

Cabinet – Budget Monitoring Report

**Date & time**

Tuesday, 26
September 2017 at
2.00 pm

Place

Ashcombe Suite,
County Hall, Kingston
upon Thames, Surrey
KT1 2DN

Contact

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**Chief Executive**

David McNulty

We're on Twitter:

@SCCdemocracy

Cabinet Members: Mr David Hodge CBE, Mr John Furey, Mrs Helyn Clack, Mr Mel Few, Mr Mike Goodman, Mr Colin Kemp, Mrs Mary Lewis, Mr Tim Oliver, Ms Denise Turner-Stewart and Mrs Clare Curran

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12 MONTHLY BUDGET MONITORING REPORT

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Surrey County Council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the Council's financial position as at 31 August 2017 (month five).

The Section 151 Officer stated in her report of February 2017 to Full Council on the 2017/18 to 2019/20 budget and Medium Term Financial Plan (MTFP) that the financial challenges facing the council have become even more serious in the last year. During 2017/18, the council must deliver already stretching service reduction plans of £104m to balance the 2017/18 budget and move towards a sustainable budget for future years. This total includes £9m savings it has yet to identify.

The annex to this report gives details of the council's financial position.

[The decisions on this item are subject to call in by the Overview and Budget Scrutiny Board]

David McNulty
Chief Executive
Monday, 18 September 2017

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within its terms of reference, in line with the procedures set out in Surrey County Council's Constitution.

Please note:

1. Members of the public can submit one written question to the meeting. Questions should relate to general policy and not to detail. Questions are asked and answered in public and so cannot relate to "confidential" or "exempt" matters (for example, personal or financial details of an individual – for further advice please contact the committee manager listed on the front page of this agenda).
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet Members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet Members may decline to answer a supplementary question.

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SURREY COUNTY COUNCIL

CABINET

DATE: 26 SEPTEMBER 2017



REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

**SUBJECT: FINANCE AND BUDGET MONITORING REPORT TO
31 AUGUST 2017**

SUMMARY OF ISSUE:

Surrey County Council takes a multiyear approach to its budget planning and monitoring, recognising the two are inextricably linked. This report presents the Council's financial position as at 31 August 2017 (month five).

The Section 151 Officer stated in her report of February 2017 to Full Council on the 2017/18 to 2019/20 budget and Medium Term Financial Plan (MTFP) that the financial challenges facing the council have become even more serious in the last year. During 2017/18, the council must deliver already stretching service reduction plans of £104m to balance the 2017/18 budget and move towards a sustainable budget for future years. This total includes £9m savings it has yet to identify.

The annex to this report gives details of the council's financial position.

RECOMMENDATIONS:

The forecast position could worsen and the cabinet's duty to ensure its expenditure does not exceed resources available, means the council must take action to develop a recovery plan. However, this must be balanced against the need to not affect service delivery unnecessarily if other actions are successful in managing the costs within resources available.

Cabinet Team and Senior Management Team are developing the possibilities for making alternative savings in 2017/18. The recovery plan will focus on managing service demand, but will also explore: additional and alternative savings; delivering planned savings earlier where possible; holding vacancies where feasible; delaying expenditure and optimising income opportunities. Cabinet will receive the recovery plan for consideration in October 2017.

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2017/18, is £21m overspend (paragraph 1). This includes:

£9m savings to be identified,

£12m savings considered unachievable in 2017/18,

£11m service demand pressures

£11m underspends and additional income.

2. Significant risks to the revenue budget (paragraphs 38 to 42) could add £13m to the forecast overspend:

£4m in Adult Social Care

£8m in Children, Schools & Families and

£1m in Place Development & Waste

3. Forecast planned savings for 2017/18 total £83m against £95m agreed savings and £104m target (paragraph 43).
4. 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 that the council has a duty to ensure its expenditure does not exceed resources available and move towards a sustainable budget for future years.
5. Cabinet will receive a recovery plan for consideration in October 2017.

Cabinet is asked to approve the following

6. £18,000 draw down of Highways & Transport's capital carry forward from 2016/17 (paragraphs 60 to 62).

7. £2.9m amendments to schools' devolved capital budgets (paragraphs 63 to 66).

REASON FOR RECOMMENDATION:

This report is presented to comply with the agreed policy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

DETAILS:

Revenue budget overview

1. Surrey County Council set its gross expenditure budget for the 2017/18 financial year at £1,672m. A key objective of MTFP 2017-20 is to increase the council's overall financial resilience. As part of this, the council's 2017/18 budget requires it to make efficiencies totalling £104m including £9m savings it has yet to identify.
2. The council aims to smooth resource fluctuations over its three year medium term planning period. To support the 2017/18 budget, Cabinet approved use of £11.8m from the Budget Equalisation Reserve and carry forward up to £1.6m to fund continuing planned service commitments. The council currently has £21.3m in general balances.
3. In January 2017, Cabinet approved the council's Financial Strategy 2017-20. The Financial Strategy aims to:
 - secure the stewardship of public money;
 - ensure financial sustainability
 - enable the transformation of the council's services and
 - build partnerships to achieve better value outcomes.

Capital budget overview

4. Creating public value by improving outcomes for Surrey's residents is a key element of the council's corporate vision and is at the heart of its £387m capital programme in MTFP 2017-20 and £185m budget for 2017/18.

Budget monitoring overview

5. The council's 2017/18 financial year began on 1 April 2017. This budget monitoring report covers the financial position at the end of the fifth month of 2017/18 (31 August 2017). The report focuses on material and significant issues, especially monitoring MTFP efficiencies. The report emphasises proposed actions to resolve any issues.
6. The council has implemented a risk based approach to budget monitoring across all services. The approach ensures the council focuses effort on monitoring those higher risk budgets due to their value, volatility or reputational impact.

7. A set of criteria categorise all budgets into high, medium and low risk. The criteria cover:
- the size of a particular budget within the overall council's budget hierarchy (the range is under £2m to over £10m);
 - budget complexity, which relates to the type of activities and data monitored (this includes the proportion of the budget spent on staffing or fixed contracts - the greater the proportion, the lower the complexity);
 - volatility, which is the relative rate that either actual spend or projected spend moves up and down (volatility risk is considered high if either the current year's projected variance exceeds the previous year's outturn variance, or the projected variance has been greater than 10% on four or more occasions during the current year); and
 - political sensitivity, which is about understanding how politically important the budget is and whether it has an impact on the council's reputation locally or nationally (the greater the sensitivity the higher the risk).
8. Managers with high risk budgets monitor their budgets monthly, whereas managers with low risk budgets monitor their budgets quarterly, or more frequently on an exception basis (if the year to date budget and actual spend vary by more than 10%, or £50,000, whichever is lower).
9. Annex 1 to this report sets out the council's revenue budget forecast year end outturn as at 31 August 2017. The forecast is based upon year to date income and expenditure and financial year end projections using information available as at 31 August 2017.
10. The report provides explanations for significant variations from the revenue budget, with a focus on efficiency targets. As a guide, a forecast year end variance of greater than £1m is material and requires a commentary. For some services £1m may be too large or not reflect the service's political significance, so variances over 2.5% may also be material.
11. Annex 1 to this report also updates Cabinet on the council's capital budget. Appendix 1 provides details of the MTFP efficiencies, revenue and capital budget movements. Annex 2 lists 2017/18's Medium Term Financial Plan savings projects.

CONSULTATION:

12. All Cabinet Members will have consulted their relevant director or head of service on the financial positions of their portfolios.

RISK MANAGEMENT AND IMPLICATIONS:

13. Risk implications are stated throughout the report and each relevant director or head of service has updated their strategic and or service risk registers accordingly. In addition, the leadership risk register continues to reflect the increasing uncertainty of future funding likely to be allocated to the council.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

14. The report considers financial and value for money implications throughout and future budget monitoring reports will continue this focus.

SECTION 151 OFFICER COMMENTARY

15. The Section 151 Officer confirms the financial information presented in this report is consistent with the council's general accounting ledger and forecasts have been based on reasonable assumptions, taking into account all material, financial and business issues and risks.
16. During 2017/18, the council must deliver already stretching service reduction plans of £95m, plus it must identify a further £9m of service reductions to balance the 2017/18 budget and move towards a sustainable budget for future years.
17. The council's reserves are already at minimum safe levels and these should be retained to mitigate the risk of non-delivery of significant savings targets.

LEGAL IMPLICATIONS – MONITORING OFFICER

18. The Local Government Finance Act requires the council to take steps to ensure that the council's expenditure (that is expenditure incurred already in year and anticipated to be incurred) does not exceed the resources available. Cabinet should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget she must formally draw this to the attention of the Cabinet and Council and they must take immediate steps to ensure a balanced in-year budget.

EQUALITIES AND DIVERSITY

19. Any impacts of the budget monitoring actions will be evaluated by the individual services as they implement the management actions necessary.

WHAT HAPPENS NEXT:

20. The relevant adjustments from the recommendations will be made to the council's accounts.

Contact Officer:

Sheila Little, Director of Finance

020 8541 7012

Consulted:

Cabinet, strategic directors, heads of service.

Annexes:

Annex 1 – Revenue budget, staffing costs, efficiencies, capital programme.

Appendix 1 – Service financial information (revenue and efficiencies), revenue and capital budget movements.

Appendix 2 – Medium Term Financial Plan savings projects 2017/18

Sources/background papers:

None

Budget monitoring for period five of 2017/18 (August 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 31 August 2017 services forecast making £83m of these planned savings. Services have already achieved £46m savings with another £28m on track for delivery while £8m face potential barriers. £12m are now considered to be unachievable in 2017/18 (including £6m in Adult Social Care, £3m in Early Help and £3m in Waste Disposal).

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 five months of the year has seen numbers 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, such as in Schools & SEND (Special Educational Needs and Disabilities), Highways & Transport and within Adult Social Care.

After five months of the financial year the combined impact of the delivering lower savings than planned and demand rising faster than anticipated is a forecast overspend of £21m for 2017/18 before mitigating action. Whilst this is a £3m reduction in the overspend forecast as at 30 June 2017, reported to Cabinet in July 2017, there remains considerable risks of volatility in a number of key budgets that are outside of the councils control and the forecast position for the year end could worsen by up to £13m. This would put the council in a position of forecasting an overspend of over £30m.

In recognition of the legislative requirement, under the Local Government Finance Act for the council to take steps to ensure that the council's expenditure (including expenditure incurred already in year and anticipated to be incurred) does not exceed the resources available, the Cabinet are, as advised by the Section 151 Officer, developing a recovery plan to ensure a balanced in-year budget. The Cabinet will consider this recovery plan in their next budget monitoring report in October.

Summary recommendations

As mentioned above the forecast position could worsen and the duty to ensure its expenditure does not exceed resources available, means the council must take action to develop a recovery plan. However, this must be balanced against the need to not affect service delivery unnecessarily if other actions are successful in managing the costs within resources available.

Cabinet Team and Senior Management Team are developing the possibilities for making alternative savings in 2017/18. The recovery plan will focus on managing service demand, but will also explore: additional and alternative savings; delivering planned savings earlier where possible; holding vacancies where feasible; delaying expenditure and optimising income opportunities. Cabinet will receive the recovery plan for consideration in October 2017.

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2017/18, is £21m overspend (paragraph 1). This includes:
 - £9m savings to be identified,
 - £12m savings considered unachievable in 2017/18,
 - £11m service demand pressures
 - £11m underspends and additional income.
2. Significant risks to the revenue budget (paragraphs 39 to 44) could add £13m to the forecast overspend:
 - £4m in Adult Social Care
 - £8m in Children, Schools & Families and
 - £1m in Place Development & Waste
3. Forecast planned savings for 2017/18 total £83m against £95m agreed savings and £104m target (paragraph 45).
4. 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 that the council has a duty to ensure its expenditure does not exceed resources available and move towards a sustainable budget for future years.
5. Cabinet will receive a recovery plan for consideration in October 2017.

Cabinet is asked to approve the following

6. £18,000 draw down of Highways & Transport's capital carry forward from 2016/17 (paragraphs 62 to 64).
7. £2.9m amendments to schools' devolved capital budgets (paragraphs 65 to 68).

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 31 August 2017, the council forecasts £21m overspend at year end with £13m significant additional budget risk. The main variances (paragraphs 8 to 44) relate to:

- £9.0m savings yet to be identified;
- £12.3m forecast underachievement of savings, including
 - £6.4m in Adult Social Care
 - £2.5m in Early Help and
 - £2.6m in Waste
- £0.3m net service pressures, including
 - £8.6m demand in Children's Services
 - £2.1m contractual issues in Public Health
 - £4.5m net underspends, additional income and other pressures in Adult Social Care
 - £2.1m underspend in Schools & SEND and
 - £1.4m underspend in Central Income & Expenditure.

The council has £21m general balances and £66m reserves earmarked for specific purposes. The Director of Finance regards this as being at the minimum safe level in the context of the uncertainty the council faces in the future making recovery action necessary.

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 31 August 2017, services forecast spending £134m against the £142m current 2017/18 capital budget. The main significant variance is an underspending in Surrey Fire & Rescue Service for the joint transport project (paragraph 61).

As part of increasing the council's overall financial resilience, it currently plans £109m net investment in long term capital investment assets in 2017/18 (paragraphs 69 to 72). This means total capital spending, including long term investments, is forecast to be £244m in 2017/18.

Revenue budget

Overview

1. As at 31 August 2017, the forecast year end budget variance is £21m overspend, a £2.7m improvement on the position reported as at 30 June 2017. The main changes since June are £6.4m savings shortfall in Adult Social Care offset by £4.6m identified underspends and additional income, £1.1m identified savings in Fire & Rescue and £1.4m lower costs in Central Income & Expenditure plus £0.5m improvements in each of Children's services, Schools & SEND, Democratic Services and ORBIS Joint Operating Budget.
2. These changes mean the overall forecast overspend includes: £12.3m forecast underachievement on savings; £9m savings which remain unidentified; and net service pressures of £0.3m (paragraphs 8 to 38).
3. In addition, there remains considerable risks of volatility in a number of key budgets that are outside of the councils 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 at this point in the financial year is significant and the council needs to take action to agree a recovery plan. This plan needs to balance mitigating actions carefully so as not to affect service delivery unnecessarily, while also recognising the importance of managing overspends down.

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 five months of 2017/18 to reflect agreed carry forwards and other budgetary adjustments, decreased the gross expenditure budget as at 31 August 2017 to £1,672.2m and the gross income budget to £1,660.4m. 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 31 August 2017

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.0	0.4	0.9	-0.1
Strategic Leadership	0.9	0.4	0.9	0.0
Adult Social Care	362.0	149.0	363.8	1.8
Children's and Safeguarding services	106.2	46.8	114.8	8.6
Commissioning & Prevention	33.7	12.9	36.5	2.8
Schools & SEND (Special Educational Needs & Disabilities)	61.2	24.8	59.1	-2.1
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	2.7	0.9	2.6	-0.1
Coroner	1.7	0.8	1.7	0.0
Cultural Services	9.3	3.3	9.1	-0.2
Customer Services	3.4	1.3	3.2	-0.2
C&C Directorate Support	0.8	0.3	0.7	-0.1
Emergency Management	0.5	0.2	0.5	0.0
Surrey Fire & Rescue Service	31.8	13.3	32.1	0.3
Trading Standards	1.9	0.7	1.8	-0.1
Place Development & Waste	81.4	35.4	83.9	2.5
Highways & Transport	44.6	16.2	44.0	-0.6
Public Health	0.0	0.0	2.1	2.1
Communications	2.0	0.7	2.0	0.0
Finance	2.8	1.2	2.8	0.0
Human Resources & Organisational Development	3.9	1.0	3.7	-0.2
Information Management & Technology	12.5	4.3	12.5	0.0
Legal Services	4.0	1.6	4.0	0.0
Democratic Services	5.8	3.2	5.6	-0.2
Strategy & Performance	1.4	0.6	1.3	-0.1
Procurement	0.9	0.3	0.9	0.0
Property	21.3	6.9	21.3	0.0
Joint Operating Budget ORBIS	37.6	14.1	37.1	-0.5
Business Operations	-0.1	0.0	-0.1	0.0
Central Income & Expenditure	54.2	6.2	52.8	-1.4
Savings to be identified	-9.0		0.0	9.0
Services' total net revenue expenditure	880.5	346.7	901.5	21.0

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

Significant net revenue budget variances

Adult Social Care - £1.8m overspend (£1.8m deterioration since 30 June 2017)

8. Adult Social Care (ASC) forecasts £1.8m overspend as at 31 August 2017. Against its £25.9m efficiency target, ASC forecasts to achieve £19.5m, which represents a £6.4m shortfall. The shortfall relates to underachievement of savings as follows:

- £2.7m in services to people with learning disabilities
- £1.4m in reducing ASC demand pressures
- £0.9m from support package guidelines in services for older people
- £0.6m of family, friends & community stretch savings target
- £0.4m from contracts, grants and housing related support
- £0.4m from continuing healthcare disputes

9. Significant mitigations against this shortfall against 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. Offsetting these are other pressures and income adjustments totalling £1.2m.

Children's Services - £8.6m overspend (£0.5m improvement since 30 June 2017)

10. Children's Services continues to experience exceptional demand for services continuing patterns seen in recent months and forecasts an £8.6m overspend. This is a £0.5m improvement compared to the forecast as at 30 June 2017.
11. The increased levels of demand is leading to £1.9m 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 32 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 82 locums to staff both the Multi Agency Safeguarding Hub (MASH) and the Children's Services frontline teams.
13. There are also 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.
14. 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 31 July 2017 there were 274 children in external placements. This is an increase of eight since June 2017. The forecast assumes that external placement numbers will continue to increase, but this is an unprecedented and volatile emerging picture.
15. As in previous years, the council is having to subsidise UASC costs, as grant funding is insufficient to cover total cost. In 2017/18 the service expects this to lead to £2.1m overspend on direct placement costs. The government did increase the level of grant for UASC direct placement costs from July 2016 and Surrey receives the higher rate of grant for 45% of the young people concerned. Nevertheless the new higher rate of grant is insufficient to cover direct placement costs and adding staffing and other necessary direct costs means for a 16/17 year old the shortfall against full cost is £18,000 a year for the new rate and £25,000 a year for the legacy rate.
16. 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.
17. In addition the service anticipates £0.75m overspend for the leaving care service, mainly arising from the need for more supportive packages for young people as they turn 18 and more staff due to support the rising numbers.

Schools & SEND - £2.1m underspend (£0.5m improvement since 30 June 2017)

18. Overall Schools & SEND estimates £2.1m underspend at year end.
19. Recruitment difficulties mean there are currently £0.9m short term underspends against staffing budgets principally in the education psychology teams and SEND operations. The service needs to fill these posts and is recruiting actively to meet its requirement around Education, Health and Care Plans (EHCPs). In addition there are £2.8m projected underspends against the central allowance for retirement costs and funding for SEND demand.
20. Commercial Services expects £0.5m 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 will be clearer from September 2017 when travel patterns for the new academic year are 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, £1.1m 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 - £2.8m overspend (£0.2m deterioration since 30 June 2017)

23. Commissioning & Prevention anticipates £2.8m overspend. 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 - £2.5m overspend (no change since 30 June 2017)

24. Place Development & Waste (PDW) forecasts £2.5m overspend, representing the net of 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). 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 £0.2m residual savings from 2016/17 for which no plan currently exists.
27. 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 reduce the pressure to £2.5m. Additional measures across the wider E&I directorate outlined in paragraph 28 are expected to reduce this further to £1.9m.

Highways & Transport - £0.6m underspend (£0.1m improvement since 30 June 2017)

28. Highways & Transport (H&T) has reviewed planned income & expenditure to identify additional savings to compensate for £0.25m 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 E&I directorate.
29. 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.
30. A year-to-date £1.2m 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 (£0.9m improvement since 30 June 2017)

31. 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.
32. SFRS has confirmed cost pressures of £1.4m. 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.
33. 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.
34. A recent IT outage within SFRS's control room identified some urgently required IT infrastructure upgrades to prevent similar failures. The cost is estimated at £0.1m and is expected to be funded from the IT & Digital budget.

Public Health - £2.1m overspend (no change since 30 June 2017)

35. 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 (£1.4m improvement since 30 June 2017)

36. Central Income & Expenditure forecasts £1.4m year-end underspend.
37. In July 2017 Cabinet agreed to transfer £6.9m to reserves. This comprised £3.4m received from East Surrey CCG, in relation to the East Surrey Transformation Fund set up in 2015/16 and £3.5m from DSG replenishing the amount used in 2016/17.
38. Following completion of the council's audited accounts, the amount the council needs to set aside as the Minimum Revenue Provision (MRP) is £1.4m less than budgeted. MRP is the amount required to be 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. The council's underspend on MRP in 2017/18 is mainly due to underspends in the general capital programme for 2016/17.

Additional budget risks

39. 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)

40. As at 31 August 2017, SEND services budgets funded by DSG continue to forecast an overspend of £6.6m. 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.
41. 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.
42. Children's Services is experiencing an unprecedented increase in the number of external placements, in particular for adolescents with complex behaviour. The existing forecasts include an element of growth, but if the forecasts assume two additional placements each month to the end of the financial year, the overspend could increase by a further £1m.

Adult Social Care

43. ASC faces £4m 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.

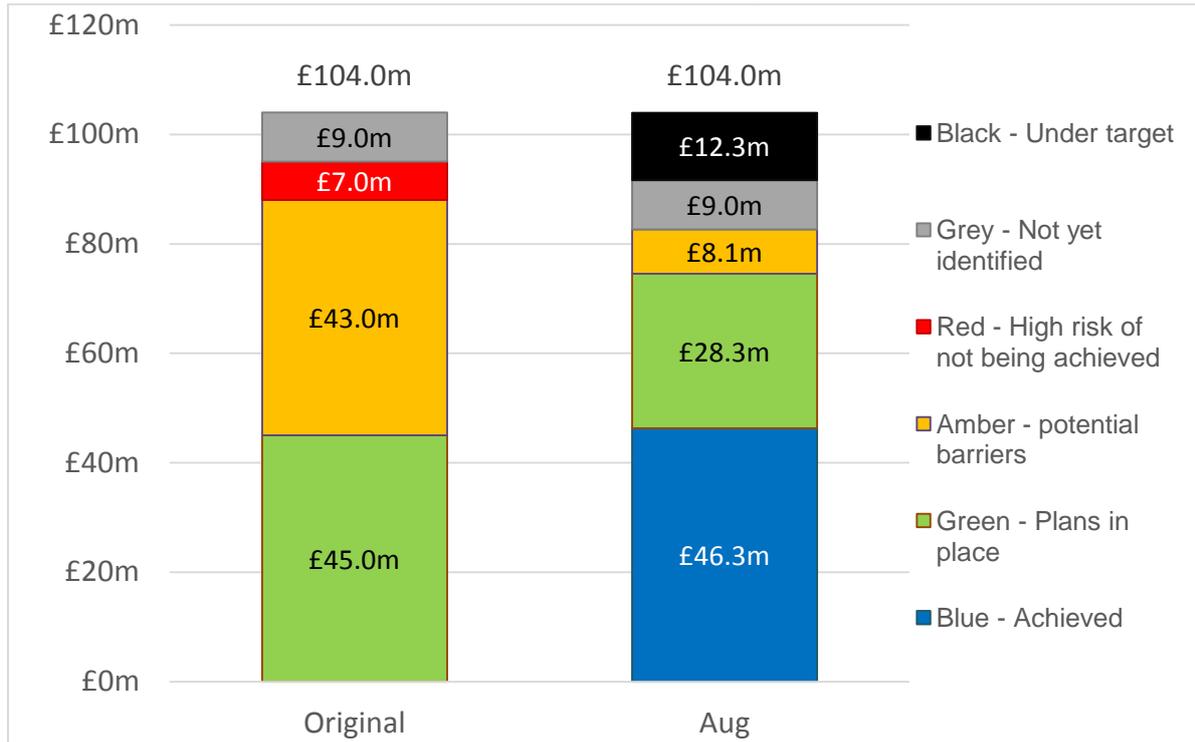
Waste disposal

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 overspend could increase to £4m.

Efficiencies

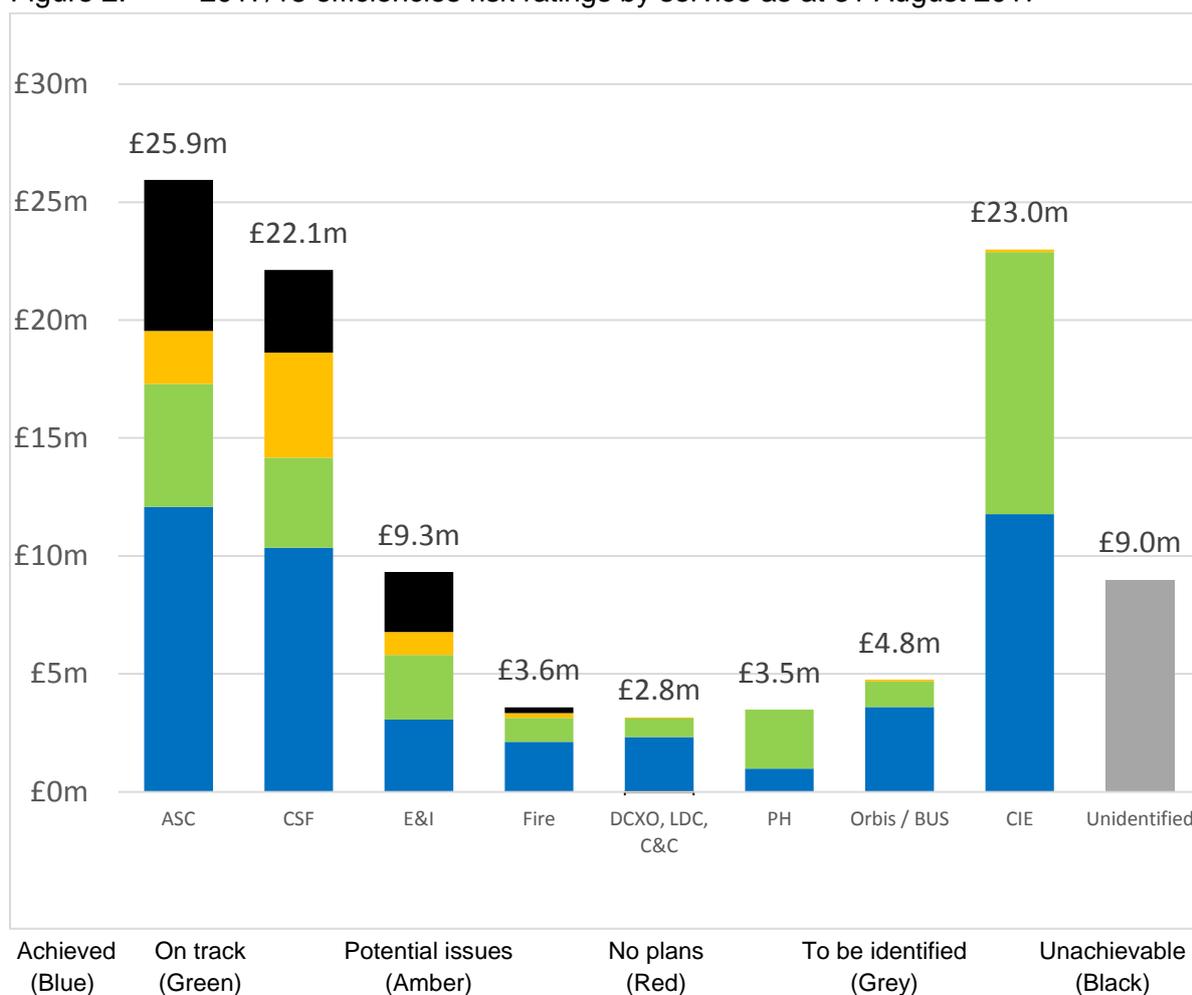
45. MTFP 2017-20 includes £104.0m efficiencies in 2017/18. Council services currently forecast to achieve £82.7m of this target. This is a £21.3m shortfall, comprising £9.0m savings the council has yet to identify and £12.3m savings considered unachievable. As outlined in the summary to this annex, services 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.
46. Figure 1 summarises the council's overall efficiency targets, the forecast for achieving them and the deliverability risks. By month five of 2017/18, services have made good progress: £46m savings are achieved, £28m plans are on track and £8m plans potentially face barriers to achievement. However, the most significant issue is £21m savings have not been identified or are considered unachievable in 2017/18.
47. The £12m MTFP planned savings now considered not to be achievable are in the areas of ASC, Early Help and Waste Disposal. In addition, a further £9m of savings are yet to be identified. Services continue to seek alternative savings for delivery in 2017/18, but as at 31 August 2017 these are not yet identified.

Figure 1: 2017/18 risk rated efficiencies as at 31 August 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 31 August 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;
 - £6.4m shortfall in ASC related to whole systems demand and market pressures, partly mitigated by net £4.6m underspends and additional income as outlined in 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 service as at 31 August 2017



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 £278.2m based on 7,039 budgeted FTEs.
53. The council has 729 vacancies (the difference between budgeted and occupied FTEs). It is recruiting to 487 of these live vacancies, 381 of them are in social care.

54. Table 2 shows staffing cost as at 31 August 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 a year to date £1.7m underspend against the budget as at 31 August 2017 of £115.7m. Table App 3 shows £0.5m 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 12 and 13.

Table 2: Staffing costs and FTEs to 31 August 2017

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	0.4	0.4	0.0	0.0	0.4	0.0	9	8
Adult Social Care	25.7	23.2	0.8	0.7	24.6	-1.1	1,754	1,452
Children, Schools & Families ¹	49.5	45.0	3.3	1.9	50.3	0.7	3,013	2,766
Community Partnership & Safety	0.5	0.4	0.0	0.0	0.4	-0.1	25	24
Coroner	0.2	0.1	0.1	0.0	0.2	0.0	2	2
Cultural Services	7.8	7.0	0.0	0.6	7.6	-0.2	529	526
Communities Support Function	0.3	0.3	0.0	0.0	0.3	0.0	26	15
Emergency Management	0.2	0.2	0.0	0.0	0.2	0.0	12	11
Surrey Fire & Rescue Service	11.1	10.5	0.1	0.6	11.2	0.1	608	569
Trading Standards	1.4	1.2	0.1	0.0	1.3	-0.1	74	70
Place Development & Waste	4.1	4.0	0.0	0.1	4.1	0.1	200	194
Highways & Transport	6.4	5.2	0.3	0.1	5.6	-0.8	371	290
Public Health	1.0	1.0	0.0	0.0	1.0	-0.1	46	42
Central Income & Expenditure	0.0	0.4	0.0	0.0	0.4	0.4	0	0
Communications	0.6	0.6	0.0	0.0	0.6	0.0	31	30
Customer Services	1.4	1.3	0.0	0.0	1.3	-0.1	102	103
Legal Services	1.5	1.3	0.0	0.0	1.4	-0.1	79	72
Democratic Services	0.8	0.8	0.0	0.0	0.8	0.0	46	37
Strategy & Performance	0.8	0.8	0.0	0.0	0.8	0.0	27	20
Managed ORBIS	1.9	1.5	0.1	0.0	1.6	-0.2	85	79
Service net budget	115.7	105.1	4.9	4.1	114.1	-1.7	7,039	6,310

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 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).

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 31 August 2017, Cabinet approved net -£43.1m reprofiling and carry forwards and -£1.3m capital virements. Paragraph App 6 and Table App 4 detail 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 31 August 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			-40.4	31.8
Highways recurring programme	49.3	1.5	-2.5		48.3
Property & IT recurring programme	52.2			-4.5	47.7
Other capital projects	12.3	0.3	1.3		13.9
Service capital programme	186.0	1.8	-1.2	-44.9	141.7
Long term investments					0.0
Overall capital programme	186.0	1.8	-1.2	-44.9	141.7

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

60. Table 4 compares the current full year overall capital programme budget of £141.7m to the current forecast expenditure for the service capital programme of £134.2m and the current forecast expenditure for the overall capital programme of £243.6m. The overall programme in 2017/18 includes £109.4m Approved Investment Strategy spending on long term investments (as outlined in paragraphs 69 to 72).

Table 4: Forecast capital expenditure 2017/18 as at 31 August 2017

	Current full year budget £m	Apr - Aug actual £m	Sep - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	31.8	16.4	15.4	31.8	0.0
Highways recurring programme	48.3	12.7	35.5	48.3	0.0
Property & IT recurring programme	47.7	13.2	33.5	46.7	-1.0
Other capital projects	13.9	2.9	4.6	7.5	-6.4
Service capital programme	141.7	45.2	89.0	134.2	-7.4
Long term investments	0.0	6.2	103.2	109.4	109.4
Overall capital programme	141.7	51.4	192.2	243.6	102.0

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

Significant capital budget variances

61. The £7.4m forecast underspend on the 2017/18 capital programme is mainly due to Surrey Fire & Rescue Service's joint transport project. This forecasts £4.5m underspend for 2017/18 and 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.

Capital carry forward requests

Highways & Transport

62. At the end of 2016/17 the H&T capital programme was underspent by £0.526m. In April 2017 Cabinet approved carry forward of this amount in principle, subject to its approval of services' draw down of amounts carried forward, as and when needed, as part of the monthly budget monitoring process.
63. H&T requests to draw down £0.018m of the carry forward, comprised of the following.
- £0.347m underspend to be used to fund major maintenance schemes. Emergency works had to be carried out on the A31 this summer and carry forward is required to allow the published 2017/18 programme to go ahead as planned. This includes Court Lodge Road in Horley, instructed on the basis this funding would be carried forward. The scheme had been deferred from the programme for a few years due to the complexity of the treatment and as the design had been completed and permits were in place the scheme had to go ahead. The approximate total scheme value is £0.450m and works were substantially complete on 15 September 2017.
 - £0.365m overspend of on local transport schemes, for schemes delivered in 2016/17 in anticipation of developer receipts funding (e.g. s106) or other income.
64. The remaining underspend relates to Local Growth Deal schemes. This programme is under review to determine how much of the approved carry forward is required in 2017/18.

Schools devolved capital

65. The schools devolved capital budget is devolved wholly to individual schools and they spend it at their discretion. For 2017/18 the MTFP was set at £1.606m. The Department for Education's devolved formula capital (DFC) grant notification for 2017/18 is £1.418m. The council's policies on grants requires it to reduce the budget by £0.188m.
66. Individual schools determine how they spend their own DFC funded allocations as schools devolved capital budgets. This leaves a range of balances and the aggregate balance carried forward into 2017/18 was £2.587m DFC grant (after adjustments for academy conversions and other school grant balances). Schools & SEND requests to draw down this carry forward amount to simplify monitoring of the complete allocation balance in 2017/18.
67. Similarly schools maintain individual balances of the third party contributions they allocate for capital spending. The aggregate balance schools carried forward into 2017/18 was £0.469m. Schools & SEND requests to draw down this carry forward amount to simplify monitoring of the balance in 2017/18.
68. Schools & SEND requests the following amendments to schools' devolved capital budgets:
- £0.188m grant reduction notification adjustment;
 - £2.587m draw down DFC balance carried forward from 2016/17; and
 - £0.469m draw down schools' third party contributions balance carried forward from 2016/17.

Revolving Infrastructure & Investment Fund

69. Table 5 shows that the council will generate £3.6m 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.
70. The council portfolio comprises properties purchased for future service delivery or economic regeneration. The portfolio forecasts a net cost of £0.7m 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 £1.5m. However once the second phase building becomes fully operational in 2019/20 the development will generate £1.3m net income a year.
71. The Halsey Garton portfolio will generate net income of £4.3m this year, comprised of an estimated dividend of £1.4m and £2.9m net interest margin on loans provided to the company by the council.
72. Net capital expenditure in 2017/18 of £109.4m includes additional equity investment and loans to the Halsey Garton Property group and the development of the former Thales site in Crawley. Forecast expenditure includes one Halsey Garton investments due to take place in September 2017.

Table 5: Summary revenue and capital position as at 31 August 2017

Revenue statement	YTD actual £m	Full year forecast £m
Council portfolio		
Income	-1.8	-4.4
Expenditure	0.4	0.9
Funding	1.6	4.2
Net income/cost	0.2	0.7
Halsey Garton portfolio		
Dividend	0.0	-1.4
Net interest margin	-0.8	-2.9
Net income	-0.8	-4.3
Total net income	-0.6	-3.6
Capital expenditure	6.2	109.4

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

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 five months of 2017/18 decreased the expenditure budget as at 31 August 2017 to £1,672.2m. 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 31 August 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	-4.2	-103.3	460.8	4.5	465.3	362.0
Children's Services	-10.6	-0.1	-10.7	112.8	4.1	116.9	106.2
Commissioning & Prevention	-73.0	0.1	-72.9	107.7	-1.1	106.6	33.7
Schools & SEND	-170.1	-0.2	-170.3	234.3	-2.8	231.5	61.2
Delegated Schools	-345.1	4.8	-340.3	345.1	-4.8	340.3	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	2.9	0.0	2.9	2.7
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	0.0	-12.2	44.0	0.0	44.0	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	0.1	89.4	81.4
Highways & Transport	-8.1	0.0	-8.1	52.8	-0.1	52.7	44.6
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	0.2	-791.8	1,681.4	-0.2	1,681.2	889.5
Savings to be identified				-9.0		-9.0	-9.0
Total	-792.0	0.2	-791.8	1,672.4	-0.2	1,672.2	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	0.2	-1,660.4	1,672.4	-0.2	1,672.2	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 five 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 31 August 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					
Internal service movements	-0.3	0.3	0.0	0.0	41
Total July & August movements	-0.3	0.3	0.0	0.0	41
August approved budget	-1,660.4	1,672.2	0.0	11.8	107

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 31 August 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	-271.7	-265.4	6.3	-753.8	-488.6	-754.0	-0.2
Other income	-75.6	-88.5	-12.9	-188.0	-120.9	-209.4	-21.4
Income	-571.1	-577.7	-6.6	-1,660.4	-1,104.3	-1,682.0	-21.6
Expenditure:							
Staffing	115.7	114.1	-1.7	278.9	164.2	278.5	-0.5
Service provision	375.8	381.6	5.9	983.4	636.0	1,026.5	43.1
Non schools sub-total	491.5	495.7	4.2	1,262.3	800.2	1,305.0	42.6
Schools expenditure	171.9	171.9	0.0	409.9	238.0	409.9	0.0
Total expenditure	663.4	667.6	4.2	1,672.2	1,038.2	1,714.9	42.6
Movement in balances	92.3	89.8	-2.4	11.8	-66.0	32.8	21.0

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

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 31 August 2017, Cabinet approved £0.9m for free early help 30 hours entitlement. Net capital virements and carry forwards made in the period to 31 August 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 31 August 2017

	31 August 2017
	£m
MTFP (2017-20) (opening position)	186.0
In year changes	
Carry forwards from 2016/17	1.8
Business Services' reprofiling	-44.9
Reprofiling & carry forwards	-43.1
Virements - In year changes	
Local Growth deal configured in March 2017	-2.5
Schools Devolved Budget	0.4
Free Early Education 30hrs	0.9
Schools – third party contributions	0.0
In year budget changes	-1.3
2017/18 updated capital budget	141.7

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

Medium Term Financial Plan savings projects 2017/18

Service	Savings title	2017/18	2017/18	Over/	RAG for remaining savings forecast
		savings target	savings forecast	(under) target	
		£000	£000	£000	
ASC	Whole system demand management - FFC core target	2,500	2,500	0	G
ASC	Whole system demand management - FFC stretch target	1,000	388	-612	A
ASC	Whole system demand management - demand management through Consistency Practice Meetings process	4,021	2,657	-1,364	A
ASC	Whole system demand management - OP support package guidelines	1,141	171	-970	A
ASC	Whole system demand management - ensure correct application of national CHC framework	3,000	3,102	102	G
ASC	Whole system demand management - resolution of significant outstanding CHC disputes/assessments	2,100	1,594	-506	G
ASC	Whole system demand management - PLD transport care packages review	500	150	-350	A
ASC	Whole system demand management - optimisation of transition pathways	1,000	1,000	0	G
ASC	Whole system demand management - personalised strategic shift for people with disabilities	1,268	200	-1,068	A
ASC	Whole System Demand Management - housing related support	453	58	-395	G
ASC	Whole systems demand management - section 256 client group savings	2,000	1,778	-222	G
ASC	Whole systems demand management - strategic review of in-house services	2,664	2,897	233	G
ASC	Market management & pricing strategies - Commissioning for Older People with Learning Disabilities	663	200	-463	A
ASC	Market management & pricing strategies - strategic supplier review rebates	1,000	576	-424	A
ASC	Market management & pricing strategies - day care commission review	575	100	-475	A
ASC	Whole System Demand Management - contract & grant review	1,250	1,250	0	A
ASC	Market management & pricing strategies - optimisation of main block contract rates	75	0	-75	G
ASC	Market management & pricing strategies - optimisation of other contracts and grants rates	368	368	0	G
ASC	Workforce Development - workforce synergies	250	250	0	A
ASC	Workforce development - optimise staff travel	110	298	188	G
Fire	Capital financing vehicle and equipment replacement	1,470	1,470	0	B
Fire	Fire cover re-configuration	900	0	-900	A
Fire	Contingency cover and specialist rescue contract	718	645	-73	B
Fire	Blue light collaboration - fleet	200	0	-200	A

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Service	Savings title	2017/18	2017/18	Over/	RAG for remaining savings forecast
		savings target	savings forecast	(under) target	
		£000	£000	£000	
Fire	Internal reduction to fleet operations costs	0	200	200	A
Fire	Blue light collaboration mobilising	200	0	-200	A
Fire	Internal review - mobilising	0	-84	-84	G
Fire	Senior management restructure	50	50	0	G
Fire	Back office and support review	50	34	-16	G
Fire	Middle management savings	0	0	0	G
Fire	Other uniform savings	0	500	500	G
Fire	Implementation of IRVs	0	77	77	G
Fire	Fire Pension employer contribution	0	439	439	G
Legal	Legal Services - additional income	70	70	0	G
Legal	Legal Services - staffing review	48	48	0	B
Dem Srvs	Democratic Services –reduce voluntary sector support	22	22	0	B
Dem Srvs	Democratic Services - staffing review	22	22	0	B
Dem Srvs	Democratic Services - modern councillor review	22	22	0	G
Cultural Servs	Cultural Services - Libraries reclassification	121	121	0	G
Cultural Servs	Hold vacancies	0	20	20	G
Cultural Servs	Cultural Services - Libraries staffing restructure	30	30	0	G
Cultural Servs	Cultural Services - libraries resources reduction	246	246	0	G
Cultural Servs	Cultural Services - Surrey Arts subsidy reduction	15	15	0	G
Cultural Servs	Cultural Services - Registration & Nationality Service increased income	26	26	0	G
Cultural Servs	Cultural Services - improve marketing In Adult & Community Learning	22	22	0	G
Cultural Servs	Cultural Services - support services savings	6	6	0	B
Dir Supp	Support function review	155	155	0	G
Trad Stand	Buckinghamshire partnership and additional income	159	159	0	G
Comm Part Team	Members allocations	348	348	0	B
Comm Part Team	Community improvement fund	264	500	236	B
Comm Part Team	Other savings	22	22	0	G
Coroner	Coroner savings to be identified	64	64	0	G
Orbis	Business Operations efficiencies	500	500	0	A
Orbis	Finance efficiencies	525	525	0	G
Orbis	HR&OD efficiencies	400	400	0	B
Orbis	IT&D efficiencies	1,099	1,099	0	B
Orbis	Management efficiencies	100	100	0	B
Orbis	Procurement efficiencies	345	345	0	G
Orbis	Property efficiencies	906	906	0	G
Finance	Insurance self fund	750	750	0	B

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Finance	Reversal of one-off savings	-25	-25	0	B
Service	Savings title	2017/18 savings target	2017/18 savings forecast	Over/ (under) target	RAG for remaining savings forecast
		£000	£000	£000	
HR&OD	Training reduction	207	207	0	B
HR&OD	Apprentices reduction	216	216	0	B
IT&D	Infrastructure reduced application costs	346	346	0	B
Property	Fees reduced application costs	100	100	0	B
Property	Utilities reduced application costs	200	200	0	G
Property	Building running costs reduced application costs	440	440	0	B
Orbis	ESCC share	-1,345	-1,345	0	G
Central Income & Expenditure	Treasury management (interest payable)	8,600	8,600	0	G
Central Income & Expenditure	Other initiatives	2,503	2,503	0	G
Central Income & Expenditure	Minimum Revenue Provision	8,000	8,000	0	B
Central Income & Expenditure	Education Services Grant	3,000	3,000	0	B
Central Income & Expenditure	Pension fund contribution for Members	165	165	0	B
Central Income & Expenditure	Contributions to reserves	611	611	0	B
Central Income & Expenditure	Public Health – other initiatives	1,805	1,805	0	G
Central Income & Expenditure	Communications / Democratic services -stop Surrey Matters; move to digital communications; paper-free committee meetings by end of first year of new council.	110	110	0	A
Strategy & Performance	Staffing review	173	294	121	B
Strategy & Performance	Surrey Growth Fund	300	300	0	B
Strategy & Performance	Health & wellbeing	30	30	0	B
Strategy & Performance	Corporate subscriptions	10	10	0	B
Comms	Communications - central spend	81	81	0	B
Comms	Communications - staffing review	36	36	0	A
Comms	Communications - Surrey Matters	185	185	0	B
Customer Services	Customer Services - no Saturday opening	15	15	0	G
Customer Services	Customer Services - reduce operating hours	50	50	0	G
Customer Services	Customer Services - Libraries reservation & renewals	45	45	0	G
Customer Services	Customer Services - Complaints Staff review	35	35	0	G
Customer Services	Customer Services - channel shift	25	25	0	A
Customer Services	Customer Services- reduce web and digital	10	10	0	G
Strategic Leadership	Strategic Leadership	110	110	0	B

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Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/(under) target £000	RAG for remaining savings forecast
Children's Services	Support functions review	280	0	-280	R
Children's Services	Productivity efficiencies	335	335	0	A
Children's Services	Market management -containing inflation	559	559	0	G
Commissioning and Prevention	Market management -containing inflation	224	224	0	G
Schools & SEND	Market management -containing inflation	2,417	2,417	0	G
Commissioning and Prevention	Reorganisation of Commissioning and Prevention	1,300	1,300	0	G
Commissioning and Prevention	Early Help contract savings	250	250	0	B
Commissioning and Prevention	Early Help reconfiguration	1,426	0	-1,426	R
Children's Services	Children's Services Early Help reductions in demand	400	0	-400	R
Commissioning and Prevention	Early Help Reconfiguration asset related savings	700	0	-700	R
Commissioning and Prevention	Review schools traded offer and opportunities to bid for grants and other resources	128	128	0	A
Schools & SEND	Home to school transport - SEND	1,499	400	-1,099	A
Schools & SEND	Productivity efficiencies	1,337	1,736	399	B
Schools & SEND	Home to school transport - mainstream	600	600	0	B
Schools & SEND	Support functions reductions	75	75	0	B
Schools & SEND	Reductions in school support	600	600	0	B
Schools & SEND	Review of special school funding	2,300	400	-1,900	G
Schools & SEND	No inflation on Individual Statemented Pupil Support Budget	1,200	700	-500	A
Schools & SEND	Traded model for SEN support services	600	300	-300	A
Schools & SEND	Trade specialist teachers	500	0	-500	B
Schools & SEND	Post 16 SEND	1,000	1,000	0	G
Schools & SEND	Review provision of SEND support to early years providers	1,000	1,000	0	B
Schools & SEND	Service cost reduction and/or recommissioning	800	200	-600	B
Schools & SEND	New operating model for SEN pathway	500	500	0	B

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Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/(under) target £000	RAG for remaining savings forecast
Schools & SEND	Alternative provision	500	500	0	B
Schools & SEND	Trade or reduce non-statutory services	500	0	-500	B
Schools & SEND	Review and share costs with health & social care	500	500	0	A
Schools & SEND	Decommissioning of SEN planned places	300	300	0	B
Schools & SEND	Hard to place pupils	100	0	-100	G
Schools & SEND	More place to be charged to OLEAs for their pupils.	200	700	500	B
Schools & SEND	Post 19 - review plans in light of further guidance	0	1,000	1,000	A
Schools & SEND	Commissioning savings	0	1,000	1,000	A
Schools & SEND	Carry forward of overspend of DSG into 2018/19	0	1,000	1,000	B
Schools & SEND	Use of DSG originally earmarked for 2016/17 deficit	0	900	900	B
Public Health	Wider Public Health service redesign	187	187	0	B
Public Health	End Mental Health promotion contract on expiry 31 March	335	335	0	B
Public Health	Substance misuse prog reduction	500	500	0	G
Public Health	Alcohol IBA removal	400	400	0	B
Public Health	Lifestyle service (smoking) reduction	200	200	0	G
Public Health	Lifestyle service (physical activity) reduction	55	55	0	B
Highways & Transport	Highway information team income	40	40	0	G
Highways & Transport	Integrated team structure	200	200	0	G
Highways & Transport	Local committee funding	1,700	1,700	0	B
Highways & Transport	Marginal gains	178	178	0	B
Highways & Transport	Support service review	141	141	0	B
Place Development	Local transport review	735	735	0	G
Place Development	Countryside & Surrey Wildlife Trust	350	350	0	G
Place Development	Planning & Development	350	350	0	G
Place Development	Place & Sustainability review	200	151	-49	A

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Service	Savings title	2017/18	2017/18	Over/	RAG for remaining savings forecast
		savings target	savings forecast	(under) target	
		£000	£000	£000	
Place Development	Road Safety review	100	100	0	G
Place Development	E&I support service review	59	59	0	B
Place Development	Place Development marginal gains	200	200	0	G
Place Development	Fall out of prior year one off saving (marginal gains)	-500	-500	0	B
Waste	Community Recycling Centres and Transfer Stations	1,300	279	-1,021	G
Waste	Materials management - residual waste & sweepings contract	-792	-31	761	G
Waste	Waste : contract structure	1,000	1,000	0	A
Waste	Waste : recycling management	1,115	115	-1,000	A
Waste	Waste : Kerbside recycling performance	1,334	106	-1,228	A
Waste	Waste : Single waste approach	1,587	1,587	0	G
Emergency Management	Income generation	20	20	0	G
All services	Unidentified savings	9,000		-9,000	N/A
Total		103,975	82,651	-21,324	