achievement of 2018/19 savings. Overall, Orbis forecasts £1.1m underspend on its operating budget (on which the council makes a 70% contribution).

Additional budget risks

40. At this point in the financial year, some services still face significant additional risks to their 2017/18 outturn positions.

Children, Schools & Families –
(SEND services funded by Dedicated Schools Grant (DSG) and Children's Services)

41. As at 30 September 2017, SEND services budgets funded by DSG continue to forecast £7.9m overspend. There are some significant challenges in the 2017/18 high needs block budget, mainly around placements in the Non Maintained and Independent sector being significantly higher than planned (an increase of 200) and the challenging £13m savings plan being worked through with special schools and school partners.

42. As in previous years it is anticipated any overspend or underspend on the high needs services funded from DSG, will be managed across the financial years and within DSG funding. School Forum has agreed this principle and the local authority is currently expecting and planning for DSG spend to be contained within DSG funding.

Adult Social Care

43. ASC faces £3.3m additional risk to its budget. These risks arise from: service demand rising above current levels, prices for care packages increasing more than budgeted and some savings slipping or not being achieved.

Waste disposal

44. Making structural changes to the waste contract is a challenging project and delivery is not entirely within the council's control. If it is not delivered, the 2017/18 forecast position could deteriorate by £1.4m.

Business rates pilot application

45. In October 2017, the council and the eleven district and borough councils in Surrey have submitted an application to the Department for Communities and Local Government to becomes a business rates pilot for 2018/19. The councils jointly submitted the bid with the full agreement of each of the leaders of the twelve councils and the support of the two Local Enterprise Partnerships (LEPs) that operate in Surrey.

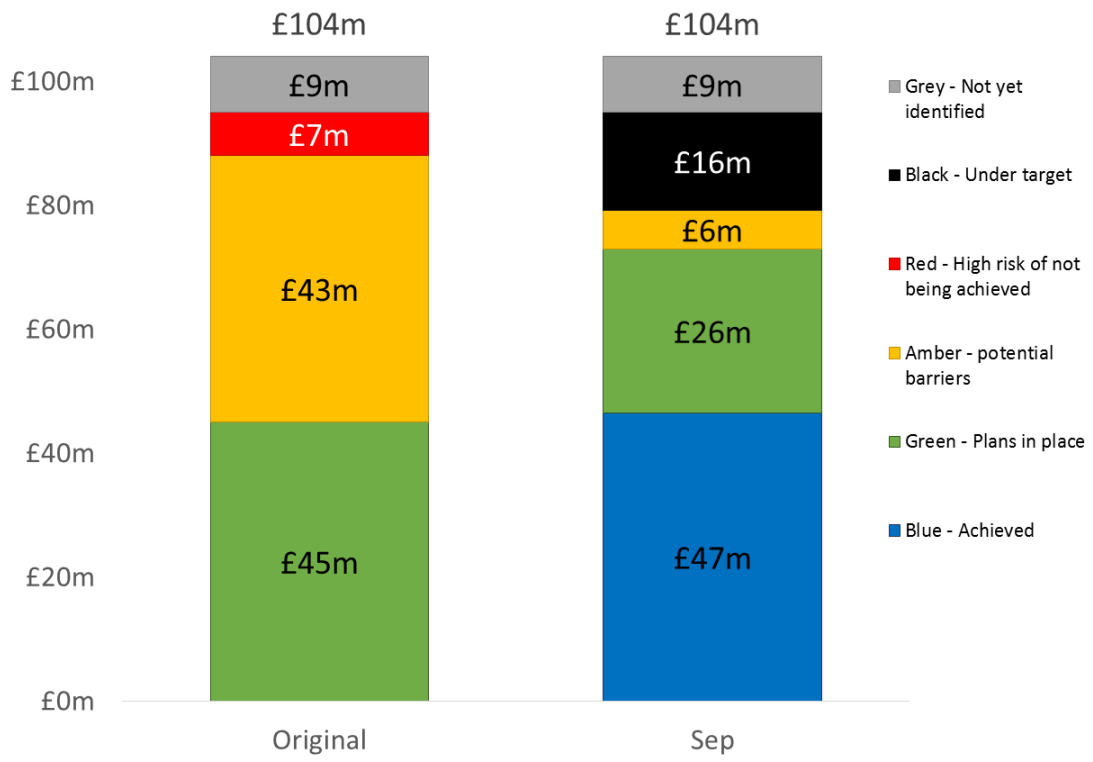
Efficiencies

46. MTFP 2017-20 includes £104.0m efficiencies in 2017/18. Council services currently forecast to achieve £79.2m of this target. This is a £24.8m shortfall, comprising £9.0m savings the council has yet to identify and £15.8m savings considered unachievable in 2017/18. As outlined in the summary to this annex, services have increased the rigour with which they track their savings plans' progress. The tracker includes:

- achievement of savings to date;
- significant milestones and key actions, including required EIA or consultations;
- the extent of each efficiency plan's deliverability and the risks to delivery;
- the value of the savings the plans will achieve; and
- additional and offsetting savings to help meet the overall target.

47. Figure 1 summarises the council's overall efficiency targets, the forecast for achieving them and the deliverability risks. By month six of 2017/18, services have: achieved £47m savings, with £26m plans on track and £6m plans potentially facing barriers to achievement. However, the most significant issues are: £16m MTFP planned savings now considered not to be achievable in 2017/18 in the areas of ASC, Early Help and Waste Disposal; plus a further £9m of savings are yet to be identified. To help mitigate the impact of these on the overall budget, services need to continue to take all reasonable actions to keep costs down and maximise income (eg minimising spending, managing vacancies wherever possible etc.).

Figure 1: 2017/18 risk rated efficiencies as at 30 September 2017 compared to MTFP

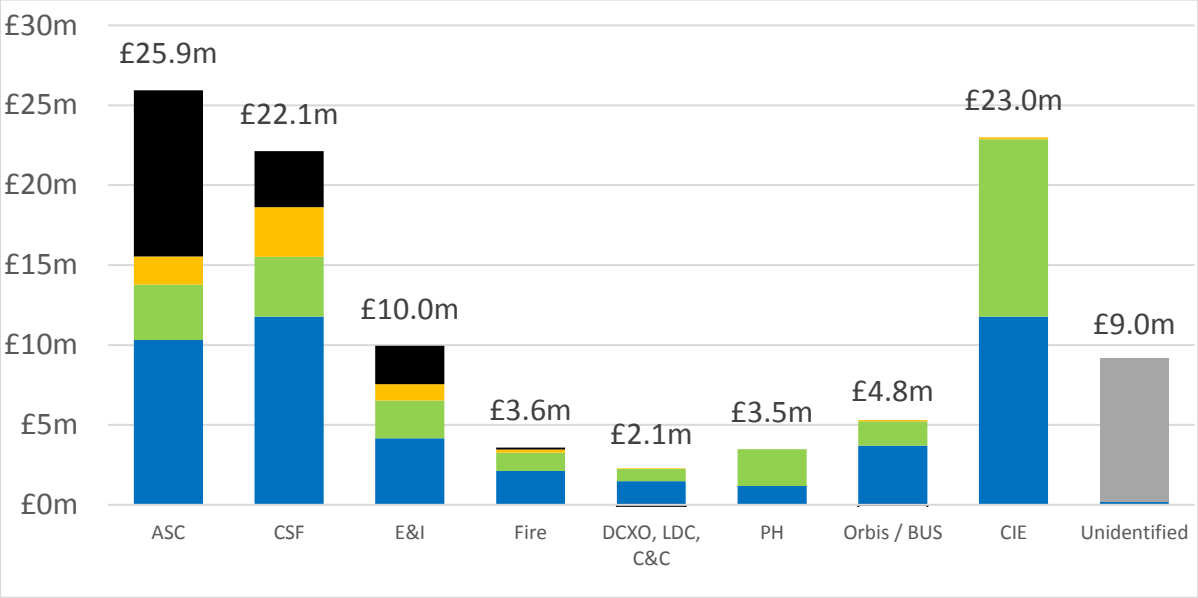


48. Figure 2 shows service directorates' updated risk ratings for achieving their efficiencies this year. The main areas of concern are non-achievement of planned savings in Adult Social Care, Commissioning & Prevention and Place Development & Waste, plus savings yet to be identified.

49. As at 30 September 2017, the main significant variations in services' progress against their MTFP 2017-20 efficiencies and service reductions were as follows:

- £9.0m shortfall for savings yet to be identified;
- £10.4m shortfall in ASC related to whole systems demand and market pressures, partly offset by £5.9m underspends and additional income (paragraphs 8 and 9);
- £2.7m shortfall in Early Help as outlined in paragraph 23 and
- £2.6m shortfall in Waste Disposal as outlined in paragraph 25.

Figure 2: 2017/18 efficiencies risk ratings by directorate as at 30 September 2017



Achieved (Blue) | On track (Green) | Potential issues (Amber) | No plans (Red) | To be identified (Grey) | Unachievable (Black)

Staffing costs

50. 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.

51. 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.

52. 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 2017/18 is £278.6m based on 7,039 budgeted FTEs.

53. The council has 726 FTE vacancies (the difference between budgeted and occupied FTEs). It is recruiting to 503 of these live vacancies, 395 of them are in social care.

54. Table 2 shows staffing costs as at 30 September 2017 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 2 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 post holder 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.

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. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 2 and the Staffing expenditure line in Table App3 in the appendix.

56. Table 2 shows £2.8m year to date underspend against the £139.4m budget as at 30 September 2017. Table App 3 shows £2.6m forecast year end underspend on employment costs. This includes the impact of demand for increased social work and safeguarding capacity in Children's Services outlined in paragraphs 11 and 12.

Table 2: Staffing costs and FTEs to 30 September 2017

		<------- Staffing spend by category -------->						
Service	**YTD staff budget £m**	**Contracted £m**	**Agency £m**	**Bank £m**	**Total £m**	**Variance £m**	***Amended budgeted FTE***	***Occupied contracted FTEs***
Strategic Leadership	0.4	0.5	0.0	0.0	0.5	0.0	*9*	*8*
Adult Social Care	30.8	27.7	1.0	0.8	29.4	-1.4	*1,754*	*1,452*
Children, Schools & Families [1]	59.4	53.6	4.0	2.3	60.0	0.6	*3,013*	*2,767*
Community Partnership & Safety	0.0	0.0	0.0	0.0	0.0	0.0	*0*	*0*
Coroner	0.2	0.1	0.1	0.0	0.2	0.0	*2*	*2*
Cultural Services	9.4	8.4	0.0	0.7	9.1	-0.3	*529*	*526*
Communities Support Function	0.4	0.4	0.0	0.0	0.4	0.0	*26*	*15*
Emergency Management	0.2	0.2	0.0	0.0	0.2	0.0	*12*	*11*
Surrey Fire & Rescue Service	13.4	12.6	0.1	0.8	13.5	0.1	*608*	*570*
Trading Standards	1.7	1.5	0.1	0.0	1.5	-0.1	*74*	*70*
Place Development & Waste	5.8	5.4	0.1	0.2	5.7	-0.2	*200*	*194*
Highways & Transport	7.4	6.2	0.4	0.0	6.6	-0.8	*396*	*314*
Public Health	1.3	1.2	0.0	0.0	1.2	0.0	*46*	*42*
Central Income & Expenditure	0.6	0.6	0.0	0.0	0.6	0.0	*0*	*0*
Communications	0.7	0.7	0.0	0.0	0.7	0.0	*31*	*30*
Customer Services	1.7	1.5	0.0	0.0	1.5	-0.2	*102*	*103*
Legal Services	1.8	1.6	0.1	0.0	1.6	-0.2	*79*	*72*
Democratic Services	1.0	0.9	0.0	0.0	0.9	0.0	*46*	*37*
Strategy & Performance	0.9	0.9	0.0	0.0	0.9	0.0	*27*	*20*
Managed ORBIS	2.3	1.8	0.2	0.0	2.0	-0.3	*85*	*79*
Service net budget	139.4	125.8	6.0	4.9	136.6	-2.8	*7,039*	*6,313*

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 table includes cost of staff managed by Orbis but who are outside the Joint Operating Budget (e.g, staff delivering the Local Assistance Scheme).

11

Capital budget

57. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £387m 2017-20 MTFP capital programme.

58. Cabinet approved the original capital expenditure budget for 2017/18 at £186.0m and carry forward of £17.0m scheme budgets requested in the 2016/17 Outturn report. Up to 30 September 2017, Cabinet approved net -£41.2m net reprofilings and carry forwards and £0.3m capital virements. Paragraph App 6 and Table App 4 show the movements.

59. Table 3 shows the MTFP budget and the current year capital expenditure budget.

Table 3: Capital expenditure budget 2017/18 as at 30 September 2017

	MTFP budget £m	2016/17 budget c/fwd £m	Budget virement £m	Reprofile £m	Current full year budget £m
School basic need	72.2	0.4		-40.9	**31.8**
Highways recurring programme	49.3	0.0	-0.7		**48.5**
Property & IT recurring programme	52.2	11.0	-1.2	-14.3	**47.7**
Other capital projects	12.3	2.6	2.2		**17.1**
Service capital programme	**186.0**	**14.0**	**0.3**	**-55.2**	**145.1**
Long term investments					**0.0**
Overall capital programme	**186.0**	**14.0**	**0.3**	**-55.2**	**145.1**

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

60. Table 4 compares the £145.1m current full year overall capital programme budget to the £132.3m current forecast expenditure for the service capital programme and the £236.9m current forecast expenditure for the overall capital programme. The overall programme in 2017/18 includes £104.6m approved Investment Strategy spending on long term investments (as outlined in paragraphs 62 to 65).

Table 4: Forecast capital expenditure 2017/18 as at 30 September 2017

	Current full year budget £m	Apr - Sep actual £m	Oct - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	**31.8**	0.8	30.9	**31.8**	**0.0**
Highways recurring programme	**48.5**	15.5	32.7	**48.2**	**-0.3**
Property & IT recurring programme	**47.7**	-5.6	47.6	**41.9**	**-5.8**
Other capital projects	**17.1**	4.0	6.4	**10.4**	**-6.6**
Service capital programme	**145.1**	**14.7**	**117.6**	**132.3**	**-12.7**
Long term investments	**0.0**	83.6	21.0	**104.6**	**104.6**
Overall capital programme	**145.1**	**98.3**	**138.6**	**236.9**	**91.8**

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

Significant capital budget variances

61. The £12.7m forecast underspend on the 2017/18 capital programme is mainly for the following reasons.

- £5.8m underspend in Orbis includes planning and environmental delays on Property projects, delays to school schemes, recurring maintenance and SEN strategy and reprofiling of IT server and network replacement to future years.

- £4.5m underspend in Surrey Fire & Rescue Service's joint transport project, which continues to suffer delays due to the scale of the project. Spending in 2017/18 will include implementing shared bulk fuel operations and delivering phase 1 of the Hub & Spoke workshops. The remaining funds will be re-profiled into 2018/19.

Revolving Infrastructure & Investment Fund

62. Table 5 shows that the council will generate £3.7m net income this year from various property acquisitions made by the council and the Halsey Garton Property group. The council anticipates transferring this net income to the Revolving Infrastructure & Investment Fund at the year end.

63. The council portfolio comprises properties purchased for future service delivery or economic regeneration. The portfolio forecasts £0.6m net cost this year, largely due to the development underway at the former Thales site in Crawley. In 2017/18 this scheme will cost the council an estimated £1.4m. However once the second phase building becomes fully operational in 2019/20 the development will generate £1.3m net income a year.

64. The Halsey Garton portfolio will generate £4.3m net income this year, comprising £1.6m estimated dividend and £2.7m net interest margin on loans provided to the company by the council.

65. Net capital expenditure in 2017/18 of £104.6m includes additional equity investment and loans to the Halsey Garton Property group and the development of the former Thales site in Crawley. The forecast for the year is net of £2.8m estimated in tenant contributions to capital works.

Table 5: Summary revenue and capital position as at 30 September 2017

Revenue statement	YTD actual £m	Full year forecast £m
Council portfolio		
Income	-2.1	-4.3
Expenditure	0.6	0.8
Funding	1.9	4.1
Net income/cost	0.4	0.6
Halsey Garton portfolio		
Dividend	0.0	-1.6
Net interest margin	-1.0	-2.7
Net income	-1.0	-4.3
Total net income	**-0.6**	**-3.7**
Capital expenditure	**83.6**	**104.6**

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

11

Appendix to Annex

Updated budget - revenue

App 1. The council's original 2017/18 revenue expenditure budget was approved as £1,672.4m. Adding virement changes in the first six months of 2017/18 decreased the expenditure budget as at 30 September 2017 to £1,672.0m. 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: 2017/18 updated revenue budget as at 30 September 2017

	MTFP income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.0	0.0	1.0	0.0	1.0	1.0
Strategic Leadership	0.0	0.0	0.0	0.9	0.0	0.9	0.9
Adult Social Care	-99.1	-4.1	-103.23	460.8	4.5	465.3	362.0
Children's Services	-10.6	-0.1	-10.7	112.8	4.0	116.8	106.1
Commissioning & Prevention	-73.0	0.3	-72.7	107.7	-1.3	106.4	33.7
Schools & SEND							
Delegated Schools	-170.1	-0.2	-170.3	234.3	-2.8	231.5	61.2
Community Partnership & Safety	-0.2	0.2	0.0	2.9	-2.9	0.0	0.0
Coroner	0.0	0.0	0.0	1.7	0.0	1.7	1.7
Cultural Services	-13.3	0.2	-13.1	22.6	-0.2	22.4	9.3
Customer Services	-0.1	0.0	-0.1	3.5	0.0	3.5	3.4
Communities Support function	-0.2	0.1	-0.1	0.9	0.0	0.9	0.8
Surrey Fire & Rescue Service	-0.1	0.0	-0.1	0.6	0.0	0.6	0.5
Community Partnership & Safety	-12.2	-0.1	-12.3	44.0	0.1	44.1	31.8
Coroner	-1.8	0.0	-1.8	3.7	0.0	3.7	1.9
Place Development & Waste	-8.0	0.0	-8.0	89.3	0.8	90.0	82.0
Highways & Transport	-8.1	-0.1	-8.2	52.8	2.0	54.8	46.6
Public Health [1]	-37.9	0.0	-37.9	37.9	0.0	37.9	0.0
Central Income & Expenditure	-0.4	-0.2	-0.6	54.5	0.4	54.9	54.2
Communications	0.0	0.0	0.0	2.1	-0.1	2.0	2.0
Finance	-1.4	0.0	-1.4	4.2	0.0	4.2	2.8
Human Resources & Organisational Development	0.0	0.0	0.0	4.3	-0.4	3.9	3.9
Information Technology & Digital	-0.4	0.0	-0.4	12.9	0.0	12.9	12.5
Legal Services	-0.4	0.0	-0.4	4.4	0.0	4.4	4.0
Democratic Services	-0.2	0.0	-0.2	6.1	-0.1	6.0	5.8
Strategy & Performance	-0.8	0.0	-0.8	2.3	-0.1	2.2	1.4
Procurement	0.0	0.0	0.0	0.9	0.0	0.9	0.9
Property	-8.5	-0.3	-8.8	30.1	0.0	30.1	21.3
Joint Operating Budget ORBIS	0.0	0.0	0.0	37.6	0.0	37.6	37.6
Business Operations	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1
Service total	**-792.0**	**0.4**	**-791.6**	**1,681.4**	**-0.4**	**1,681.0**	**889.5**
Savings to be identified				-9.0		-9.0	-9.0
Total	**-792.0**	**0.4**	**-791.6**	**1,672.4**	**-0.4**	**1,672.0**	**880.5**
General funding sources							
Government grants	-150.1		-150.1			0.0	-150.1
Local taxation	-718.6		-718.6			0.0	-718.6
Grand total	**-1,660.6**	**0.4**	**-1,660.2**	**1,672.4**	**-0.4**	**1,672.0**	**11.8**

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

1 - Public Health receives £38.5m grant funding, to which it matches its gross expenditure budget to give a net expenditure budget of £0.0m

App 2. When Full Council agreed the 2017-20 MTFP in February 2017, some government departments had not determined final amounts for some grants. Cabinet agreed the principle that services would estimate their likely grant and their 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 was one virement above £500,000 in the first six months of 2017/18.

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

Table App 2: 2017/18 revenue expenditure budget movements as at 30 September 2017

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement count
MTFP	-1,660.6	1,672.4		11.8	
Carry forwards				0.0	0
	-1,660.6	1,672.4	0.0	11.8	0
Total Quarter 1 movements	0.5	-0.5		0.0	66
July & August Movements	-0.3	0.3	0.0	0.0	41
September movements					
Significant changes to how service are delivered	0.0	0.0		0.0	1
New funding and expenditure	-0.3	0.3		0.0	2
Internal service movements	0.7	-0.7		0.0	25
Total September movements	0.4	-0.4	0.0	0.0	28
Final approved budget	**-1,660.2**	**1,672.0**	**0.0**	**11.8**	**135**

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: 2017/18 Revenue budget forecast position as at 30 September 2017

	Year to date			← Full year			→
	Budget £m	Actual £m	Variance £m	Budget £m	Remaining forecast £m	Projection £m	Variance £m
Income:							
Local taxation	-223.8	-223.8	0.0	-718.6	-494.8	-718.6	0.0
Government grants	-362.9	-355.6	7.3	-753.7	-398.9	-754.5	-0.8
Other income	-91.7	-107.2	-15.5	-187.9	-94.4	-201.6	-13.7
Income	**-678.4**	**-686.6**	**-8.2**	**-1,660.2**	**-988.1**	**-1,674.7**	**-14.5**
Expenditure:							
Staffing	139.4	136.6	-2.8	278.6	139.3	276.0	-2.6
Service provision	484.7	489.1	4.4	983.4	513.3	1,017.2	33.8
Non schools sub-total	624.1	625.7	1.6	1,262.1	652.6	1,293.5	31.2
Schools expenditure	207.7	207.7	0.0	409.9	202.2	409.9	0.0
Total expenditure	**831.8**	**833.4**	**1.6**	**1,672.0**	**854.8**	**1,703.4**	**31.2**
Movement in balances	**153.4**	**146.8**	**-6.6**	**11.8**	**-133.3**	**28.7**	**16.9**

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

11

Updated budget – capital

App 6. Cabinet approved the original capital expenditure budget for 2016/17 at £186.0m and £17.0m carry forward of scheme budgets requested in 2016/17's Outturn report. In the period to 30 September 2017, Cabinet approved £0.3m net virements. Net capital virements and carry forwards made in the period to 30 September 2017 amount to -£43.1m. Table App 4 summarises the capital budget movements for the year.

Table App 4: 2017/18 capital budget movements as at 30 September 2017

	30 Sep 17 £m
MTFP (2017-20) (opening position)	186.0
In year changes	
Carry forwards drawdown - Property services	10.0
Carry forwards drawdown – Information, Management & Technology	1.0
Reprofiling - Property services	-14.4
Reprofiling - School Basic Need	-40.9
Reprofiling - Information, Management & Technology	0.1
Carry forwards drawdown - Schools Devolved Budget	2.6
Carry forwards drawdown - Highways Maintenance	0.3
Carry forwards drawdown - Highways Local Schemes	-0.3
Carry forwards drawdown - Schools - Third party contributions	0.4
Reprofiling & Carry forwards	**-41.2**
Virements	
Local Growth deal configured in Mar 2017 (reduced grant)	-2.6
Schools Devolved Budget	-0.2
School Capital Maintenance (reduced grant)	-0.7
Free Early Education 30hrs (new grant)	0.9
Schools - Third party contributions	1.0
Changes to the capital budget after the MTFP was agreed	1.9
In year budget changes	**0.3**
2016/17 updated capital budget	**145.1**

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

Balance sheet

App 7. Table App 5 summarises the council's balance sheet as at 30 September 2017.

Table App 5: Balance sheet

As at 31 Mar 2016 £m	As at 31 Mar 2017 £m		As at 30 Sep 2017 £m
1,793.0	1,752.3	Property, plant & equipment	1,706.5
1.0	1.0	Heritage assets	1.0
62.9	54.1	Investment property	76.9
5.5	7.0	Intangible assets	6.6
3.2	46.7	Long term investments	70.5
28.7	124.5	Long term debtors	180.8
1,894.3	**1,985.7**	**LONG TERM ASSETS**	**2,042.3**
65.0	0.0	Short term investments	25.0
0.8	0.8	Intangible assets	1.0
24.2	10.9	Assets held for sale	10.9
1.4	1.4	Inventories	0.9
152.1	144.7	Short term debtors	134.3
0.0	56.1	Cash & cash equivalents	0.0
243.4	**213.9**	**CURRENT ASSETS**	**172.0**
-19.6	0.0	Short term cash & cash equivalents	-23.7
-30.9	-140.7	Short term borrowing	-120.0
-182.1	-190.8	Creditors	-197.5
-3.1	-4.3	Provisions	-3.7
-0.1	-0.1	Revenue grants receipts in advance	0.0
-0.3	-9.2	Capital grants receipts in advance	0.0
-7.6	-13.3	Other short term liabilities	-13.3
-243.7	**-358.3**	**CURRENT LIABILITIES**	**-358.3**
-30.6	-25.2	Provisions	-25.2
-397.8	-397.8	Long term borrowing	-397.8
-1,383.5	-1,696.2	Other long term liabilities	-1,681.2
-1,811.9	**-2,119.1**	**LONG TERM LIABILITIES**	**-2,104.1**
82.1	**-277.9**	**NET ASSETS**	**-248.1**
-317.1	-341.1	Usable reserves	-431.0
235.0	619.0	Unusable reserves	679.0
-82.1	**277.9**		**248.1**

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

11

Earmarked reserves

Table App 6: Earmarked revenue reserves as at 30 September 2017

	Opening balance 1 Apr 2017 £m	Balance at 30 Sep 2017 £m	Forecast 31 Mar 2018 £m
Revolving Infrastructure & Investment Fund	11.1	11.1	11.1
Budget Equalisation Reserve	12.5	17.7	10.4
Eco Park Sinking Fund	4.4	4.4	4.4
Insurance Reserve	7.7	8.5	8.5
Investment Renewals Reserve	5.0	4.9	4.5
General Capital Reserve	5.3	5.4	4.4
Street lighting PFI Reserve	4.4	3.7	3.7
Vehicle Replacement Reserve	9.2	9.2	9.2
Economic Downturn Reserve	2.5	2.5	2.5
Public Health Reserve	0.7	1.5	2.1
Economic Prosperity Reserve	1.3	3.6	3.6
Equipment Replacement Reserve	1.0	1.0	1.0
Child Protection Reserve	11.1	11.1	11.1
Business Rate Appeals Reserve	12.5	17.7	12.1
Interest Rate Reserve	7.7	4.4	4.4
Total earmarked revenue reserves	**65.1**	**73.5**	**65.4**
General Fund Balance	**21.3**		**21.3**

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

Debt

App 8. During the six months to 30 September 2017, Accounts Payable raised invoices totalling £153.8m (up from £81.4m as at 30 June 2017 and compared to £299.2m during 2016/17). The amount outstanding on these invoices was £35.2m of gross debt as at 30 September 2017 (down from £46.1m at 30 June 2017). 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). Overdue debt as at 30 September is £21.5m (up from £20.4m as at 30 June 2017). Non care related debt includes £1.1m with clinical commissioning groups and £1.4m with other local authorities.

Table App 7: Age profile of the council's debts as at 30 September 2017

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	5.5	4.2	1.7	1.7	13.1	7.6
Care debt – secured	0.3	2.2	2.0	5.5	9.9	9.7
Total care debt	**5.7**	**6.5**	**3.7**	**7.1**	**23.0**	**17.3**
Schools, colleges and nurseries	1.0	0.5	0.0	0.0	1.5	0.6
Clinical commissioning groups	4.7	0.9	0.2	0.0	5.8	1.1
Other local authorities	0.5	1.0	0.2	0.2	1.9	1.4
General debt	1.9	0.9	0.2	0.1	3.0	1.2
Total non-care debt	**8.0**	**3.3**	**0.6**	**0.3**	**12.2**	**4.2**
Total debt	**13.7**	**9.7**	**4.3**	**7.5**	**35.2**	**21.5**

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.

App 10. 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). Over the quarter to 30 September 2017 overdue, unsecured debt fell by £0.1m. Within this, the level of unsecured care related debt reduced by £0.4m (5%) through Adult Social Care and Business Operations continuing to work together to review how to process more care related debt through legal channels.

Table App 8: Overdue, unsecured debt summary as at 30 September 2017

	2017/18 Q2 £m	2017/18 Q1 £m	2016/17 Q4 £m	2015/16 Q4 £m	2014/15 Q4 £m
Care related debt	7.6	8.0	8.9	10.8	8.9
Non care related debt	4.2	3.9	3.8	7.6	4.2
Total	**11.8**	**11.9**	**12.7**	**18.4**	**13.1**

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 2017 to 30 September 2017 was 17 days (down from 28 days as at 31 March 2016).

App 12. The Director of Finance has delegated authority to write off irrecoverable debts in line with financial regulations. During the quarter to 30 September 2017, the Director of Finance wrote off 135 debts with £136,817 total value, of which two thirds (£91,103) is care related and one third (£45,714) is non care related debt.

Treasury management

Borrowing

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

Table App 9: Long term borrowing as at 30 September 2017

	£m
Debt outstanding as at 1 April 2017	397.2
Loans raised	0.0
Loans repaid	0.0
Current balance as at 30 September 2017	**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 long term debt portfolio is 4.1% as at 30 September 2017.

App 15. 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 shows the council's short term borrowing activity in 2017/18.

Table App 10: Short term borrowing as at 30 September 2017

	£m
Debt outstanding as at 31 March 2017	115
Loans raised	280
Loans repaid	-250
Current balance as at 30 September 2017	**145**

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

App 16. The weighted average interest rate of the council's short term external debt is 0.3% as at 30 September 2017. The council also manages cash on behalf of Surrey Police Authority (£32.2m as at 30 September 2017) which it accounts for as temporary borrowing.

Authorised limit and operational boundary

App 17. 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 11: Borrowing against the authorised limit and operational boundary as at 30 September 2017

	Authorised limit £m	Operational boundary £m
Gross borrowing	574	574
Limit / boundary	1,274	694
Headroom	**700**	**120**

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

Capital Financing Requirement

App 18. 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 its estimated CFR for the next three years. Table App 12 shows the council's position against the estimated CFR, as reported to the County Council in February 2017. As at 30 September 2017, the council shows a net borrowing position (total borrowing for any purpose) of £574m. The difference between net borrowing and the estimated CFR reflects the council's under borrowed position as a result of the strategy to maximise internal borrowing.

Table App 12: The council's position against the estimated CFR

Capital Financing Requirement			Net borrowing
2017/18	2018/19	2019/20	
£1,144m	£1,155m	£1,125m	£574m

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

Maturity profile

App 19. The council sets limits for the maturity structure of borrowing in accordance with the Prudential Code. Table App 13 shows the actual amounts as at 30 September 2017, excluding balances invested on behalf of Surrey Police Authority.

Table App 13: Maturity structure of the council's borrowing as at 30 September 2017

	Upper limit	Lower limit	Actual
Repayable in 1 year*	50%	0%	26.7%
Repayable in 1-2 years	50%	0%	0%
Repayable in 2-5 years	50%	0%	1.8%
Repayable in 5-10 years	75%	0%	0%
Repayable in 10-15 years	100%	25%	0.9%
Repayable in 15-25 years	100%	25%	0.4%
Repayable in 25-50 years	100%	25%	70.2%

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

Early debt repayment and rescheduling

App 20. The council has not made early repayments or rescheduled debt in 2017/18.

Investments

App 21. The council has had an average daily level of investments of £72.3m in the first six months of 2017/18 and an average of £79.3m during 2016/17.

App 22. 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). No new fixed term deposits have been agreed during 2017/2018. Table App 14 shows activity during the financial year to 30 September 2017.

Table App 14: Deposit activity for the six months up to 30 September 2017

		Average value	
Timed deposits	**Number**	**£m**	
Deals using a broker	0	0	
Direct deal facilities	0	0	
Deals with DMO	0	0	
		Individual limit	**Total limit**
Instant access	**Number**	**£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 23. The weighted average return on all investments the council received in the quarter to 30 September 2017 is 0.18%. This compares to the 0.11% average 7-day London Interbank Bid Rate (LIBID) for the same period. During 2016/17, the council's weighted average return on all investments was 0.38%, compared to the 0.20% average 7-day LIBID rate. Table App 15 shows the comparisons.

Table App 15: Weighted average return on investments compared to 7-day LIBID

	Average 7-day LIBID	Weighted return on investments
2017/18, quarter 2	0.11%	0.18%
2017/18, quarter 1	0.11%	0.21%
2016/17 total	0.20%	0.38%
2015/16 total	0.36%	0.54%

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