

Balance Sheet Indicators

Debt

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

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

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

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

Treasury Management

Borrowing

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

Table B Short term borrowing as at 31 March 2019

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

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

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

Authorised limit and operational boundary

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

Capital Financing Requirement

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

Maturity profile

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

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

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

Early debt repayment and rescheduling

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

Investments

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

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

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

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

Earmarked Reserves

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

Table E Earmarked revenue reserves as at 31 March 2019

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

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