

Cabinet – Budget Monitoring Report



Date & time	Place	Contact	Acting Chief Executive
Tuesday, 28 November 2017 at 2.00 pm	Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN	Vicky Hibbert or Angela Guest Room 122, County Hall Tel 020 8541 9229 or 020 8541 9075 vicky.hibbert@surreycc.gov.uk c angela.guest@surreycc.gov.uk	Julie Fisher

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

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 9698, fax 020 8541 9009, or email vicky.hibbert@surreycc.gov.uk or angela.guest@surreycc.gov.uk.

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Vicky Hibbert or Angela Guest on 020 8541 9229 or 020 8541 9075.

***Note:** This meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The images and sound recording may be used for training purposes within the Council.*

Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding this, please contact the representative of Legal and Democratic Services at the meeting.

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 October 2017 (month seven).

The annexes to this report give details of the council's financial position.

Julie Fisher
Acting Chief Executive
Monday, 27 November 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.

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that those attending the meeting can be made aware of any filming taking place.

Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or

Induction Loop systems, or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

Thank you for your co-operation

This page is intentionally left blank

SURREY COUNTY COUNCIL

CABINET

DATE: 28 NOVEMBER 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 OCTOBER 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 October 2017 (month seven).

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, in the context of increasing demand pressures, and move towards a sustainable budget for future years. This total includes £9m savings it has yet to identify.

The annexes to this report give details of the council's financial position.

RECOMMENDATIONS:

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2017/18 is £18m overspend (Annex 1, paragraphs 1 and 8 to 41). This includes:
£9m savings to be identified,
£16m savings considered unachievable in 2017/18,
£13m service demand pressures
less
£20m underspends, additional savings and income.
2. Significant risks to the revenue budget (Annex 1, paragraphs 42 to 47) could add £13m to the forecast overspend, including: £9m 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 (Annex 1, paragraph 50).
4. All services continue to take all reasonable action to keep costs down and optimise income (e.g. minimising spending, managing vacancies wherever possible etc.).

5. The Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary in paragraphs 16 to 19 of this report 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.

Cabinet is asked to approve the following

6. Transfer £0.9m revenue from the New Homes Bonus budget to the Strategic Transport group to enable major transport scheme development to continue (Annex 1, paragraph 48).
7. Increase the SEND reform staffing budget by £0.6m and to increase the corresponding grant income budget by £0.6m (Annex 1, paragraph 49).
8. Reprofile £0.9m of Surrey Fire & Rescue Service's vehicle and equipment replacement programme capital budget from 2017/18 to 2018/19 (Annex 1, paragraph 66).
9. Draw down £83,000 from amounts carried forward from 2016/17 by Schools & SEND for planned spend on school kitchen schemes in 2017/18 (Annex 1, paragraph 67).

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 seventh month of 2017/18 (31 October 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 October 2017. The forecast is based upon year to date income and expenditure and financial year end projections using information available as at 31 October 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.
12. Annex 2 lists the progress of the Medium Term Financial Plan savings projects for 2017/18.

CONSULTATION:

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

RISK MANAGEMENT AND IMPLICATIONS:

14. 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

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

SECTION 151 OFFICER COMMENTARY

16. 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.
17. The council has a duty to ensure its expenditure does not exceed resources available. During 2017/18, the council had to plan to deliver already stretching service reduction targets of £104m, of which it identified plans for £95m of service reductions to balance the 2017/18 budget and move towards a sustainable budget for future years. All services must continue to take all reasonable action to keep costs down and optimise income (eg through minimising spending, managing vacancies wherever possible etc.).
18. 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

19. 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

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

OTHER IMPLICATIONS:

- 21. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct implications:
Corporate Parenting / Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Public Health	No significant implications arising from this report.
Climate change	No significant implications arising from this report.
Carbon emissions	No significant implications arising from this report.

WHAT HAPPENS NEXT:

- 22. 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.

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

Sources/background papers:

None

Budget monitoring for period seven of 2017/18 (October 2017)

Summary

The Council set its 2017/18 budget in the context of significant rising demand pressures (particularly in social care), falling Government funding and continuing restraint on the council's ability to raise funds locally. 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 unprecedentedly 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.

To help meet this significant challenge Finance and directors support budget holders to monitor savings closely using an efficiency tracker outlined in paragraph 50. The tracker enables remedial action where appropriate and reporting of key messages to Cabinet.

Within 2017/18's £104m savings target, the council has agreed plans for £95m savings, with £9m savings to be identified. As at 31 October 2017 services forecast making £79m of these planned savings. Services have already achieved £55m savings with another £19m on track for delivery, while £5m face potential barriers. £16m savings are considered to be unachievable at this stage in 2017/18 (mainly in Adult Social Care, Early Help and 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 seven months of 2017/18 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, including in: Orbis, Children, Schools & Families, Highways & Transport, Place Development & Waste, Central Income & Expenditure, Surrey Fire & Rescue and Adult Social Care.

After seven months of 2017/18 the combined impact of delivering lower savings than planned and demand rising faster than anticipated is a £18m forecast overspend 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 £31m.

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 £18m overspend (paragraphs 1 and 8 to 41). This includes:
£9m savings to be identified,
£16m savings considered unachievable in 2017/18,
£13m service demand pressures
less
£20m underspends, additional savings and income.
2. Significant risks to the revenue budget (paragraphs 42 to 47) could add £13m to the forecast overspend, including: £9m 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 50).
4. All services continue to take all reasonable action to keep costs down and optimise 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 16 to 19 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.

Cabinet is asked to approve the following

6. Transfer £0.9m revenue from the New Homes Bonus budget to the Strategic Transport group to enable major transport scheme development to continue (paragraph 48).
7. Increase the SEND reform staffing budget by £0.6m and to increase the corresponding grant income budget by £0.6m (paragraph 49).
8. Reprofile £0.9m of Surrey Fire & Rescue Service's vehicle and equipment replacement programme capital budget from 2017/18 to 2018/19 (paragraph 66).
9. Draw down £83,000 from amounts carried forward from 2016/17 by Schools & SEND for planned spend on school kitchen schemes in 2017/18 (paragraph 67).

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 October 2017, the council forecasts £18m overspend at year end with £13m significant additional budget risk. The main variances (paragraphs 8 to 41) relate to:

- £9m savings yet to be identified;
- £16m forecast underachievement of savings, including
 - £11m in Adult Social Care
 - £3m in Early Help and
 - £2m in Waste
- £7m 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 Environment & Infrastructure
 - £2m underspends and early achievement of savings in Orbis
 - £3m net underspend in Children, Schools & Families
 - £1m underspend in Central Income & Expenditure and
 - £3m aggregate smaller underspends in other services.

The council currently forecasts to have £21m general balances and £65m reserves earmarked for specific purposes at year end. The Director of Finance regards this as being at the minimum safe level in the context of the future uncertainty the council faces.

Capital budget 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 October 2017, services forecast spending £124m against the £145m current 2017/18 capital budget. The main significant variances are: Local Growth Deal programme changes; agreement with Department for Transport for works to take place in 2018/19; project delays and reprofiling in Orbis plus Surrey Fire & Rescue Service's underspend on the joint transport project and vehicle and equipment replacements (paragraph 65 **Error! Reference source not found.**).

As part of increasing its overall financial resilience, the council currently plans £102m net investment in long term capital investment assets in 2017/18 (paragraphs 68 to 71). This brings total forecast capital spending in 2017/18, including long term investments, to £225m.

Revenue budget

Overview

1. As at 31 October 2017, the forecast year end budget variance is £18m overspend, a £1m increase on the position reported as at 30 September 2017. The main changes since September include £1m increase in Adult Social Care's forecast overspend, split roughly equally between demand pressures and underachievement of savings.
2. These changes mean the overall forecast overspend includes: £9m savings that remain unidentified; £16m forecast underachievement on savings; and £7m net service underspends (paragraphs 8 to 41).
3. In addition, considerable risks of volatility remain 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 optimise 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 seven months of 2017/18 to reflect agreed carry forwards and other budgetary adjustments, decreased the gross expenditure budget as at 31 October 2017 to £1,658.1m and the gross income budget to £1,646.2m. 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 31 October 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	0.8	0.5	0.8	0.0
Adult Social Care	362.2	207.4	367.7	5.5
Children's and Safeguarding services	106.3	66.4	114.7	8.4
Commissioning & Prevention	33.8	18.6	36.8	3.0
Schools & SEND (Special Educational Needs & Disabilities)	61.2	35.1	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	1.1	1.7	0.0
Cultural Services	9.3	5.0	8.9	-0.4
Customer Services	3.4	1.8	3.2	-0.2
C&C Directorate Support	0.8	0.4	0.6	-0.2
Emergency Management	0.5	0.3	0.5	0.0
Surrey Fire & Rescue Service	31.8	18.3	32.0	0.2
Trading Standards	1.9	1.0	1.9	0.0
Place Development & Waste	82.0	47.6	82.1	0.1
Highways & Transport	46.6	24.9	46.0	-0.6
Public Health	0.0	0.0	2.1	2.1
Communications	2.0	1.0	1.9	-0.1
Finance	2.8	1.6	2.8	0.0
Human Resources & Organisational Development	3.9	1.4	3.4	-0.5
Information Management & Technology	12.5	6.1	12.1	-0.4
Legal Services	4.0	2.2	3.9	-0.1
Democratic Services	5.8	4.0	5.5	-0.3
Strategy & Performance	1.4	0.8	1.3	-0.1
Procurement	0.9	0.5	0.9	0.0
Property	21.3	9.8	20.8	-0.5
Joint Operating Budget ORBIS	37.6	19.5	36.9	-0.7
Business Operations	-0.1	-0.1	-0.1	0.0
Central Income & Expenditure	54.0	36.4	35.6	-18.4
Savings to be identified	-9.0		9.0	18.0
Services' total net revenue expenditure	880.5	512.2	890.6	10.1
General funding sources				
General Government grants	-150.1	-82.9	-142.1	8.0
Local taxation (council tax and business rates)	-718.6	-223.8	-718.6	0.0
Total general funding	-868.7	-306.7	-860.7	8.0
Total movement in reserves	11.8	205.5	29.9	18.1

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

Significant net revenue budget variances

Adult Social Care - £5.5m overspend (£1.0m deterioration since 30 September 2017)

8. As at 31 October 2017, Adult Social Care (ASC) forecasts £5.5m year end overspend. The £1.0m increase in the overspend includes £0.5m increase in care demand pressures and £0.4m reduction in savings.
9. Against its £25.9m efficiency target, ASC forecasts to achieve £15.1m, a £10.8m shortfall. The shortfall relates to underachievement of savings including:
 - £4.0m in reducing ASC demand pressures;

- £3.1m in services to people with learning disabilities;
 - £1.6m from continuing healthcare plans
 - £1.1m from support package guidelines in services for older people;
 - £0.5m from contracts, grants and housing related support; and
 - £0.4m of other savings - optimising staff travel and Section 256 client savings.
10. Significant mitigations against this shortfall in planned ASC savings include: £1.8m staffing budget 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 - £8.5m overspend (£0.4m improvement since 30 September 2017)

11. Children's Services continues to experience exceptional demand for services continuing patterns seen in recent months and forecasts £8.5m overspend.
12. The increased levels of demand is leading to £2.5m 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). These pressures are partly offset by £0.8m net underspends in other areas of the service.
13. Increased demand from children requiring support has led to the need for additional social work capacity and the need to have 30 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 74 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.
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 £3.5m overspend. During business planning for 2017/18, the service reasonably estimated a total of 216 external placements. The latest budget allows for 244 placements. As at 31 October 2017 there were 281 children in external placements. This is a small decrease from the position as at 30 September and the forecast variance has reduced by £0.3m. The number of placements is volatile and the forecast assumes external placement numbers will continue to increase during the remainder of the year.
15. 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 51% 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 or 17 year old against full cost is £18,000 a year for the new rate and £24,000 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 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.
17. In addition the service anticipates £1.1m 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 (no change since 30 September 2017)

18. Overall Schools & SEND estimates £4.8m underspend at year end. The main reason for the underspend is due to one off adjustments to the Dedicated Schools Grant funded services including inflation and demographics of around £3m.
19. Recruitment difficulties during the year mean there are currently £0.5m short term underspends against staffing budgets, principally in the education psychology teams. The service has now recruited to these posts, ensuring it can meet its requirements around Education, Health and Care Plans (EHCPs).
20. 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. A virement is requested to increase the staffing budget by £0.6m and to increase the grant income budget by £0.6m as outlined in paragraph 49.
21. Commercial Services expects £0.8m underspend due to a greater than budgeted contribution to overheads, particularly for school catering. Further improvement in the trading position will become clearer as the new academic year progresses.
22. These underspends are in part offset by an anticipated £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. This trend has continued with 63 more children travelling between October 2016 and October 2017. 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.
23. The service forecasts £1.2m under recovery of trading income, partly due to vacancies for educational psychologists and because schools have not taken up the services of specialist teachers as budgeted.
24. £0.9m pressures are emerging on the social care element of education placements, as more residential school placements are made for the social care needs of children with SEND.

Commissioning & Prevention - £2.9m overspend (£0.2m deterioration since 30 September 2017)

25. Commissioning & Prevention anticipates £2.9 m year end overspend. The increase in the overspend is due to increasing staffing costs, which need to be managed if the service is to be sustainable this financial year and next.
26. The main reason for the overspend is the 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 service extended the development phase to ensure the offer is right for Surrey in the context of increasing demand currently experienced across the social care system locally. 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 (no change since 30 September 2017)

27. Place Development & Waste (PDW) forecasts a balanced year end position resulting from a number of pressures and offsetting savings, primarily within waste disposal.
28. Waste disposal currently forecasts a shortfall against £2.6m planned 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 expected to be offset by the financial implications of delayed construction of the Eco Park, which in turn delays costs 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.
29. 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 directorate) is reviewing planned income and expenditure to identify £0.3m 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.
30. Cabinet is asked to approve a £0.9m revenue virement from the Central Income & Expenditure budget to PDW to enable preparatory work on Local Growth Deal schemes to continue, as set out in paragraph 48.

Highways & Transport - £0.6m underspend (no change from 30 September 2017)

31. Highways & Transport (H&T) forecasts £0.6m net underspend at year end. The service has reviewed planned income and expenditure to identify additional savings to help offset £0.2m higher than expected inflation on street lighting energy costs (the budget assumed a 5% increase, but inflation is currently 12%) and overspends elsewhere.

32. 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. It has reviewed these measures to ensure 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.

Surrey Fire & Rescue Service - £0.2m overspend (£0.1m improvement since 30 September 2017)

33. Surrey Fire & Rescue Service (SFRS) forecasts £0.2m year end overspend. SFRS has significant savings plans of £3.6m for the year and is on target to achieve £3.4m.
34. SFRS has confirmed £1.4m 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 expects a £0.2m payroll cost pressure to reflect an anticipated higher than budgeted national fire fighter pay award.
35. These pressures are partially offset by £1.4m 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 £0.3m other staffing, supplies and services savings.

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

36. Public Health (PH) forecasts £2.1m year-end overspend. £1.7m of this overspend is due to having to extend the existing sexual health service contract. As a priority PH 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 30 September 2017)

37. 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).
38. 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.

Orbis - £2.1m underspend (no change since 30 September 2017)

39. Orbis forecasts £2.1m year end underspend. This comprises £1.4m underspend on budgets Orbis manages on behalf of the council and £0.7m underspend on the council's 70% contribution to Orbis' operating costs.
40. Orbis is on target to deliver its £2.3m savings target from the budgets it manages on behalf of the council and forecasts a further £1.4m underspend. The significant forecast underspends are: £0.5m each in Property and Human Resources & Organisational Development and £0.4m in IT & Digital.
41. Orbis is on target to deliver its total £3.9m 2017/18 efficiencies across the partnership plus a further £0.6m early achievement of total 2018/19 savings. Overall, Orbis forecasts £1.0m underspend on its total operating budget (on which the council makes a 70% contribution, equating to £0.7m underspend).

Additional budget risks

42. 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 Early Years)

43. As at 31 October 2017, SEND services funded by DSG forecast £8.9m 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 and the challenging £13m savings plan being worked through with special schools and school partners.
44. 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. Schools' Forum has agreed this principle and the local authority is currently expecting and planning for DSG spend to be contained within DSG funding.
45. Free early education (FEE) for three and four year olds now expects £1.0m underspend. Numbers fell in the autumn term meaning the council will be funded for a higher number of children than the average number in placement over the year. Uncertainties remain as funding is based on pupil counts in January so will not be confirmed until the end of the financial year and the position on two year olds and in particular the new provision for 30 hours free childcare from September will be confirmed once more data is available.

Adult Social Care

46. ASC faces £3.3m additional risks 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

47. 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 £1.2m.

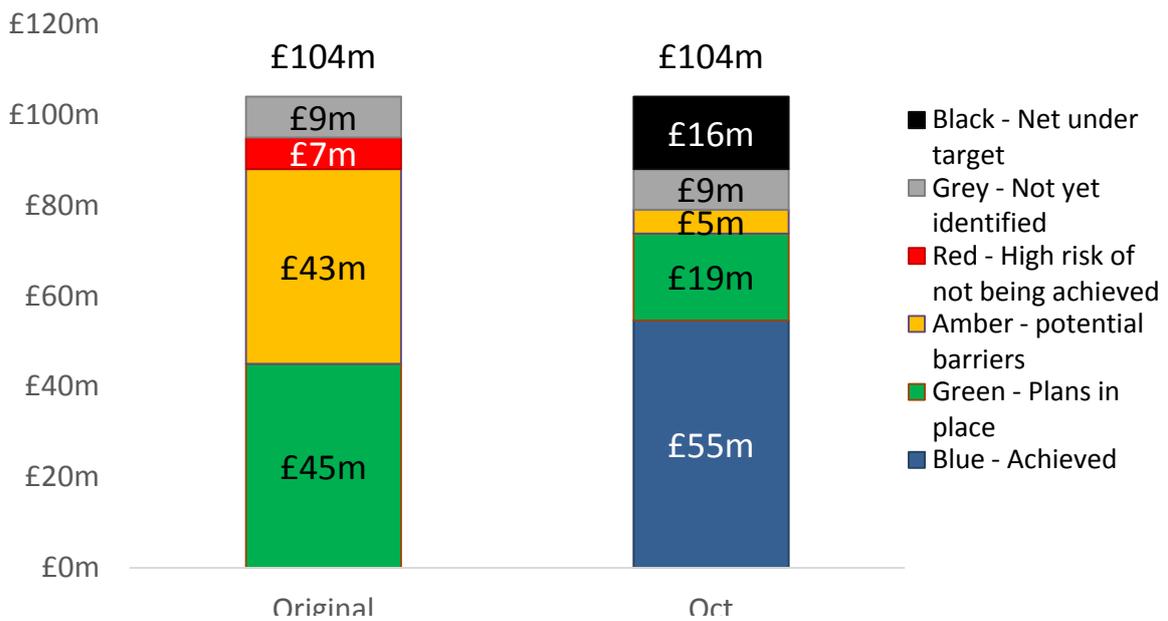
Revenue budget virement requests

48. The council receives New Homes Bonus (NHB) grant from the government, currently £1.5m per year. The NHB is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. In recent years this has been earmarked for a number of activities mainly delivered within the Environment & Infrastructure (E&I) directorate. These include development of major transport schemes, including transport modelling and the Local Transport Strategies that underpin the major scheme business cases, in preparation for submitting bids for Local Growth Deal funding. Major transport schemes are one of the ways the council can facilitate economic and housing growth within Surrey. E&I requests transfer of £0.9m from the NHB budget to the Strategic Transport group to enable major transport scheme development to continue.
49. A virement is requested to increase the SEND reform staffing budget by £0.6m and to increase the corresponding grant income budget by £0.6m.

Efficiencies

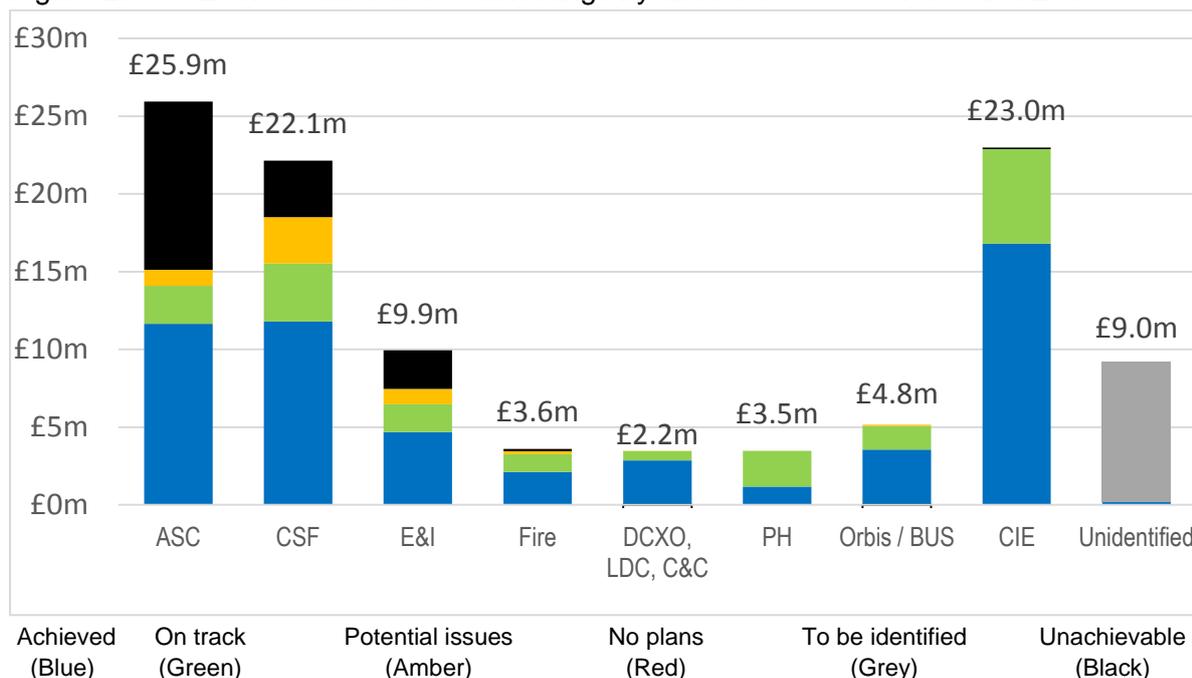
50. MTFP 2017-20 includes £104m efficiencies in 2017/18. Council services currently forecast to achieve £79m of this target. This is a £25m shortfall, comprising £9m savings the council has yet to identify and £16m savings considered unachievable in 2017/18. As outlined in the summary to this annex, 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.
51. Figure 1 summarises the council's overall efficiency targets, the forecast for achieving them and the deliverability risks. By month seven of 2017/18, services have: achieved £55m savings, with £19m plans on track and £5m 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, mainly in the areas of ASC, Early Help and Waste Disposal; plus a further £9m of savings 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 optimise income (eg minimising spending, managing vacancies wherever possible etc).

Figure 1: 2017/18 risk rated efficiencies as at 31 October 2017 compared to MTFP



52. 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.
53. As at 31 October 2017, the main significant variations in services' progress against their MTFP 2017-20 efficiencies and service reductions include:
- £9.0m shortfall for savings yet to be identified;
 - £10.8m shortfall in ASC related to whole systems demand and market pressures, partly offset by £5.9m underspends and additional income (paragraphs 8 to 10);
 - £2.7m shortfall in Early Help as outlined in paragraph 25 and
 - £2.6m shortfall in Waste Disposal as outlined in paragraph 28

Figure 2: 2017/18 efficiencies risk ratings by directorate as at 31 October 2017



Staffing costs

54. 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.

55. 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.

56. 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.

57. The council has 764 FTE vacancies (the difference between budgeted and occupied FTEs). It is recruiting to 445 of these vacancies, 304 of them are in social care.

58. Table 2 shows staffing costs as at 31 October 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.

59. 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.
60. Table 2 shows £2.7m year to date underspend against the £162.5m budget as at 31 October 2017. Table App 3 shows services forecast £1.3m 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 October 2017

Service	YTD staff						Amended budgeted FTE	Occupied contracted FTEs
	budget £m	Contracted £m	Agency £m	Bank £m	Total £m	Variance £m		
Strategic Leadership	0.5	0.5	0.0	0.0	0.5	0.0	9	7
Adult Social Care	36.0	32.5	1.1	0.9	34.5	-1.5	1,754	1,445
Children, Schools & Families ¹	69.4	62.9	4.7	2.7	70.3	0.9	3,013	2,754
Community Partnership & Safety ²	0.0	0.0	0.0	0.0	0.0	0.0	25	0
Coroner	0.2	0.2	0.1	0.0	0.3	0.0	2	2
Cultural Services	10.9	9.8	0.0	0.9	10.7	-0.2	529	526
Communities Support Function	0.4	0.4	0.0	0.0	0.4	0.0	26	15
Emergency Management	0.3	0.3	0.0	0.0	0.3	0.0	12	11
Surrey Fire & Rescue Service	15.6	14.7	0.1	0.9	15.6	0.0	608	557
Trading Standards	1.9	1.7	0.1	0.0	1.8	-0.1	74	71
Place Development & Waste	6.8	6.3	0.1	0.2	6.6	-0.2	200	191
Highways & Transport	8.6	7.3	0.5	0.0	7.7	-0.9	371	312
Public Health	1.5	1.4	0.0	0.0	1.4	0.0	46	42
Central Income & Expenditure	0.7	0.7	0.0	0.0	0.7	0.0	0	0
Communications	0.8	0.8	0.0	0.0	0.8	0.0	31	30
Customer Services	2.0	1.8	0.0	0.0	1.8	-0.2	102	103
Legal Services	2.1	1.8	0.1	0.0	1.9	-0.2	79	72
Democratic Services	1.1	1.1	0.0	0.0	1.1	0.0	46	37
Strategy & Performance	1.1	1.0	0.0	0.0	1.0	0.0	27	20
Managed ORBIS	2.6	2.1	0.2	0.0	2.3	-0.3	85	79
Service net budget	162.5	147.2	6.9	5.7	159.8	-2.7	7,039	6,275

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 - Following reorganisation, Community Partnership & Safety FTEs now appear within Highways & Transport

3 - The Orbis Joint Operating Budget is formally delegated to the Joint Operating Committee for management (including staffing) as such the council's monitoring reports its contribution to the joint budget only. Table 2 does show staff managed by Orbis who are outside the Joint Operating Budget (e.g. delivering the Local Assistance Scheme).

Capital budget

61. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £387m 2017-20 MTFP capital programme.
62. 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 October 2017, Cabinet approved £14.0m draw down of carry forwards, -£55.2m net reprofiling and £0.7m net capital virements. Paragraph App 8 and Table App 4 show the movements.
63. Table 3 shows the MTFP budget and the current year capital expenditure budget.

Table 3: Capital expenditure budget 2017/18 as at 31 October 2017

	MTFP budget £m	2016/17 budget c/fwd £m	Reprofile £m	Budget virement £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	-14.3	-1.2	47.7
Other capital projects	12.3	2.6		2.6	17.5
Service capital programme	186.0	14.0	-55.2	0.7	145.5
Long term investments					0.0
Overall capital programme	186.0	14.0	-55.2	0.7	145.5

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

64. Table 4 compares the £145.5m current full year overall capital programme budget to the £123.7m current forecast expenditure for the service capital programme and the £225.3m current forecast expenditure for the overall capital programme. The overall programme in 2017/18 includes £101.6m approved Investment Strategy spending on long term investments (as outlined in paragraphs 68 to 71).

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

	Current full year budget £m	Apr - Oct actual £m	Nov - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	31.8	22.4	9.4	31.8	0.0
Highways recurring programme	48.5	19.1	20.4	39.5	-9.0
Property & IT recurring programme	47.7	17.9	24.0	41.9	-5.8
Other capital projects	17.5	4.4	6.1	10.5	-6.5
Service capital programme	145.5	63.8	59.9	123.7	-21.3
Long term investments	0.0	85.0	16.6	101.6	101.6
Overall capital programme	145.5	148.8	76.4	225.3	80.2

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

Significant capital budget variances

65. The £21.3m forecast underspend on the 2017/18 capital programme is mainly for the following reasons.
- £6.8m underspend in Place Development & Waste due to changes within the Local Growth Deal programme of road and transport improvement schemes. This underspend spans a number of schemes and is caused by various factors, such as where works have been reprogrammed (e.g. to take account of other planned

highway schemes) or delayed, or where schemes are awaiting approval from the LEPs. Once amounts are clear, a request will be made to Cabinet to reprofile budgets across financial years.

- £2.2m underspend in Highways & Transport primarily in respect of the National Productivity Improvement Fund (NPIF) grant where £1.8m has been earmarked for works agreed with the Department for Transport to take place in 2018/19. Once amounts are clear, a request will be made to Cabinet to reprofile budgets across financial years.
- £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 grant funded joint transport project due to the scale and timing of the project. The council holds the grant on behalf of the three fire and rescue authorities in Surrey and Sussex. The funds have been allocated to individual workshop projects across Surrey and Sussex. Business plans for each workshop are progressing.
- £1.8m underspend on fire vehicle and equipment replacements, for which Cabinet required Investment Panel approval of business cases. A budget reprofiling of £0.9m from 2017/18 to 2018/19 has been requested (paragraph 66)

Capital budget virement requests

66. Following a review of Surrey Fire & Rescue Service's vehicle and equipment replacement programme, a budget reprofile of £912,000 from the 2017/18 to 2018/19 is requested. The detailed expenditure plans will be presented to the Investment Panel for approval.
67. Schools & SEND requests to draw down £83,000 from amounts carried forward from 2016/17 for planned spend on school kitchen schemes in 2017/18. The expenditure will be met by a ring fenced grant.

Revolving Infrastructure & Investment Fund

68. 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.
69. 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.
70. 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.
71. Net capital expenditure in 2017/18 of £101.6m 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 £2.3m estimated in tenant contributions to capital works.

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

Revenue statement	YTD actual £m	Full year forecast £m
Council portfolio		
Income	-2.5	-4.3
Expenditure	0.4	0.8
Funding	2.3	4.1
Net income/cost	0.2	0.6
Halsey Garton portfolio		
Dividend	0.0	-1.6
Net interest margin	-1.3	-2.7
Net income	-1.3	-4.3
Total net income	-1.1	-3.7
Capital expenditure	85.0	101.6

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 seven months of 2017/18 decreased the expenditure budget as at 31 October 2017 to £1,630.3m. 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 October 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	-0.1	0.8	0.8
Adult Social Care	-99.1	-4.1	-103.2	460.8	4.7	465.4	362.2
Children's Services	-10.6	-0.1	-10.7	112.8	4.2	117.0	106.3
Commissioning & Prevention	-62.5	0.3	-62.2	97.2	-1.2	96.0	33.8
Schools & SEND	-109.9	-4.2	-114.1	175.2	-0.0	175.2	61.2
Delegated Schools	-415.8	16.5	-399.3	414.6	-16.5	399.3	0.0
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
Trading Standards	-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	6.2	-31.7	37.9	-6.2	31.7	0.0
Central Income & Expenditure	-0.4	-0.2	-0.6	54.5	0.1	54.6	54.0
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	14.4	-777.6	1,681.5	-14.6	1,667.1	889.5
Savings to be identified				-9.0		-9.0	-9.0
Total	-792.0	14.4	-777.6	1,672.5	-14.6	1,658.1	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	14.4	-1,646.2	1,672.5	-14.6	1,658.1	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

2 - Community Partnership & Safety is now reported within Highways & Transport

- 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. Public Health contributes £6.2m from its restricted grant to funding activities already provided by other services, but that meet the Public Health Outcomes Framework. To date the council has reported this funding under the Public Health position. However to manage the accounting of this differently, the council will now report this under Central Income & Expenditure. Public Health shows a reduction in both income and expenditure of this £6.2m to reflect this change.
- App 4. Academy conversions and education grants have been finalised for the first seven months of 2017/18. There has been 11 academy conversions, since April 2017 but the initial budget was based on school numbers as at January 2017. Also grants have been adjusted for the amended deprivation estimates and pupil numbers as recorded by Department for Education. These changes have reduced the delegated school income and expenditure budgets by £9m.
- App 5. 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 seven months of 2017/18.
- App 6. Table App 2 summarises the movements to the revenue expenditure budget.

Table App 2: 2017/18 revenue expenditure budget movements as at 31 October 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
Total Quarter 2 movements	0.1	-0.1	0.0	0.0	65
October movements					
New funding and expenditure	-1.4	1.4		0.0	2
Internal service movements	15.5	-15.5		0.0	26
Total October movements	14.1	-14.1	0.0	0.0	28
Final approved budget	-1,646.0	1,657.8	0.0	11.8	159

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

- App 7. 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 October 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	-428.8	-417.7	11.1	-739.6	-310.7	-728.4	11.2
Other income	-107.6	-126.8	-19.2	-187.8	-77.3	-204.1	-16.2
Income	-760.2	-768.3	-8.1	-1,646.0	-882.8	-1,651.1	-5.0
Expenditure:							
Staffing	162.5	159.8	-2.7	278.4	117.2	277.1	-1.3
Service provision	568.3	569.5	1.2	978.3	424.9	1,002.7	24.4
Non schools sub-total	730.8	729.3	-1.5	1,256.7	542.1	1,279.8	23.1
Schools expenditure	244.6	244.6	0.0	401.1	156.5	401.1	0.0
Total expenditure	975.4	973.9	-1.5	1,657.8	698.6	1,680.9	23.1
Movement in balances	215.2	205.6	-9.6	11.8	-184.2	28.9	18.1

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

Updated budget – capital

App 8. Cabinet approved the original capital expenditure budget for 2017/18 at £186.0m and £17.0m carry forward of scheme budgets requested in 2016/17's Outturn report. In the period to 31 October 2017, Cabinet approved £0.7m net virements and -£41.2m reprofiling and carry forwards. Net capital virements and carry forwards made in the period to 31 October 2017 amount to -£40.5m. Table App 4 summarises the capital budget movements for the year.

Table App 4: 2017/18 capital budget movements as at 31 October 2017

	31 Oct 17 £m	31 Oct 17 £m
MTFP (2017-20) (opening position)		186.0
Reprofiling & carry forwards		
Carry forwards drawdown - Property services	10.0	
Carry forwards drawdown – IT & Digital	1.0	
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	
<i>Sub-total – carry forwards drawn down</i>		14.0
Reprofiling - Property services	-14.4	
Reprofiling - School Basic Need	-40.9	
Reprofiling - IT & Digital	0.1	
<i>Sub-total - reprofiling</i>		-55.2
Total reprofiling & carry forwards drawn down		-41.2
Virements		
Local Growth Deal configured in March 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	1.4	
Changes to the capital budget after the MTFP was agreed	1.9	
Total virements		0.7
In year budget changes		-40.5
2017/18 updated capital budget		145.5

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

Medium Term Financial Plan savings projects 2017/18

Position as at 31 October 2017

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £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	977	-23	A
ASC	Whole system demand management - demand management through Consistency Practice Meetings process	4,021	0	-4,021	A
ASC	Whole system demand management - OP support package guidelines	1,141	30	-1,111	A
ASC	Whole system demand management - ensure correct application of national CHC framework	3,000	2,750	-250	G
ASC	Whole system demand management - resolution of significant outstanding CHC disputes/assessments	2,100	718	-1,382	A
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	54	-399	G
ASC	Whole systems demand management - section 256 client group savings	2,000	1,347	-653	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	66	-597	A
ASC	Market management & pricing strategies - strategic supplier review rebates	1,000	472	-528	A
ASC	Market management & pricing strategies - day care commission review	575	0	-575	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	77	-33	G
Adult Social care Total		25,938	15,106	-10,832	

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £000
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	B
Public Health	Lifestyle service (physical activity) reduction	55	55	0	B
Public Health Total		1,677	1,677	0	
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
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	500	500	G
Fire	Other uniform savings	0	205	205	G
Fire	Fire Pension employer contribution	0	439	439	G
Fire Total		3,588	3,459	-129	
Legal	Legal Services - additional income	70	70	0	G
Legal	Legal Services - staffing review	48	48	0	B
Legal	Legal Services - staffing review	0	275	275	B
Dem Srvs	Democratic Services –reduce voluntary sector support	22	22	0	B
Dem Srvs	Democratic Services - staffing review	22	167	145	B
Dem Srvs	Democratic Services - modern councillor review	22	22	0	B
Dem Srvs	Democratic Services - modern councillor review	0	334	334	B
Cultural Srvs	Cultural Services - Libraries reclassification	121	122	1	G
Cultural Srvs	Hold vacancies	0	20	20	G
Cultural Srvs	Cultural Services - Libraries staffing restructure	30	185	155	B
Cultural Srvs	Cultural Services - libraries resources reduction	246	246	0	G
Cultural Srvs	Cultural Services - Surrey Arts subsidy reduction	15	15	0	G
Cultural Srvs	Cultural Services - Registration & Nationality Service increased income	26	147	121	B
Cultural Srvs	Cultural Services - improve marketing In Adult & Community Learning	22	22	0	G
Cultural Srvs	Cultural Services - support services savings	6	6	0	B
Coroner	Coroner savings to be identified	64	64	0	G
Legal, Democratic and Cultural services Total		714	1,765	1,051	

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £000
Dir Supp	Support function review	155	155	0	G
Trad Stand	Buckinghamshire partnership and additional income	159	159	0	G
Emergency Management	Income generation	20	20	0	G
E&I - Communities Total		334	334	0	
Orbis	Business Operations efficiencies	500	500	0	A
Orbis	Finance efficiencies	525	755	230	B
Orbis	HR&OD efficiencies	400	475	75	B
Orbis	IT&D efficiencies	1,099	1,349	250	B
Orbis	Management efficiencies	100	100	0	B
Orbis	Procurement efficiencies	345	345	0	B
Orbis	Property efficiencies	729	729	0	G
Finance	Insurance self fund	750	750	0	B
Finance	Reversal of one-off savings	-25	-25	0	B
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	-1,163	-1,329	-167	B
Business Services Total		4,770	5,158	389	
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	0	-110	A
Central Income and Expenditure Total		24,794	24,684	-110	

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £000
Strategy & Performance	Staffing review	173	283	110	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	124	43	B
Comms	Communications - staffing review	36	86	50	B
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	173	63	B
Organisational Leadership & Performance Total		1,105	1,371	266	

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £000
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	8	-120	R
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	351	-849	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
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	536	336	B
Schools & SEND	Post 19 - review plans in light of further guidance	0	1,000	1,000	A
Schools & SEND	Commissioning savings	0	0	0	A
Schools & SEND	Carry forward of overspend of DSG into 2018/19	0	2,513	2,513	B
Schools & SEND	Use of DSG originally earmarked for 2016/17 deficit	0	900	900	B
Children, Schools & Families Total		22,130	18,504	-3,626	

Service	Savings title	2017/18 savings target £000	2017/18 savings forecast £000	Over/ (under) target £000	RAG for remaining savings forecast £000
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
Highways & Transport	Highway information team income	40	40	0	G
Highways & Transport	Integrated team structure	200	200	0	B
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	255	-95	A
Place Development	Planning & Development	350	350	0	G
Place Development	Place & Sustainability review	200	147	-53	A
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	1,522	-65	G
Environment & Infrastructure Total		9,931	7,466	-2,465	
All services	Unidentified savings	9,000		-9,000	N/A
Grand Total		103,981	79,524	-24,457	