

Budget monitoring period eight 2016/17 (November 2016)

Summary recommendations

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2016/17 is +£6.1m overspend, down from £15.0m last month (paragraph 1).
2. Forecast efficiencies and service reductions for 2016/17 is £62.9m, the same as last month (paragraph 45).
3. The Section 151 Officer's commentary and the Monitoring Officer's Legal Implications commentary (main report, paragraphs 16 to 20).

Revenue summary

The +£6.1 m forecast overspend at as 30 November 2016 represents a further -£8.9m improvement on the position forecast as at 31 October 2016 and -£16.3m improvement on the unprecedented +£22.4m overspend forecast as at 30 September 2016.

-£8.0m of the improvement in the forecast outturn position since 31 October 2016 is due to a change in the council's minimum revenue provision (MRP) for amounts set aside for repayment of loans (paragraph 25).

Despite its significant improvement, the council still forecasts to overspend in 2016/17 and in a year when the council has also planned its largest ever use of reserves (£24.8m) to support its revenue budget. The underlying cause of the service overspend arises from several significant funding and demand pressures. Significantly, September's forecast overspend closely matches the "shock" reduction in 2016/17 Revenue Support Grant the Government imposed upon the council early in 2016.

The council has taken action to bring the 2016/17 budget back into balance including:

- the Chief Executive and Director of Finance have agreed a series of actions with service directors and are meeting regularly to review progress;
- all services are reinforcing an approach to reviewing all planned spending in year;
- all services are reviewing all options to identify how they can manage service demands more effectively; and
- Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable Medium Term Financial Plan (MTFP) is made.

However, it is still early for services to have gathered sufficient evidence to report progress and evaluate properly the impact of their actions and measures to reduce expenditure.

In February 2016 Surrey County Council set its Medium Term Financial Plan (MTFP) 2016-21, including £1,686m revenue gross expenditure budget for the 2016/17 financial year. The 2016/17 budget includes measures determined at short notice aimed at mitigating the impact of the shock funding reduction by Government. A key objective of MTFP 2016-21 is to increase the council's overall financial resilience. This plan includes making efficiencies totalling £82.9m during 2016/17. As at 30 November 2016, the council forecasts achieving £62.9m efficiencies, the shortfall is largely due to rising demographic demand affecting delivery of efficiency plans.

While the council's financial position has improved substantially over the last two months, the +£6.1 m forecast revenue budget overspend remains significant. The Section 151 Officer maintains the view expressed in her Budget Report to the County Council in February 2016 that the council's financial situation is serious. Previous Cabinet reports have reported that the 2016/17 budget is balanced, but not yet sustainable in future years.

This report reiterates that the current year's budget is no longer balanced and the cost, demand (such as the growth across the whole health and social care system in Surrey and care for looked after children) and funding pressures the council had expected to meet from 2017/18 onwards are already having a significant and detrimental impact on the council's finances.

The net overspend mainly relates to:

- +£20.9m net forecast overspend in Adult Social Care, largely due to demand and price pressures preventing the service from achieving its demanding £55m savings target (paragraphs 11 to 17);
- +£5.6m overspend in Children's Services due to demand (paragraphs 18 to 22); and
- +£1.2m overspend in Schools & SEND (Special Educational Needs & Disabilities) largely due to +£4.0m overspend on services funded by the SEND high needs block element of Dedicated Schools Grant (DSG) (paragraph 23).

partially offset by

- -£1.0m underspend in Commissioning & Prevention (paragraph 24);
- -£13.6m underspend in Central Income and Expenditure from revisions to MRP, higher Investment Strategy income and reduced interest charges (paragraphs 25 and 26);
- -£1.5m underspend in Local Taxation from higher retained business rates income (paragraph 27)
- -£1.7m additional savings in Property (paragraph 28); and
- -£1.0m additional savings from the council's contribution to Orbis Joint Operating Budget (paragraph 29).

In addition, DSG, Children's Services, Environment & Planning, Highways & Transport and Finance outline areas to be aware of that could become significant (paragraphs 31 to 35).

The council forecasts achieving £62.9m against its £82.9m efficiencies target. Adult Social Care forecasts £21.8m shortfall in achieving its savings target for reasons outlined below in paragraph 15 and Environment & Planning anticipates £1.1m savings shortfall from projects to optimise waste management.

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

In February 2016, Cabinet approved the council's Financial Strategy 2016-21. The Financial Strategy aims to:

- secure the stewardship of public money;
- ensure financial sustainability and
- enable the transformation of the council's services.

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £638m capital programme in MTFP 2016-21. As at 30 November 2016, services forecast spending £139m against the £153m current 2016/17 budget and £237m in total, including long term investments.

As part of increasing the council's overall financial resilience, it plans net £98m investment in long term capital investment assets in 2016/17 to add to the £120m invested in the period to 31 March 2016 (paragraphs 53 and 54).

Revenue budget

Overview

1. As at 30 November 2016, the year to date revenue budget variance is +£0.4m overspend and forecast year end budget variance is +£6.1m overspend (down from +£15.0m as at 31 October 2016).
2. The overall forecast overspend is mainly due to overspends of: +£21.0m in Adult Social Care, +£5.6m in Children's Services and +£1.2m in Schools & SEND. These are partially offset by: -£13.6m in Central Income & Expenditure, -£1.5m in Local Taxation, -£1.7m in Property Services, -£1.0m against the Orbis Joint Operating Budget, -£1.0m in Commissioning & Prevention and other smaller underspends.
3. The +£6.1m forecast budget variance remains significant. The Section 151 Officer maintains the view that the council's financial situation is serious. Previous Cabinet reports have reported the 2016/17 budget as balanced, but the council's budgets were not yet sustainable in future years. This report highlights that the current year's budget is no longer balanced, and the cost, demand and funding pressures the council had expected to face from 2017/18 onwards are already having significant and detrimental impact on the council's finances.
4. The following actions have been agreed to manage this position with the aim of bringing the budget back into balance by the end of the financial year:
 - the Chief Executive and Director of Finance have agreed a series of actions with service directors and are meeting regularly to review progress;
 - all services are reinforcing an approach to reviewing all planned spending in year;
 - all services are reviewing all options to identify how they can manage service demands more effectively; and
 - Cabinet will, wherever sensible, not agree further spend commitments until a balanced budget is assured and progress towards a sustainable MTFP made.
5. All services have committed to reduce expenditure including:
 - freezing recruitment where possible;
 - reducing meetings and attendance at meetings to bring down travel costs;
 - avoiding or reducing all administrative costs such as printing, venue hire, IT equipment, telephony etc.
6. It is still too early for services to have gathered enough evidence to report progress and evaluate properly the impact of their actions to reduce expenditure.

Revenue budget monitoring position

7. Table 1 summarises the council's year to date and forecast year end gross income and expenditure positions compared to the full year revised budget. The full year revised net expenditure budget to be met from reserves is £24.8m. Table App1 in the appendix outlines the updated revenue budget by service after in year budget virements and carry forward of budgets from the 2015/16 financial year.
8. Table 1 shows the actual year to date total net expenditure is -£34.1m. This compares to the profiled, budgeted year to date net expenditure of -£34.5m. The

difference between the two is £0.4m year to date overspend (increased from -£0.7m overspend as at 31 October 2016). Table App3 in the appendix shows more detail.

Table 1: 2016/17 revenue budget subjective summary as at 30 November 2016

Subjective summary	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Gross income	-1,651.0	-1,138.7	-1,653.9	-2.9
Gross expenditure	1,675.8	1,104.6	1,685.0	9.2
Total net expenditure	24.8	-34.1	31.1	6.1

Note: * Profiled year to date net budget is -£34.5m compared to actual net expenditure of -£34.1m

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

9. In March 2016, Cabinet approved the council's 2016/17 revenue expenditure budget at £1,686.0m. Changes in the first eight months of 2016/17 to reflect agreed carry forwards and other budgetary adjustments reduced the expenditure budget as at 30 November 2016 to £1,675.8m. Table 2 shows the updated budget, including services' net expenditure budgets (gross expenditure less income from specific grants and fees, charges and reimbursements) and funding of -£672.2m from local taxation and £24.8m from reserves.
10. Table 2 shows the revenue budget position analysed by services and the council's general funding sources. For each service, Table 2 shows the net expenditure position (gross expenditure less income from specific grants and fees, charges and reimbursements). The council's general funding sources include general government grants, local taxation (council tax and business rates) and planned use of reserves.

Table 2: 2016/17 updated revenue budget forecast as at 30 November 2016

Service	Full year revised budget £m	YTD actual £m	Full year projection £m	Full year variance £m
Economic Growth	1.7	0.7	1.7	0.0
Strategic Leadership	1.0	0.6	0.9	-0.1
Adult Social Care	368.0	253.5	389.0	21.0
Children's and Safeguarding services	96.3	67.6	101.9	5.6
Commissioning & Prevention	39.2	24.0	38.1	-1.0
Schools & SEND (Special Educational Needs & Disabilities)	63.2	40.7	64.4	1.2
Delegated Schools	0.0	0.0	0.0	0.0
Community Partnership & Safety	3.8	1.9	3.5	-0.2
Coroner	1.8	1.1	1.8	0.0
Cultural Services	9.6	6.2	9.3	-0.2
Customer Services	3.5	2.2	3.4	-0.1
C&C Directorate Support	1.0	0.6	0.9	0.0
Emergency Management	0.5	0.3	0.4	-0.1
Surrey Fire & Rescue Service	33.2	22.3	33.2	0.0
Trading Standards	2.0	1.3	1.9	-0.1
Environment & Planning	80.1	54.7	80.8	0.6
Highways & Transport	44.8	28.2	43.9	-0.9
Public Health	0.3	0.2	0.6	0.3
Central Income & Expenditure	56.4	7.8	42.8	-13.6
Communications	2.2	1.4	2.1	-0.1
Finance	3.1	1.6	2.4	-0.6
Human Resources & Organisational Development	4.3	2.2	3.8	-0.5
Information Management & Technology	13.2	7.8	12.8	-0.4
Legal & Democratic Services	8.5	5.4	8.4	0.0
Strategy & Performance	1.7	1.1	1.6	-0.1
Procurement	0.9	0.5	0.8	0.0
Property	20.9	10.0	19.2	-1.7
Orbis Joint Operating Budget	38.0	23.2	37.0	-1.0
Business Operations	0.2	0.1	0.2	0.0
Total services' net revenue expenditure	899.3	567.0	907.1	7.6
General funding sources				
General Government grants	-202.3	-131.6	-202.3	0.0
Local taxation (council tax and business rates)	-672.2	-469.7	-673.7	-1.5
Total general funding	-874.5	-601.3	-876.0	-1.5
Total movement in reserves	24.8	-34.1	31.1	6.1

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

Significant revenue budget variances

Adult Social Care - +£21.0m overspend (no change since 31 October 2016)

11. Adult Social Care (ASC) forecasts an adverse year end variance of +£21.0m. This very significant overspend is almost entirely due to failure to achieve the hugely ambitious additional savings budgeted for 2016/17 over and above the level of savings that ASC has typically achieved in recent years .
12. Seismic change to demand growth and large scale service redesign were required for ASC to achieve these additional savings in such a short amount of time. Huge effort continues to progress health and social care integration, which will improve both the cost and quality of service delivery in the long term. However this is not yet leading to reduced demand, indeed demand continues to grow in terms of hospital admissions and social care packages. When combined with the need to pay higher prices for social care provision to maintain market sustainability (particularly since the introduction of the National Living Wage) it is simply not possible to achieve this scale

of additional savings in the short to medium term without impinging on the delivery of the council's statutory duties for social care.

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13. It is now evident across the country that ASC requires a new funding model to be sustainable. The Kings Fund published a report in September 2016 which estimates that the national social care funding gap will rise to between £2.8bn and £3.5bn by 2019/20 without funding reform. The council is actively making the case to government for additional social care funding and this year's forecast outturn position is a stark indication of the scale of financial pressure if the government does not provide local authorities a means for additional funding.
 14. ASC has agreed an action plan to reduce its overspend in the remainder of 2016/17, including the following measures.
 - Reduce demand through a more robust assessment process across three areas:
 - work closely with CCGs (clinical commissioning groups) to manage care services for older people at a locality level, with renewed emphasis on managing demand within budgetary constraints;
 - specialised assessors and managers will manage care packages for people with physical & sensory disabilities aged 18-64 and people with learning disabilities aged 18-64;
 - robustly manage the Transition 18-25 budget for individuals moving from Children's or education services to ensure best value in all new care packages.
 - Continue emphasis on maximising income following implementation of the new charging policy.
 - Continue to review with CCGs whether any health winter pressures or other funding could help support ASC care package costs.
 15. ASC will not have enough evidence to report progress and evaluate properly the impact of these measures to reduce expenditure until next month's budget monitoring report (for the period to 31 December 2016).
 16. The principal reason for the forecast overspend is a £21.8m forecast shortfall against ASC's savings target as described below.
 - The Family, Friends & Community (FFC) programme continues to face challenges in reducing the cost of new care packages in the context of increasing price pressures in the market and (as in previous years) not fully achieving the 20% stretch savings target. In addition to this shortfall against its stretch savings target, FFC forecasts a £2m shortfall on direct payment reclaims. In total, FFC adds +£10.0m pressure to the ASC budget.
 - The high rate of demand growth across the whole health and social care system in Surrey (nearer 6% rather than the budgeted 4%) is preventing delivery of savings from demand management and from a shift in the care pathway for older people. In total this adds +£5.9m pressure to the ASC budget.
 - ASC's contracts & grants review budgeted 50% expenditure reductions. After completing impact assessments, ASC decided implementing the savings fully would impinge on delivery of statutory duties, leave some people at risk and potentially lead to higher costs in the medium term. ASC has identified £3.1m savings against the £5.8m target. This adds +£2.7m pressure to the ASC budget.

- Considerable work continues on health and social care integration. However, development of Sustainability and Transformation Plans is shifting the focus, nature and timing of the planned 2016/17 savings. This adds +£0.9m pressure to the ASC budget.
 - Implementation of the pay & reward proposals has reduced forecast staff turnover savings. This adds +£0.8m pressure to the ASC budget.
 - Continued demand growth has resulted in underachievement in optimising transition pathways. This adds +£0.5m pressure to the ASC budget.
17. In addition to these challenges with its savings plans, ASC faces +£1.3m increased contractual commitments for the provision of some services and -£2.2m lower costs of conducting Deprivation of Liberty Safeguard (DoLS) assessments. These reduce ASC's overall forecast overspend to £20.9m.

Children's Services - +£5.6m overspend (+£0.5m change since 31 October 2016)

18. Demand for Children's Services continues to increase. Improvements such as investment in Child and Adolescent Mental Health Service (CAMHS) and creating a Multi Agency Safeguarding Hub (MASH) are progressing with the intention of reducing longer term demand. However demand for services particularly care for looked after children (LAC) and unaccompanied asylum seekers exceeds that planned.
19. The increase in the projected overspend relates in part to increasing pressure on external residential placements for looked after children. The number of children placed in these settings has not reduced as has been the case in previous years, leading to a review of planned spend for the remainder of the year and an increase in forecasts for the year. Also additional resources have been required for the MASH. The MASH began operation in October and additional staff have been needed to manage demand as new approaches and processes bed in. The resources required to operate the MASH are being reviewed based on experience of managing workflows and caseloads and will continue to be monitored closely.
20. In view of the overspend Children's Services are reviewing all services to identify areas where spend can be reduced for the remainder of the year. These have been factored into the forecast and again will be reviewed closely to ensure anticipated savings are being achieved.
21. This additional demand is leading to the following budget pressures.
- +£2.8m need for social work capacity due to higher demand, including cost pressure for 20 more posts than budgeted and from 95 locums (though this is projected to reduce). On average, each locum costs £20,000 a year more than permanent staff.
 - +£2.2m additional placement costs for the 215 children currently in ongoing placements compared to the 204 budgeted. Within this: demand for much more expensive residential placements (average cost £206,000 a week) is currently higher (59) than planned (46); and the number of residential family assessment placements (average cost £36,000 each) is double the amount budgeted. Children's services anticipates management action will reduce the number of external residential and external fostering placements over the remainder of the year, though not to the extent previously anticipated.

- +£0.7m care for a high level of asylum seeking children following demand increases over the past 18 months. With world events, these are not expected to fall. The Home Office has increased the level of funding. However, this only applies to new cases from 1 July 2016.
- +£1.0m greater demand for services to support children with disabilities, particularly care packages.

22. These pressures are in part offset by -£1.0m savings elsewhere including additional income from the adoption service and Child and Adolescent Mental Health Service (CAMHS).

Schools & SEND - +£1.2m overspend (no change since 31 October 2016)

23. Within the overall Schools & SEND (Special Educational Needs and Disabilities) forecast underspend position, there are some significant forecast variances.
- +£4.0m overspend on services funded by the SEND high needs block element of Dedicated Schools Grant (DSG)
 - +£0.4m overspend on transport overall, including: +£0.6m SEND transport; +£0.2m overspend on alternative provision; and -£0.4m underspend on mainstream transport.
 - -£3.0m underspend on centrally held budgets.
 - -£0.4m contribution to overheads by Commercial Services.

Commissioning & Prevention - -£1.0m underspend (no change since 31 October 2016)

24. Commissioning & Prevention forecasts -£1.0m year end underspend. The main reasons for this relate to: planned investment in Early Help is unlikely to be spent in full this year; reduced costs from careful management of vacancies; additional staffing to support work with Children in Need as part of the Children's Service improvement plan; and shortfall on SOLD's (Surrey Outdoor Learning Development) stretch income target.

Central Income & Expenditure - -£13.6m underspend (-£8.4m change since 31 October 2016)

25. Central Income & Expenditure forecasts -£13.6m year end underspend. -£8.0m of the improvement in the forecast outturn position since 31 October is due to a change in the council's minimum revenue provision (MRP) for amounts set aside for repayment of loans. The council regularly reviews MRP to ensure it remains prudent without adding unnecessary pressure to the council's revenue budget. Agreed changes in MRP remain consistent with the policy approved by the County Council and realise significant short to medium term savings.
26. The remaining -£5.6m underspend is due to forecast savings on the interest payable budget, including -£3.8m additional contributions from the Investment Strategy, as new investments undertaken since setting the MTFP budget have led to an increase in income; and -£1.2m savings from minimising cash balances and using internal cash to fund capital expenditure and -£0.8m from lower interest rates in accordance with Treasury Management Strategy changes agreed by the County Council in July 2016.

Local taxation - -£1.5m underspend (no change since 31 October 2016)

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

Property Services - -£1.7m (no change since 31 October 2016)

28. Property's forecast -£1.7m underspend includes:
- -£1.2m following the continued drive to reduce expenditure, mainly as a result of stopping revenue building maintenance on end of life buildings and revenue improvements; and re-profiling cyclical building maintenance;
 - -£0.4m from delivering 2017/18 savings early; and
 - -£0.1m from successfully challenging business rates.

Orbis Joint Operating Budget - -£1.0m (no change since 31 October 2016)

29. Orbis Joint Operating Budget services are on track to deliver £1.2m efficiencies in 2016/17 and continue to review their costs and income to deliver a further challenging £3.1m next year. Services are holding vacancies and managing non staffing costs ahead of the savings required in 2017/18. As a result Orbis Joint Operating Budget in total is likely to deliver £1.4m of 2017/18's savings early and so the council's 70% contribution to Orbis will be -£1.0m lower than budgeted.

Areas to be aware

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

Children, Schools & Families – (Dedicated Schools Grant & Children's Services)

31. Services funded through the high needs and early years blocks of the dedicated schools grant are overspending. There is already a budget pressure included in the forecasts of £4m, but this pressure could rise to £7m. Some of this pressure could possibly be mitigated and managed within the Dedicated Schools Grant (DSG) this year and next. The service is validating service costs and volumes and it awaits the provisional funding settlement in December and the January pupil census for early years, to understand the DSG position for this year and next.
32. Demand pressures continue to rise within Children's Services, especially around external residential placements and independent foster care.

Environment & Planning

33. Environment & Planning currently forecasts +£0.6m overspend primarily against the Waste Management budget. Some savings have been delayed (e.g. introduction of charges for some non-household waste at community recycling centres) or have significant risks attached (e.g. contract cost reductions). Also, ongoing discussions with Sita in respect of the timing and cost of some activities could impact on spend this year. Finally, a number of recently introduced measures are expected to impact on waste volumes, but at this stage it is too early to assess those impacts accurately.

Highways & Transport

34. A number of pressures exist across the Highways & Transport service including delayed implementation of savings, increased street lighting energy costs following the introduction of a new pricing tariff, and higher than budgeted insurance claim costs. The service is managing these pressures through a range of measures, including: maximising income and deferring non-essential works and equipment purchases.

Finance

35. Finance’s forecast underspend follows a review of its services. As a result of reduced costs and volume of insurance claims it will reduce its contribution to the insurance reserve by -£0.6m. This is an ongoing saving.

Revolving Infrastructure & Investment Fund

36. Table 3 shows the council forecasts generating -£2.3m net income in 2016/17 (after subtracting funding costs and other expenses) by: the joint venture project to deliver regeneration in Woking town centre, from various property acquisitions made for future service delivery and from the Halsey Garton Property group. The council anticipates transferring the net income to the Revolving Infrastructure and Investment Fund at the year end.
37. Capital expenditure in 2016/17 includes: equity investment and loans to the Halsey Garton Property group, development of the former Thales site in Crawley, further loans to the Woking Bandstand Joint Venture Company and other town centre development projects. The full year forecast assumes that loans to Woking Bandstand are repaid in full by the year end as the project moves into its second phase.

Table 3: Summary revenue and capital position as at 30 November 2016

	YTD actual £m	Full year forecast £m
Revenue		
Income	-5.6	-10.2
Expenditure	0.2	0.5
Net income before funding	-5.4	-9.7
Funding costs	4.6	7.4
Net revenue income after funding	0.8	-2.3
Capital		
Expenditure	111.8	98.3

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

Staffing costs

38. 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.

39. 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.
40. The council sets its staffing budget on the estimated labour needed to deliver its services. It expresses this as budgeted full time equivalent (FTEs) staff and converts it to a cost for the budget. The budget includes spending on all three categories of staff and is the key control in managing staffing expenditure. The council's full year staffing budget for 2016/17 is currently £277.0m based on 7,145 budgeted FTEs.
41. The council is actively recruiting against 468 live vacancies (down from 510 last month). 355 of these are for vacancies in social care (down from 378 last month).

Table 4: Full time equivalents in post and vacancies as at 30 November 2016

	FTE
Budget	7,145
Occupied contracted FTEs	6,457
Live vacancies (i.e. actively recruiting)	468

42. Table 5 shows staffing cost as at 30 November 2016 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 5 also shows services' budgeted FTEs. Budget variances can arise for several reasons including: the budget for some FTEs is held in a different service from where the postholder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the services where the apprentices work); secondees' budgeted posts appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.
43. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 5 and the Staffing expenditure line in Table App3 in the appendix.
44. Table 5 shows the year to date budget as at 30 November 2016 is £183.0m and expenditure incurred is £184.4m. Table App 3 shows +£1.4m overspend at year to date on employment costs and services forecast £0.2m overspend at year end.

Table 5: Staffing costs and FTEs to 30 November 2016

Service	<----- Staffing spend by category ----->						Amended Budgeted FTE	Occupied contracted FTEs
	YTD staff budget £m	Contracted £m	Agency £m	Bank & casual £m	Total £m	Variance £m		
Strategic Leadership	0.7	0.6	0.0	0.0	0.6	-0.1	10	9
Adult Social Care	40.1	38.0	1.9	1.3	41.2	1.0	1,860	1,540
Children, Schools & Families ¹	77.3	70.7	5.5	3.0	79.2	1.8	2,951	2,779
Community Partnership & Safety	0.8	0.8	0.0	0.0	0.8	0.0	25	28
Coroner	0.3	0.2	0.2	0.0	0.4	0.1	2	2
Cultural Services	12.6	11.3	0.0	1.0	12.4	-0.2	529	518
C&C Directorate Support	0.7	0.7	0.0	0.0	0.7	0.0	26	24
Emergency Management	0.3	0.3	0.0	0.0	0.3	0.0	12	10
Surrey Fire & Rescue Service	18.4	17.9	0.1	1.0	19.0	0.6	648	600
Trading Standards	2.1	1.9	0.1	0.0	2.0	-0.2	75	62
Environment & Planning	6.7	6.4	0.0	0.2	6.6	-0.1	215	200
Highways & Transport	10.2	8.7	0.1	0.1	8.9	-1.3	370	306
Public Health	1.7	1.6	0.0	0.0	1.6	0.0	48	41
Central Income & Expenditure	0.0	0.1	0.0	0.0	0.1	0.1		0
Communications	0.9	0.8	0.0	0.0	0.9	0.0	27	24
Customer Services	2.4	2.1	0.2	0.0	2.2	-0.1	107	93
Legal & Democratic Services	3.6	3.3	0.0	0.0	3.3	-0.3	129	112
Strategy & Performance	1.3	1.3	0.0	0.0	1.4	0.0	27	26
Orbis Joint Operating Budget and Business Services ²	2.9	1.8	1.0	0.1	2.9	0.1	84	83
Service net budget	183.0	168.5	9.1	6.8	184.4	1.4	7,145	6,457

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

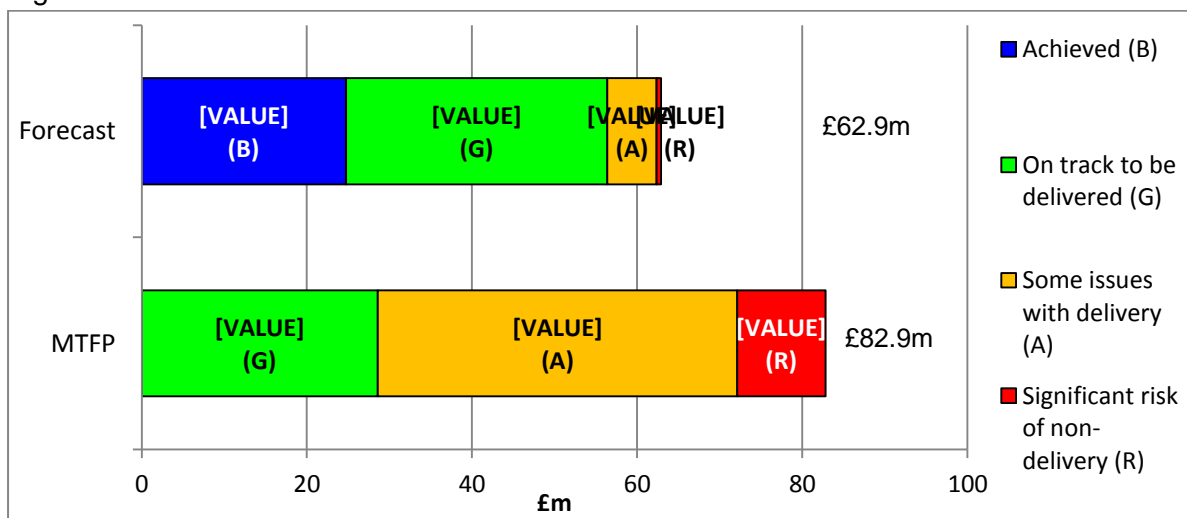
1 - Children, Schools & Families' FTEs include: Children's & Safeguarding, Commissioning & Prevention, Schools & SEND and Delegated Schools

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

Efficiencies

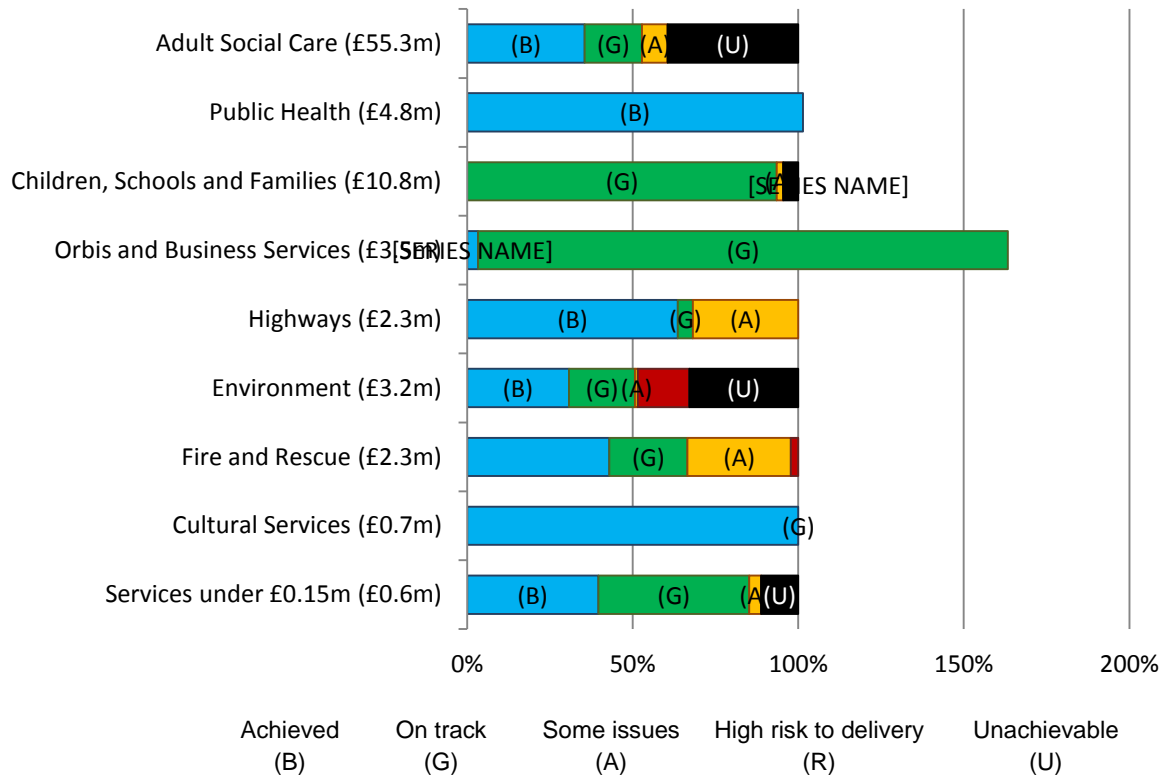
45. MTFP 2016-21 incorporates £82.9m efficiencies in 2016/17. Council services currently forecast to achieve £62.9m of this target (the same as at 31 October 2016). This represents a £20.0m shortfall overall.
46. Services review progress with their efficiency plans to assess:
 - the extent of each efficiency’s deliverability,
 - the risks to delivery and
 - the value of the savings they will achieve.
47. Figure 1 summarises services’ overall efficiency targets, their forecasts for achieving the efficiencies and the risks to achieving them.

Figure 1: 2016/17 overall risk rated efficiencies as at 30 November 2016



48. Each service’s assessment of its progress on achieving efficiencies uses the following risk rating basis:
 - RED – significant or high risk of saving not being achieved, as there are barriers preventing the necessary actions to achieve the saving taking place;
 - AMBER - a risk of saving not being achieved as there are potential barriers preventing the necessary actions to achieve the saving taking place;
 - GREEN – plans in place to take the actions to achieve the saving;
 - BLUE – the action has been taken to achieve the saving.
49. Figure 2 overleaf, shows services’ risk ratings for achieving their efficiencies.

Figure 2: 2016/17 efficiencies risk ratings by service as at 30 November 2016



50. As at 30 November 2016, the main significant variations in services' progress against their MTFP 2016-21 efficiencies & service reductions were as follows.

- £21.8m shortfall in Adult Social Care is unachievable due to issues affecting savings planned from: Friends, Family & Community programme, demand management, health and social care integration, staff turnover and optimising transition as outlined in paragraph 15.
- £1.1m shortfall in Environment & Planning, primarily Waste Management, where the introduction of charges for non-household waste at community recycling centres was delayed, and waste contract savings have not yet been secured.

Capital budget

51. The council demonstrated its firm long term commitment to supporting Surrey's economy by setting a £638m 2016-21 MTFP capital programme.
52. Cabinet approved the original capital expenditure budget for 2016/17 at £194.4m and carry forward of £13.0m scheme budgets requested in the 2015/16 Outturn report. Cabinet approved -£55.8m reprofiling from the 2016/17 capital budget into the remaining years of the capital programme in July 2016 and £4.8m for the Fire Service joint transport project in October 2016. As at 30 November 2016, capital virements totalled £5.9m.
53. Table 6 shows the construction of the current year capital expenditure budget from the MTFP budget.

Table 6: Capital expenditure budget 2016/17 as at 30 November 2016

	MTFP budget £m	2015/16 budget c/fwd £m	Budget virement £m	Reprofile £m	Current full year budget £m
School basic need	75.6	-8.1	0.0	-34.2	33.2
Highways recurring programme	58.1	-0.2	-0.3	0.0	57.7
Property & IT recurring programme	25.8	5.2	-0.4	0.7	31.4
Other capital projects	34.9	16.0	6.6	-27.3	30.3
Service capital programme	194.4	13.0	5.9	-60.7	152.6
Long term investments					0.0
Overall capital programme	194.4	13.0	5.9	-60.7	152.6

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

54. Table 7 compares the current full year overall capital programme budget of £152.6m to the current forecast expenditure for the service capital programme of £139.0m and the current forecast expenditure for the overall capital programme, including long term investments, of £237.3m.

Table 7: Forecast capital expenditure 2016/17 as at 30 November 2016

	Current full year budget £m	Apr - Nov actual £m	Dec - Mar projection £m	Full year forecast £m	Full year variance £m
Schools basic need	33.2	25.6	7.6	33.2	0.0
Highways recurring programme	57.7	26.5	23.1	49.7	-8.0
Property & IT recurring programme	31.4	17.0	13.9	30.9	-0.5
Other capital projects	30.3	11.6	13.6	25.2	-5.1
Service capital programme	152.6	80.8	58.3	139.0	-13.6
Long term investments	0.0	7.4	90.9	98.3	98.3
Overall capital programme	152.6	88.1	149.1	237.3	84.7

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

55. Approved Investment Strategy spending is expected to be £98.3m in 2016/17 and total capital expenditure £237.3m. There are no significant variances to the current service capital programme.

Appendix to Annex

Updated budget - revenue

App 1. The council's 2016/17 revenue expenditure budget was initially approved at £1,686.0m. Adding virement changes in the first eight months of 2016/17 reduced the expenditure budget as at 30 November 2016 to £1,675.8m. Table 1 summarises the updated budget, Table App1 shows the original and updated income and expenditure budgets by service, including the overall net expenditure the council plans to meet from reserves.

Table App1: 2016/17 updated revenue budget as at 30 November 2016

	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	1.7	0.0	1.7	1.7
Strategic Leadership	0.0	0.0	0.0	1.0	0.0	1.0	1.0
Adult Social Care	-60.9	-8.8	-69.7	429.5	8.2	437.7	368.0
Children, Schools & Families	-167.7	2.8	-164.9	365.3	-1.8	363.5	198.7
Delegated Schools	-457.7	13.2	-444.5	457.7	-13.2	444.5	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	3.0	0.9	3.9	3.8
Coroner	0.0	0.0	0.0	1.8	0.0	1.8	1.8
Cultural Services	-13.1	0.1	-13.1	22.7	0.0	22.7	9.6
Customer Services	-0.1	0.0	-0.1	3.6	0.0	3.6	3.5
Directorate Support	-0.1	0.0	-0.1	1.1	0.1	1.1	1.0
Emergency Management	0.0	0.0	0.0	0.5	0.0	0.6	0.5
Surrey Fire and Rescue Service	-13.6	-0.8	-14.4	46.8	0.8	47.5	33.2
Trading Standards	-1.7	0.0	-1.7	3.7	0.0	3.7	2.0
Environment & Planning	-6.5	-2.1	-8.7	86.3	2.6	88.8	80.1
Highways & Transport	-7.6	-0.1	-7.6	51.9	0.5	52.4	44.8
Public Health	-38.5	0.0	-38.5	38.8	0.0	38.8	0.3
Central Income & Expenditure	-0.5	-0.3	-0.8	60.0	-2.8	57.2	56.4
Communications	0.0	0.0	0.0	2.0	0.2	2.2	2.2
Orbis - Joint and Managed	-17.2	6.2	-11.0	97.7	-6.2	91.5	80.6
Legal & Democratic Services	-0.5	0.0	-0.5	9.0	0.0	9.0	8.5
Strategy & Performance	-0.8	0.0	-0.8	1.9	0.6	2.5	1.8
Service total	-786.7	10.2	-776.5	1,686.0	-10.2	1,675.8	899.3
Government grants	-202.3		-202.3			0.0	-202.3
Local taxation	-672.2	0.0	-672.2		0.0	0.0	-672.2
Grand total	-1,661.2	10.2	-1,651.0	1,686.0	-10.2	1,675.8	24.8

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

App 2. When the County Council agreed the MTFP in February 2016, some government departments had not determined the final amount for some grants. Cabinet agreed the principle that services would estimate their likely grant and services' revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements above £500,000 require the relevant Cabinet Member's approval. There were two virements above £500,000 in the first eight months of 2016/17, none in November.

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

Table App 2: 2016/17 revenue expenditure budget movements as at 30 November 2016

	Income £m	Expenditure £m	Earmarked reserves £m	General balances £m	Virement Count
MTFP	-1,661.2	1,686.0		24.8	
Carry forwards		3.9	-3.9	0.0	1
	-1,661.2	1,689.9	-3.9	24.8	1
Q1 Movements	5.7	-5.7		0.0	75
Q2 movements	-7.2	7.2		0.0	49
Oct movements	11.3	-11.3		0.0	46
November movements					
Internal service movements	0.4	-0.4	0.0	0.0	15
Cabinet approvals	0.0	0.0	0.0	0.0	1
Total November movements	0.4	-0.4	0.0	0.0	16
November approved budget	-1,651.0	1,679.7	-3.9	24.8	187

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

App 5. Table App 3 shows the year to date and forecast year end gross revenue position supported by general balances.

Table App 3: 2016/17 Revenue budget forecast position as at 30 November 2016

	Year to date			←	Full year			→
	Budget £m	Actual £m	Variance £m		Budget £m	Remaining forecast £m	Projection £m	
Income:								
Local taxation	-469.6	-469.7	-0.1	-672.2	-204.0	-673.7	-1.5	
Government grants	-561.6	-547.1	14.5	-825.1	-258.1	-805.2	19.9	
Other income	-102.2	-121.9	-19.7	-153.7	-53.1	-175.0	-21.3	
Income	-1,133.4	-1,138.7	-5.3	-1,651.0	-515.2	-1,653.9	-2.9	
Expenditure:								
Staffing	183.0	184.4	1.4	277.0	92.8	277.2	0.2	
Service provision	597.1	601.4	4.3	954.4	362.0	963.4	9.0	
Non schools sub-total	780.1	785.8	5.7	1,231.4	454.8	1,240.5	9.1	
Schools expenditure	318.8	318.8	0.0	444.5	125.7	444.5	0.0	
Total expenditure	1,098.9	1,104.6	5.7	1,675.8	580.5	1,685.0	9.1	
Movement in balances	-34.5	-34.1	0.4	24.8	65.3	31.1	6.1	

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

Updated budget – capital

App 6. Cabinet approved £13.0m carry forward of scheme budgets requested in 2015/16's Outturn report and approved -£55.8m reprofiling of expenditure from 2016/17 to the remaining years of the 2016-21 capital programme in July 2016. Capital virements made in November amount to £0.2m to add to the net total £5.7m virements made between April and November 2016. Table App 4 summarises the capital budget movements for the year.

Table App 4: 2016/17 Capital budget movements as at 30 November 2016

	1 Apr 2016	31 Oct 2016	30 Nov 2016
	£m	£m	£m
MTFP (2016-21) (opening position)	194.4	194.4	194.4
In year changes			
Carry forwards from 2015/16		13.0	13.0
Property Services' reprofiling		-55.4	-55.4
Environment & Infrastructure reprofile		-0.5	-0.5
Joint Fire transport project		-4.8	-4.8
Reprofiling & carry forwards		-47.7	-47.7
Virements			
In year changes			
Limmerlease (Watts Gallery Trust)		1.0	1.0
Woodfuel & timber grant		0.3	0.3
Lindon Farm		-1.8	-1.8
Salt barns		0.2	0.2
Horley Library		2.1	2.1
IMT contributions to Equipment Replacement Reserve		0.5	0.5
Schools contributions		2.2	2.2
Developer contributions to schools			0.2
East Surrey Integrated Care unit - ASC		0.9	0.9
Local transport systems		0.3	0.3
In year budget changes		5.7	5.9
2016/17 updated capital budget		152.5	152.6

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