Budget monitoring for period five of 2017/18 (August 2017)

Summary

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

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

Within 2017/18's £104m savings target, the council has agreed plans for £95m savings. With £9m savings to be identified. As at 31 August 2017 services forecast making £83m of these planned savings. Services have already achieved £46m savings with another £28m on track for delivery while £8m face potential barriers. £12m are now considered to be unachievable in 2017/18 (including £6m in Adult Social Care, £3m in Early Help and £3m in Waste Disposal).

In setting the 2017/18 budget, the council faced significant demand and cost pressures, mostly in social care. In some services a small change in volume can lead to significantly increased costs. The experience of the first five months of the year has seen numbers increase above what was expected even a short period ago. In Children's Services, demand continues to increase and is expected to add a £9m pressure by the end of the financial year. In Public Health, retendering of a major contract is forecast to result in a delay to planned changes and a pressure of up to £2m in this financial year. Currently, there are offsetting forecast underspends, such as in Schools & SEND (Special Educational Needs and Disabilities), Highways & Transport and within Adult Social Care.

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

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

Summary recommendations

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

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

Cabinet is asked to note the following.

1. Forecast revenue budget outturn for 2017/18, is £21m overspend (paragraph 1). This includes:
   £9m savings to be identified,
   £12m savings considered unachievable in 2017/18,
   £11m service demand pressures
   £11m underspends and additional income.

2. Significant risks to the revenue budget (paragraphs 39 to 44) could add £13m to the forecast overspend:
   £4m in Adult Social Care
   £8m in Children, Schools & Families and
   £1m in Place Development & Waste

3. Forecast planned savings for 2017/18 total £83m against £95m agreed savings and £104m target (paragraph 45).

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

5. Cabinet will receive a recovery plan for consideration in October 2017.

Cabinet is asked to approve the following

6. £18,000 draw down of Highways & Transport's capital carry forward from 2016/17 (paragraphs 62 to 64).

7. £2.9m amendments to schools' devolved capital budgets (paragraphs 65 to 68).

Revenue budget summary

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

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

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

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

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

Capital summary

Creating public value by improving outcomes for Surrey's residents is a key element of Surrey County Council's corporate vision and it is at the heart of its £387m capital programme in MTFP 2017-20. As at 31 August 2017, services forecast spending £134m against the £142m current 2017/18 capital budget. The main significant variance is an underspending in Surrey Fire & Rescue Service for the joint transport project (paragraph 61).

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

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Revenue budget

Overview

1. As at 31 August 2017, the forecast year end budget variance is £21m overspend, a £2.7m improvement on the position reported as at 30 June 2017. The main changes since June are £6.4m savings shortfall in Adult Social Care offset by £4.6m identified underspends and additional income, £1.1m identified savings in Fire & Rescue and £1.4m lower costs in Central Income & Expenditure plus £0.5m improvements in each of Children's services, Schools & SEND, Democratic Services and ORBIS Joint Operating Budget.

2. These changes mean the overall forecast overspend includes: £12.3m forecast underachievement on savings; £9m savings which remain unidentified; and net service pressures of £0.3m (paragraphs 8 to 38).

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

4. At this point in the year, a forecast outturn overspend position of this size at this point in the financial year is significant and the council needs to take action to agree a recovery plan. This plan needs to balance mitigating actions carefully so as not to affect service delivery unnecessarily, while also recognising the importance of managing overspends down.

Revenue budget monitoring position

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

6. Changes in the first five months of 2017/18 to reflect agreed carry forwards and other budgetary adjustments, decreased the gross expenditure budget as at 31 August 2017 to £1,672.2m and the gross income budget to £1,660.4m. Approved use of reserves remains unchanged. Table App1 in the appendix outlines the updated revenue budget by service after in year budget virements and budget carry forwards from the 2016/17 financial year.

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

Table 1: 2017/18 updated net revenue budget forecast as at 31 August 2017

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

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

Significant net revenue budget variances

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

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

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

9. Significant mitigations against this shortfall against planned ASC savings include: £1.8m underspends not linked to savings plans and £3.9m overachievement of fees and charges income due to increased demand in Older People and the work undertaken by ASC to review financial assessments, ensure benefit entitlements are claimed and changes in circumstances are accounted for in assessments. Offsetting these are other pressures and income adjustments totalling £1.2m.

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

10. Children's Services continues to experience exceptional demand for services continuing patterns seen in recent months and forecasts an £8.6m overspend. This is a £0.5m improvement compared to the forecast as at 30 June 2017.

11. The increased levels of demand is leading to £1.9m pressures against staffing budgets and £6.8m significant demand pressures around the cost of placements for looked after children (LAC), care leavers and Unaccompanied Asylum Seeker Children (UASC).

12. Increased demand from children requiring support has led to the need for additional social work capacity and the need to have 32 staff above establishment at this time. Although the number of locums has reduced over the past six months as the permanent workforce stabilises, the service has 82 locums to staff both the Multi Agency Safeguarding Hub (MASH) and the Children's Services frontline teams.

13. There are also staffing pressures in the MASH. The MASH was established in October 2016 and the original staffing establishment had to be increased to manage the number of contacts, processes and workflows being experienced.

14. Pressures from increases in the number of LAC are mainly seen in the external placement budget, particularly the highest cost residential placements (£219,000 a year). The majority of these children have very complex needs and the service expects a £3.9m overspend. During the business planning stage, the service reasonably estimated a total of 216 external placements. The latest budget allows for 244 placements. As at 31 July 2017 there were 274 children in external placements. This is an increase of eight since June 2017. The forecast assumes that external placement numbers will continue to increase, but this is an unprecedented and volatile emerging picture.

15. As in previous years, the council is having to subsidise UASC costs, as grant funding is insufficient to cover total cost. In 2017/18 the service expects this to lead to £2.1m overspend on direct placement costs. The government did increase the level of grant for UASC direct placement costs from July 2016 and Surrey receives the higher rate of grant for 45% of the young people concerned. Nevertheless the new higher rate of grant is insufficient to cover direct placement costs and adding staffing and other necessary direct costs means for a 16/17 year old the shortfall against full cost is £18,000 a year for the new rate and £25,000 a year for the legacy rate.

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

17. In addition the service anticipates £0.75m overspend for the leaving care service, mainly arising from the need for more supportive packages for young people as they turn 18 and more staff due to support the rising numbers.

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

18. Overall Schools & SEND estimates £2.1m underspend at year end.

19. Recruitment difficulties mean there are currently £0.9m short term underspends against staffing budgets principally in the education psychology teams and SEND operations. The service needs to fill these posts and is recruiting actively to meet its requirement around Education, Health and Care Plans (EHCPs). In addition there are £2.8m projected underspends against the central allowance for retirement costs and funding for SEND demand.

20. Commercial Services expects £0.5m underspend from a greater than budgeted contribution to overheads, particularly for school catering. Any further improvement in the trading position will become clearer as the new academic year progresses.

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

22. Furthermore, £1.1m pressures are emerging on the social care element of education placements as more residential school placements are made for SEND children with social care needs.

Commissioning & Prevention - £2.8m overspend (£0.2m deterioration since 30 June 2017)

23. Commissioning & Prevention anticipates £2.8m overspend. The service is developing a new operational model for early help to provide a cohesive and coordinated support offer for families. The development phase has been extended to ensure the offer is ‘right’ for Surrey in the context of increasing demand currently experienced across the social care system in Surrey. As a result, the full savings anticipated will not be delivered in 2017/18. However, the reconfiguration of support and commissioning services has delivered £2.3m savings for 2017/18.

Place Development & Waste - £2.5m overspend (no change since 30 June 2017)

24. Place Development & Waste (PDW) forecasts £2.5m overspend, representing the net of a number of pressures and offsetting savings, primarily within waste disposal.

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

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26. Other pressures include £0.2m residual savings from 2016/17 for which no plan currently exists.

27. PDW (and the wider Environment & Infrastructure (E&I) directorate) is reviewing planned income and expenditure to identify additional savings to compensate for overspends, including taking advantage of recent bus contract retender savings and holding vacant posts. Through these measures it currently expects to reduce the pressure to £2.5m. Additional measures across the wider E&I directorate outlined in paragraph 28 are expected to reduce this further to £1.9m.

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

28. Highways & Transport (H&T) has reviewed planned income & expenditure to identify additional savings to compensate for £0.25m higher than expected inflation on street lighting energy costs (the budget assumed a 5% increase, but inflation is currently running at 12%) and overspends elsewhere in the E&I directorate.

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

30. A year-to-date £1.2m underspend exists in H&T because some costs and activities are expected to occur later in the year. The service will adjust budgets to match the expected expenditure profile.

Surrey Fire & Rescue Service - £0.3m overspend (£0.9m improvement since 30 June 2017)

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

32. SFRS has confirmed cost pressures of £1.4m. These are from: £0.9m delayed fire cover re-configuration saving, which will not be achieved while continuing to operate two appliances within Spelthorne; £0.4m blue light collaboration activities as no collaboration savings are expected this year due to the positioning of partners; and £0.1m contingency crewing due to part year savings. In addition SFRS has added an expected £0.2m payroll cost pressure to reflect an anticipated higher than budgeted national fire fighter pay award.

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

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

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

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

Central Income & Expenditure – £1.4m underspend (£1.4m improvement since 30 June 2017)

36. Central Income & Expenditure forecasts £1.4m year-end underspend.

37. In July 2017 Cabinet agreed to transfer £6.9m to reserves. This comprised £3.4m received from East Surrey CCG, in relation to the East Surrey Transformation Fund set up in 2015/16 and £3.5m from DSG replenishing the amount used in 2016/17.

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

Additional budget risks

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

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

40. As at 31 August 2017, SEND services budgets funded by DSG continue to forecast an overspend of £6.6m. There are some significant challenges in the 2017/18 high needs block budget, mainly around placements in the Non Maintained and Independent sector being significantly higher than planned (an increase of 200) and the challenging £13m savings plan being worked through with special schools and school partners.

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

42. Children's Services is experiencing an unprecedented increase in the number of external placements, in particular for adolescents with complex behaviour. The existing forecasts include an element of growth, but if the forecasts assume two additional placements each month to the end of the financial year, the overspend could increase by a further £1m.

Adult Social Care

43. ASC faces £4m additional risk to its budget. These risks arise from: service demand rising above current levels, prices for care packages increasing more than budgeted and some savings slipping or not being achieved.

Waste disposal

44. Making structural changes to the waste contract is a challenging project and delivery is not entirely within the council's control. If it is not delivered, the 2017/18 forecast overspend could increase to £4m.

Efficiencies

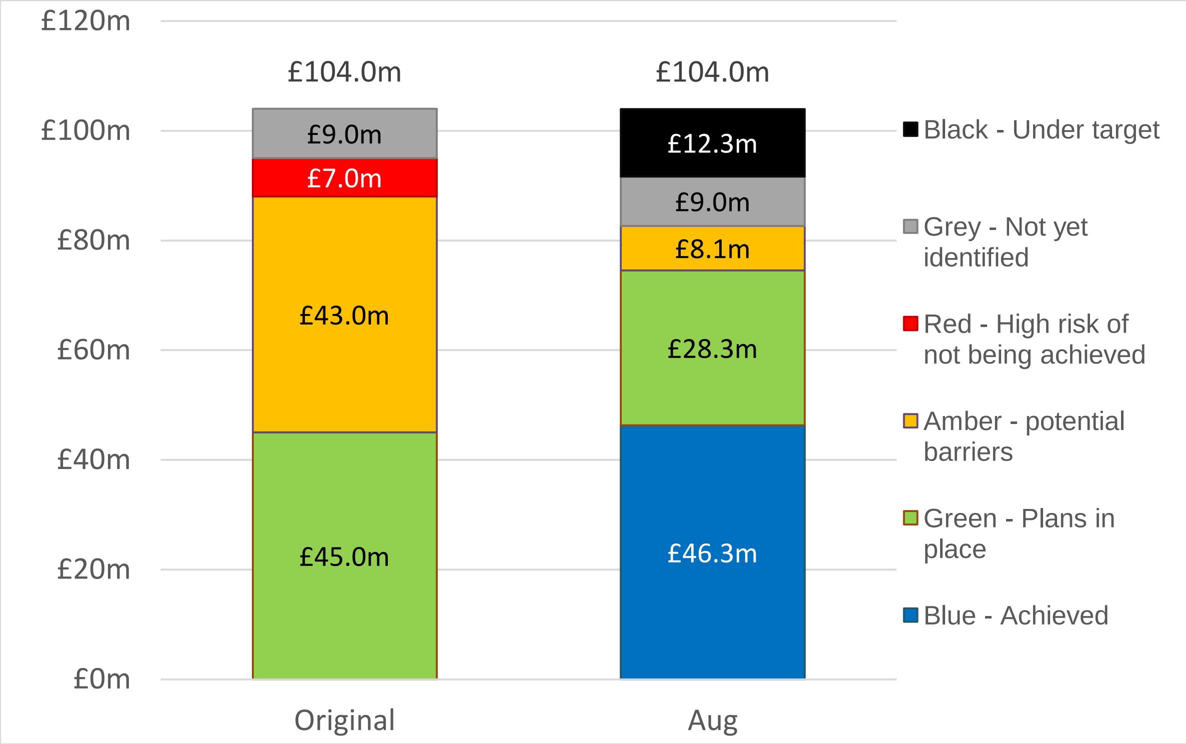
45. MTFP 2017-20 includes £104.0m efficiencies in 2017/18. Council services currently forecast to achieve £82.7m of this target. This is a £21.3m shortfall, comprising £9.0m savings the council has yet to identify and £12.3m savings considered unachievable. As outlined in the summary to this annex, services have increased the rigour with which they track their savings plans' progress. The tracker includes:

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

46. Figure 1 summarises the council's overall efficiency targets, the forecast for achieving them and the deliverability risks. By month five of 2017/18, services have made good progress: £46m savings are achieved, £28m plans are on track and £8m plans potentially face barriers to achievement. However, the most significant issue is £21m savings have not been identified or are considered unachievable in 2017/18.

47. The £12m MTFP planned savings now considered not to be achievable are in the areas of ASC, Early Help and Waste Disposal. In addition, a further £9m of savings are yet to be identified. Services continue to seek alternative savings for delivery in 2017/18, but as at 31 August 2017 these are not yet identified.

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

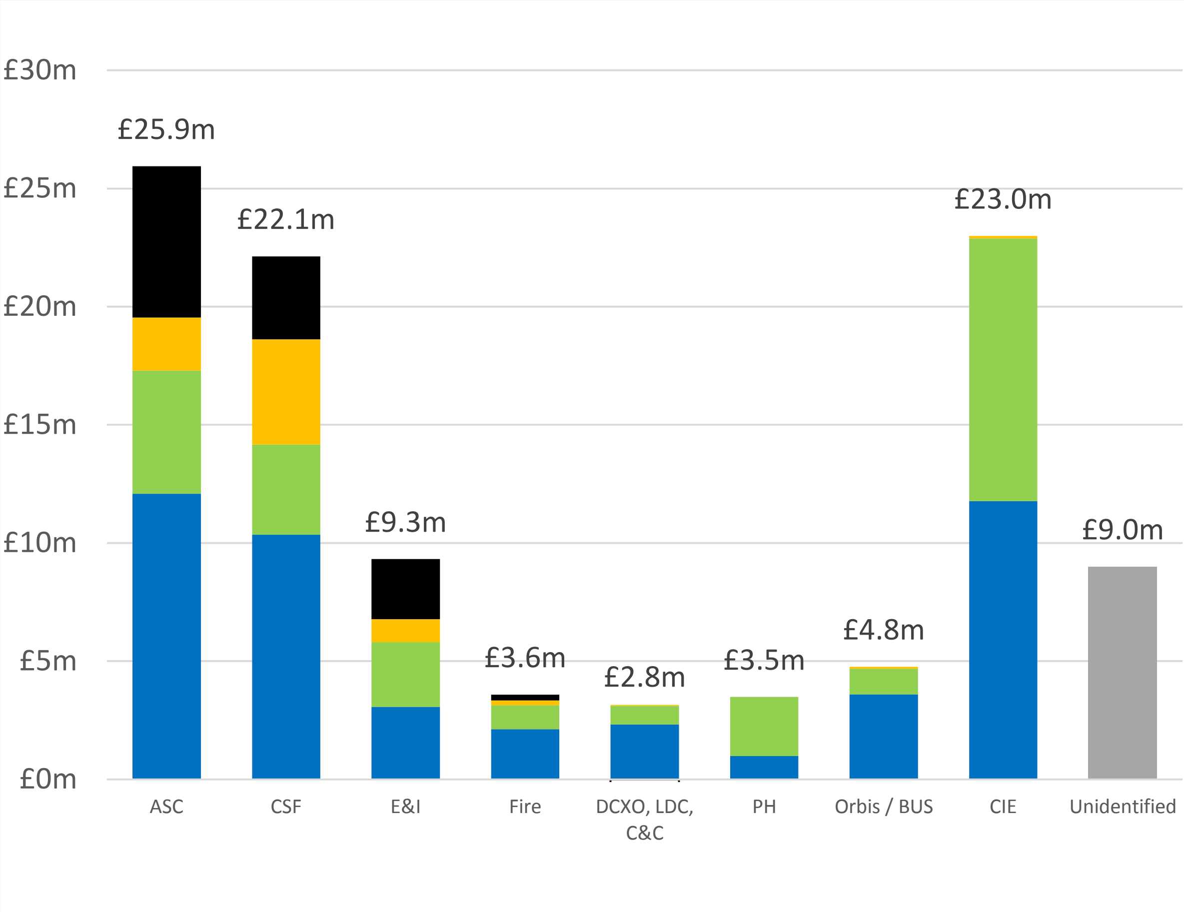


48. Figure 2 shows service directorates' updated risk ratings for achieving their efficiencies this year. The main areas of concern are non-achievement of planned savings in Adult Social Care, Commissioning & Prevention and Place Development & Waste, plus savings yet to be identified.

49. As at 31 August 2017, the main significant variations in services' progress against their MTFP 2017-20 efficiencies and service reductions were as follows:

- £9.0m shortfall for savings yet to be identified;
- £6.4m shortfall in ASC related to whole systems demand and market pressures, partly mitigated by net £4.6m underspends and additional income as outlined in paragraphs 8 and 9;
- £2.7m shortfall in Early Help as outlined in paragraph 23 and
- £2.6m shortfall in Waste Disposal as outlined in paragraph 25.

Figure 2: 2017/18 efficiencies risk ratings by service as at 31 August 2017



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

Staffing costs

50. The council employs three categories of staff.

- Contracted staff employed on a permanent or fixed term basis and paid through the council's payroll. These staff are contracted to work full time, or part time.
- Bank staff are contracted to the council and paid through the payroll but have no guaranteed hours.
- Agency staff employed through an agency with which the council has a contract.

51. Bank and agency staff enable managers to manage short term variations in service demand, or contracted staff vacancies. This is particularly the case in social care. Some flexibility in the staffing budget is sensible, as it allows the council to vary a portion of staffing costs.

52. The council sets its staffing budget on the estimated labour needed to deliver its services. It expresses this as budgeted full time equivalent (FTEs) staff and converts it to a cost for the budget. The budget includes spending on all three categories of staff and is the key control in managing staffing expenditure. The council's full year staffing budget for 2017/18 is £278.2m based on 7,039 budgeted FTEs.

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

54. Table 2 shows staffing cost as at 31 August 2017 against service budgets and analysed among the three staff categories of contracted, bank and agency staff. Table 2 also shows services' budgeted FTEs. Budget variances can arise for several reasons including: the budget for some FTEs is held in a different service from where the post holder works in the organisation (for example the HR&OD budget covers apprentices' costs, but the occupied FTEs appear in the services where the apprentices work); secondees' budgeted posts appear in the seconding service, but the occupied FTE appears in the service they are seconded to (or not at all if the secondment is to an external body). The income from recharges for secondments is within services' other income.

55. Agency or bank staff often cover vacancies on a temporary basis. The number of temporary staff does not translate easily into an FTE number as these may be for a few hours only, part time etc. The easiest measure for monitoring staffing is cost, using the total expenditure and variance shown in Table 2 and the Staffing expenditure line in Table App3 in the appendix.

56. Table 2 shows a year to date £1.7m underspend against the budget as at 31 August 2017 of £115.7m. Table App 3 shows £0.5m forecast year end underspend on employment costs. This includes the impact of demand for increased social work and safeguarding capacity in Children's Services outlined in paragraphs 12 and 13.

Table 2: Staffing costs and FTEs to 31 August 2017

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

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

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

2 - The Orbis Joint Operating Budget is formally delegated to the Joint Operating Committee for management (including staffing), as such the council's monitoring only reports its contribution to the joint budget. The cost of

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staff managed by the partnership but sit outside of the Joint Operating Budget is reported in the table above (for example staff delivering the Local Assistance Scheme).

Capital budget

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

58. Cabinet approved the original capital expenditure budget for 2017/18 at £186.0m and carry forward of £17.0m scheme budgets requested in the 2016/17 Outturn report. Up to 31 August 2017, Cabinet approved net -£43.1m reprofilings and carry forwards and -£1.3m capital virements. Paragraph App 6 and Table App 4 detail the movements.

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

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

	MTFP budget £m	2016/17 budget c/fwd £m	Budget virement £m	Reprofile £m	Current full year budget £m
School basic need	72.2			-40.4	**31.8**
Highways recurring programme	49.3	1.5	-2.5		**48.3**
Property & IT recurring programme	52.2			-4.5	**47.7**
Other capital projects	12.3	0.3	1.3		**13.9**
Service capital programme	**186.0**	**1.8**	**-1.2**	**-44.9**	**141.7**
Long term investments					**0.0**
Overall capital programme	**186.0**	**1.8**	**-1.2**	**-44.9**	**141.7**

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

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

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

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

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

Significant capital budget variances

61. The £7.4m forecast underspend on the 2017/18 capital programme is mainly due to Surrey Fire & Rescue Service's joint transport project. This forecasts £4.5m underspend for 2017/18 and continues to suffer delays due to the scale of the project. Spending in 2017/18 will include implementing shared bulk fuel operations and delivering phase 1 of the Hub & Spoke workshops. The remaining funds will be re-profiled into 2018/19.

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Capital carry forward requests

Highways & Transport

62. At the end of 2016/17 the H&T capital programme was underspent by £0.526m. In April 2017 Cabinet approved carry forward of this amount in principle, subject to its approval of services' draw down of amounts carried forward, as and when needed, as part of the monthly budget monitoring process.

63. H&T requests to draw down £0.018m of the carry forward, comprised of the following.

- £0.347m underspend to be used to fund major maintenance schemes. Emergency works had to be carried out on the A31 this summer and carry forward is required to allow the published 2017/18 programme to go ahead as planned. This includes Court Lodge Road in Horley, instructed on the basis this funding would be carried forward. The scheme had been deferred from the programme for a few years due to the complexity of the treatment and as the design had been completed and permits were in place the scheme had to go ahead. The approximate total scheme value is £0.450m and works were substantially complete on 15 September 2017.
- £0.365m overspend of on local transport schemes, for schemes delivered in 2016/17 in anticipation of developer receipts funding (e.g. s106) or other income.

64. The remaining underspend relates to Local Growth Deal schemes. This programme is under review to determine how much of the approved carry forward is required in 2017/18.

Schools devolved capital

65. The schools devolved capital budget is devolved wholly to individual schools and they spend it at their discretion. For 2017/18 the MTFP was set at £1.606m. The Department for Education's devolved formula capital (DFC) grant notification for 2017/18 is £1.418m. The council's policies on grants requires it to reduce the budget by £0.188m.

66. Individual schools determine how they spend their own DFC funded allocations as schools devolved capital budgets. This leaves a range of balances and the aggregate balance carried forward into 2017/18 was £2.587m DFC grant (after adjustments for academy conversions and other school grant balances). Schools & SEND requests to draw down this carry forward amount to simplify monitoring of the complete allocation balance in 2017/18.

67. Similarly schools maintain individual balances of the third party contributions they allocate for capital spending. The aggregate balance schools carried forward into 2017/18 was £0.469m. Schools & SEND requests to draw down this carry forward amount to simplify monitoring of the balance in 2017/18.

68. Schools & SEND requests the following amendments to schools' devolved capital budgets:

- £0.188m grant reduction notification adjustment;
- £2.587m draw down DFC balance carried forward from 2016/17; and
- £0.469m draw down schools' third party contributions balance carried forward from 2016/17.

Revolving Infrastructure & Investment Fund

69. Table 5 shows that the council will generate £3.6m net income this year from various property acquisitions made by the council and the Halsey Garton Property group. The council anticipates transferring this net income to the Revolving Infrastructure & Investment Fund at the year-end.

70. The council portfolio comprises properties purchased for future service delivery or economic regeneration. The portfolio forecasts a net cost of £0.7m this year, largely due to the development underway at the former Thales site in Crawley. In 2017/18 this scheme will cost the council an estimated £1.5m. However once the second phase building becomes fully operational in 2019/20 the development will generate £1.3m net income a year.

71. The Halsey Garton portfolio will generate net income of £4.3m this year, comprised of an estimated dividend of £1.4m and £2.9m net interest margin on loans provided to the company by the council.

72. Net capital expenditure in 2017/18 of £109.4m includes additional equity investment and loans to the Halsey Garton Property group and the development of the former Thales site in Crawley. Forecast expenditure includes one Halsey Garton investments due to take place in September 2017.

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

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

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

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Appendix to Annex

Updated budget - revenue

App 1. The council's original 2017/18 revenue expenditure budget was approved as £1,672.4m. Adding virement changes in the first five months of 2017/18 decreased the expenditure budget as at 31 August 2017 to £1,672.2m. Table App1 shows the original and updated income and expenditure budgets by service, including the overall net expenditure the council plans to meet from reserves.

Table App1: 2017/18 updated revenue budget as at 31 August 2017

	MTFP income £m	Carry fwds & internal movements £m	Approved income £m	MTFP expenditure £m	Carry fwds & internal movements £m	Approved expenditure £m	Updated net expenditure budget £m
Economic Growth	0.0	0.0	0.0	1.0	0.0	1.0	1.0
Strategic Leadership	0.0	0.0	0.0	0.9	0.0	0.9	0.9
Adult Social Care	-99.1	-4.2	-103.3	460.8	4.5	465.3	362.0
Children's Services	-10.6	-0.1	-10.7	112.8	4.1	116.9	106.2
Commissioning & Prevention	-73.0	0.1	-72.9	107.7	-1.1	106.6	33.7
Schools & SEND	-170.1	-0.2	-170.3	234.3	-2.8	231.5	61.2
Delegated Schools	-345.1	4.8	-340.3	345.1	-4.8	340.3	0.0
Community Partnership & Safety	-0.2	0.0	-0.2	2.9	0.0	2.9	2.7
Coroner	0.0	0.0	0.0	1.7	0.0	1.7	1.7
Cultural Services	-13.3	0.2	-13.1	22.6	-0.2	22.4	9.3
Customer Services	-0.1	0.0	-0.1	3.5	0.0	3.5	3.4
Communities Support function	-0.2	0.1	-0.1	0.9	0.0	0.9	0.8
Surrey Fire & Rescue Service	-0.1	0.0	-0.1	0.6	0.0	0.6	0.5
Community Partnership & Safety	-12.2	0.0	-12.2	44.0	0.0	44.0	31.8
Coroner	-1.8	0.0	-1.8	3.7	0.0	3.7	1.9
Place Development & Waste	-8.0	0.0	-8.0	89.3	0.1	89.4	81.4
Highways & Transport	-8.1	0.0	-8.1	52.8	-0.1	52.7	44.6
Public Health [1]	-37.9	0.0	-37.9	37.9	0.0	37.9	0.0
Central Income & Expenditure	-0.4	-0.2	-0.6	54.5	0.4	54.9	54.2
Communications	0.0	0.0	0.0	2.1	-0.1	2.0	2.0
Finance	-1.4	0.0	-1.4	4.2	0.0	4.2	2.8
Human Resources & Organisational Development	0.0	0.0	0.0	4.3	-0.4	3.9	3.9
Information Technology & Digital	-0.4	0.0	-0.4	12.9	0.0	12.9	12.5
Legal Services	-0.4	0.0	-0.4	4.4	0.0	4.4	4.0
Democratic Services	-0.2	0.0	-0.2	6.1	-0.1	6.0	5.8
Strategy & Performance	-0.8	0.0	-0.8	2.3	-0.1	2.2	1.4
Procurement	0.0	0.0	0.0	0.9	0.0	0.9	0.9
Property	-8.5	-0.3	-8.8	30.1	0.0	30.1	21.3
Joint Operating Budget ORBIS	0.0	0.0	0.0	37.6	0.0	37.6	37.6
Business Operations	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1
Service total	**-792.0**	**0.2**	**-791.8**	**1,681.4**	**-0.2**	**1,681.2**	**889.5**
Savings to be identified				**-9.0**		**-9.0**	**-9.0**
Total	**-792.0**	**0.2**	**-791.8**	**1,672.4**	**-0.2**	**1,672.2**	**880.5**
General funding sources							
Government grants	-150.1		-150.1			0.0	-150.1
Local taxation	-718.6		-718.6			0.0	-718.6
Grand total	**-1,660.6**	**0.2**	**-1,660.4**	**1,672.4**	**-0.2**	**1,672.2**	**11.8**

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

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

App 2. When Full Council agreed the 2017-20 MTFP in February 2017, some government departments had not determined final amounts for some grants. Cabinet agreed the principle that services would estimate their likely grant and their revenue budgets would reflect any changes in the final amounts, whether higher or lower.

App 3. To control their budgets during the year, managers occasionally need to transfer, or vire budgets from one area to another. In most cases these are administrative or technical in nature, or of a value the Director of Finance can approve. Virements above £500,000 require the relevant Cabinet Member's approval. There was one virement above £500,000 in the first five months of 2017/18.

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

Table App 2: 2017/18 revenue expenditure budget movements as at 31 August 2017

	Income £m	**Expenditure £m**	**Earmarked reserves £m**	**General balances £m**	**Virement count**
MTFP	-1,660.6	1,672.4		11.8	
Carry forwards				0.0	0
	-1,660.6	1,672.4	0.0	11.8	0
Total Quarter 1 movements	0.5	-0.5		0.0	66
July & August Movements					
Internal service movements	-0.3	0.3	0.0	0.0	41
Total July & August movements	-0.3	0.3	0.0	0.0	41
August approved budget	**-1,660.4**	**1,672.2**	**0.0**	**11.8**	**107**

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

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

Table App 3: 2017/18 Revenue budget forecast position as at 31 August 2017

	Year to date			**←**	**Full year**		**→**
	Budget £m	**Actual £m**	**Variance £m**	**Budget £m**	**Remaining forecast £m**	**Projection £m**	**Variance £m**
Income:							
Local taxation	-223.8	-223.8	0.0	-718.6	-494.8	-718.6	0.0
Government grants	-271.7	-265.4	6.3	-753.8	-488.6	-754.0	-0.2
Other income	-75.6	-88.5	-12.9	-188.0	-120.9	-209.4	-21.4
Income	**-571.1**	**-577.7**	**-6.6**	**-1,660.4**	**-1,104.3**	**-1,682.0**	**-21.6**
Expenditure:							
Staffing	115.7	114.1	-1.7	278.9	164.2	278.5	-0.5
Service provision	375.8	381.6	5.9	983.4	636.0	1,026.5	43.1
Non schools sub-total	491.5	495.7	4.2	1,262.3	800.2	1,305.0	42.6
Schools expenditure	171.9	171.9	0.0	409.9	238.0	409.9	0.0
Total expenditure	**663.4**	**667.6**	**4.2**	**1,672.2**	**1,038.2**	**1,714.9**	**42.6**
Movement in balances	**92.3**	**89.8**	**-2.4**	**11.8**	**-66.0**	**32.8**	**21.0**

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

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Updated budget – capital

App 6. Cabinet approved the original capital expenditure budget for 2016/17 at £186.0m and £17.0m carry forward of scheme budgets requested in 2016/17's Outturn report. In the period to 31 August 2017, Cabinet approved £0.9m for free early help 30 hours entitlement. Net capital virements and carry forwards made in the period to 31 August 2017 amount to -£43.1m. Table App 4 summarises the capital budget movements for the year.

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

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

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