

Decision Report – Cabinet

– 19 December 2018

Revenue Budget Monitoring Update

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member(s): All

Lead Officer: Peter Lewis, Director of Finance

Author: Peter Lewis, Director of Finance

Contact Details: 01823 359028

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	07/12/18
	Monitoring Officer	Scott Wooldridge	03/12/18
	Corporate Finance	Peter Lewis	03/12/18
	Human Resources	Chris Squire	03/12/18
	Property	Paula Hewitt / Claire Lovett	03/12/18
	Procurement / ICT	Simon Clifford	03/12/18
	Senior Manager	Peter Lewis	03/12/18
	Commissioning Development Team	commissioningdevelopments@somerset.gov.uk	
	Local Member(s)	All	
	Cabinet Member	Mandy Chilcott	03/12/18
	Opposition Spokesperson	Liz Leyshon	06/12/18
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	06/12/18
Forward Plan Reference:	FP/18/09/08		
Summary:	<p>This report presents the projected revenue outturn for 2018/19 based upon actual spending to the end of October 2018 (month 7). The projected outturn is £2.368m over the available budget of £317.882m compared to a projected overspend of £3.158m in the previous month. The contingency of £3.382m remains uncommitted at this stage.</p> <p>Following consultation with other bodies (Waste Partnership Board and Schools Forum) and a union ballot, this forecast outturn position now reflects all the actions agreed by Cabinet in September 2018 to manage the high overspend. A total of £8.082m actions were reflected in the September report (month</p>		

	<p>6) and a further £1.014m of Dedicated Schools Grant and £0.300 for Waste Partnership Board,) are now factored in here.</p> <p>However, the Senior Leadership Team (SLT) will continue to assess the scope for further management actions, and mitigation, to reduce this projected overspend in the final months of this financial year. This is particularly important considering the challenging financial position the Council must address from 2019/20 onwards to ensure a financially sustainable position. The challenges are particularly acute due to ongoing uncertainty about future funding, demand pressures, as well as the challenges of delivering ever more savings and service transformations.</p> <p>Although not reflected in the outturn projections at this stage, there are a few areas where issues may arise before the end of this financial year that may influence the forecasts. Management anticipate up-dating on these areas at the quarter 3 budget monitoring position.</p> <p>This report is only a summary, highlighting the main differences between month 6 and month 7; more detail will be presented in the next quarterly report.</p>
<p>Recommendations:</p>	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> 1. the Cabinet comments upon the contents of this report and requests that the Senior Leadership Team undertakes further action to ensure that the projected overspend is reduced; 2. the Cabinet notes the contents of this report.
<p>Reasons for Recommendations:</p>	<p>Preparing a coherent, confident and realistic budget for the County Council is essential to ensure that the corporate plan and service delivery priorities of the Council can be achieved, and that financial sustainability can be secured. Furthermore, closely monitoring spend against the agreed budget is necessary to ensure that the Council delivers its priorities within its means. This report requires action to be taken so that this objective can be met.</p>
<p>Links to County Vision, Business Plan and Medium Term Financial Strategy:</p>	<p>The Medium Term Financial Plan (MTFP) sets the funding for the County Vision and the use of those funds is then monitored, via this report, throughout the year to ensure delivery of Council objectives and actions within the resources available.</p>

Consultations and co-production undertaken:	Information and explanations have been sought from directors on individual aspects of this report and their comments are contained in the report. Due process and consultations will be carried out where needed and where indicated in the specific proposals for change.				
Financial Implications:	The financial implications are identified throughout the report.				
Legal Implications:	There are no specific legal implications arising from this report.				
HR Implications:	There are no HR implications arising directly from this report, but remedial actions may have such implications. These will be dealt with in any subsequent reports.				
Risk Implications:	<p>Our corporate risk register recognises the risk to containing spend within budget in the face of service pressures, reducing funding and the challenges of delivering ever more savings and efficiencies. This report contains several actions agreed by Cabinet and now consulted upon with other bodies to help mitigate pressures and reduce the overall overspend position.</p>				
	<p>As winter approaches and economic uncertainty continues, there are several budgets which may see demands vary at short notice leading to adverse variations late in the financial year. These include: highways and emergency costs, transport and waste volume costs. Although social care costs are also often impacted by winter, the Government have recently announced additional winter funding to mitigate these. To an extent further mitigation to spend volatility would be possible through the Council's corporate contingency.</p> <p>Although broader market uncertainty exists in view of the current Brexit negotiations, at this stage any precise implications are not known. The Council needs to be alert to potential implications as negotiations develop and respond accordingly at the time.</p> <p>The Children's Services budget has now been rebased but remains under pressure. The risk of further overspending will be mitigated by an improved understanding of the budget, better and more timely monitoring information and improved control of expenditure within the service.</p>				
Likelihood	5	Impact	5	Risk Score	25

<p>Other Implications (including due regard implications):</p>	<p><u>Equalities Implications</u></p> <p>There are no specific equalities implications arising from the contents of this report.</p> <p><u>Community Safety Implications</u></p> <p>There are no community safety implications arising from the contents of this report.</p> <p><u>Sustainability Implications</u></p> <p>There are no sustainability implications arising from this report.</p> <p><u>Health and Safety Implications</u></p> <p>There are no health and safety implications arising from this report.</p> <p><u>Privacy Implications</u></p> <p>There are no privacy implications arising from this report.</p> <p><u>Health and Wellbeing Implications</u></p> <p>There are no health and wellbeing implications arising from this report.</p>
<p>Scrutiny comments / recommendation (if any):</p>	<p>This report will be presented to Place Scrutiny on 23rd January; comments arising will be made available to the Cabinet at a subsequent meeting.</p>

1. Background

- 1.1. Since 2010, the Council has delivered savings and efficiencies of around £143m and closely controlled its revenue and capital budgets to ensure it meets its duty to ensure expenditure does not exceed resources available. In September 2018 the Cabinet accepted proposals for change across a range of budgets to address the then projected overspend for the current financial year.
- 1.2. Consultation with other bodies was necessary before some of these agreed actions could be implemented. These consultations have now been concluded and means that all the agreed actions from the September Cabinet have now been reflected in the budget monitoring forecast. Details of these agreed changes and other movements on budgets that have occurred in the last month are also reported in this paper.

- 1.3. A detailed review of the contingency, has identified that the sum remaining uncommitted at the end of October is £3.382m. This balance remains unallocated at this time and cannot be released until later in the year when there will be more confidence in the delivery of the savings proposals and overall control of the budget. SLT are identifying additional management actions alongside managing the risks in services of further pressures and managing volatility.
- 1.4. This report shows that the projected overspend is now £2.368m, having applied £9.396m of proposals for change. The changes applied since the last budget monitoring update for period 6, follow from the consultation with other bodies in Children's Services and Waste and further explanation is included in section 2 of this report. The Senior Leadership Team is considering how to mitigate the impact of the rejection of the unpaid leave proposal in the recent Union ballot. The pressure of this unmet saving is included within each services' projections below.
- 1.5. The table showing the projected outturn, and variances from month 7, are set out in Appendix A. The paragraphs below offer short explanations of the major parts of those variances.

2. Key Variances

- 2.1. **Children's Services** (*Net budget £82.330m, £4.801m projected overspend, an improvement of £0.714m since month 6*)

Children & Learning Central Commissioning: (-) £0.706m movement (-) £0.207m

The projected underspend against Getset has increased by £0.149m, mainly due to staff leaving the service earlier than anticipated.

The increased underspend across all other services, mainly due to further minor efficiencies totals £0.059m.

Children & Families Operations: (+) £5.507m movement (-) £0.507m

Projected expenditure on external placements has increased by £0.300m due to an increase in the number of fostering and unregulated placements and the extension of several semi-independent placements. Work continues to be undertaken through the residential review panel and the 16 plus panel to review placements and look at transitions to alternative permanence where it is in the best interest of the child or young person.

This increase has been offset by reductions across the service, most noticeably staffing costs where vacancies are being held.

There has been an adverse movement of £0.500m in the forecast for external contributions towards the cost of placements due to delays in securing

contributions from the Clinical Commissioning Group towards children with complex needs.

Following the Cabinet decisions in September 2018 to agree further actions to manage the in-year budget pressures, several savings, totalling £1.014m where not actioned last month pending School Forum discussions. These have now been concluded and the subsequent rebasing of the budget implemented to reduce the overall overspend in this service area.

2.2. Adults Services (*Net budget £133.829m, £0.001m projected underspend, no change since month 6*).

Adult Services: (-) £0.001m movement (+/-) £0.000m

Since period 6 there has been some growth in Residential (SRC spot and Mental Health) and Domiciliary (MH Supported Living/ECH) which has been offset by the start dates for vacant posts being further delayed. The total underspend against staffing is now projected at £1.584m. The projected spend for Learning Disabilities stayed very similar to month 6.

With regards to the additional funding announced by Government recently to ease winter pressures, it is confirmed that Somerset council will receive £2.5m in 2018/19 that will be fully spent on additional resources/provision. On 21 November the Government confirmed the equivalent amount for 2019/20 of £2.5m as the councils share of the £240m announced by the Chancellor of the Exchequer in the autumn Budget on 29 October 2018.

2.3. Economy and Community Infrastructure (*Net budget £64.843m, £1.199m projected underspend, an improvement of £0.685m since month 6*).

Economy & Community Infrastructure: (-) £1.199m movement (-) £0.685m

Economy and Community Infrastructure's forecast has improved by £0.685m resulting in an underspend position of £1.199m.

The main reasons for this are due to a revised forecast for the concessionary fares budget following the receipt of Quarter two returns from operators (£0.296m), reductions in Highways planned works (£0.121m), Traffic Management additional income (£0.129m) and continued reduced Waste volumes (£0.148m).

There are still several factors that may change the forecast including winter and emergency costs, any upturn in waste volumes and transport costs and Concessionary Fares, as a result of operator's data and County Ticket. For example, last year's late and severe weather conditions resulted in additional costs of over £0.500m in Highways.

In addition to the savings set out above, the Somerset Waste Board has approved an extension to the Core Services Contract held with Viridor Ltd, for up to an additional 9 years (to 31st March 2031 from its current end date in March 2022). As part of this extension an increasing discount will be applied to the current contract, which is valued at £0.300m in 2018/19. As a result of this decision, less budget is required by the Waste Partnership, and this has been returned to the County Council.

- 2.4. Corporate and Support Services** (*Net budget £21.205m, £0.310m projected overspend, an improvement of £0.104m since month 6*).

Corporate and Support Services: (+) £0.310m movement (-) £0.104m

Corporate and Support Services is showing an overspend of £0.310m. This is an improvement of £0.104m from the month 6 position.

The main reasons for this is reductions in forecasts within Commercial and Procurement, and Finance due to staff vacancies and a reduction in counsel fees within Legal Services.

- 2.5. Non-Service** (*Net budget £14.748m, £0.648m projected overspend, an adverse movement of £0.713m since month 6*).

Non-Service: overspend (+) £0.648m: movement (+) £0.713m

There has been an adverse variance of £0.200m due to correcting a double count of a saving declared in an earlier month. There is also an adverse variance for a further £0.250m in order to address a 2017/18 unachieved saving (the 2018/19 effect was corrected last month).

Based on the average figure for redundancies so far this year, and before any redeployment of staff who may be at risk we are forecasting an overspend of £0.220m on this budget.

- 2.6. Trading Units:** (*Net budget £0.00m, £0.000m projected outturn position, no movement since month 6*).

Dillington House: Deficit £0.177m: movement of (+/-) £0.000m

Dillington House are expecting to be close to break-even by the end of the year, with the exception of the internal capital loan repayment of £0.171m. This is in line with the agreed business case.

Support Services for Education (-) £0.211m (-) £0.117m

Increased traded income across Business Services and the Education Psychology Service along with staff savings due to reduced use of locums has resulted in a surplus position.

2.7. Potential Future Issues

Although not reflected in the outturn projections at this stage, there are a few areas where issues may arise before the end of the financial year that may influence the end of year forecasts. Management will up-date on these areas at the quarter 3 budget monitoring position. These include:

- the council's strategy for managing the costs of borrowing (minimum revenue provision – MRP). Proposals currently being reviewed with the external auditor;
- The adequacy of the Council's insurance reserve. Potential liabilities currently being reviewed;
- The Council's earmarked reserves, with a view to seeking opportunities to replenish these were appropriate in order to aid the Council's overall financial resilience.

3. Options considered and reasons for rejecting them

- 3.1.** There is no alternative but to undertake effective and thorough budget monitoring to follow through with appropriate actions to address any variances.

4. Background Papers

- 4.1.** Month 6 Revenue Budget Monitoring report to Cabinet – 19 November 2018.

Appendix A – Revenue Budget Monitoring month 7 – Headline Summary Table

Service	Original Base Budget	Budget Movements	Total Budget Approvals	Negative (+) Variances	Positive (-) Variances	Planned Use of Earmarked Reserves	Planned Use of Capital Receipts Flexibility	Net Variance Under (-) / Overspend		Previous Cabinet Report *	Movement from Previous Report
	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	£m
Adults and Health	141.284	-7.455	133.829	8.736	-6.180	0.000	-2.557	-0.001	0.00%	-0.001	0.000
Children and Families - Operations	46.279	10.818	57.097	6.705	-1.148	0.000	-0.050	5.507	9.64%	6.014	-0.507
Children and Learning - Commissioning	19.750	5.483	25.233	0.235	-0.626	-0.197	-0.118	-0.706	-2.80%	-0.499	-0.207
Public Health (SCC funding)	1.026	-0.098	0.928	0.000	-0.500	0.000	0.000	-0.500	53.88%	-0.500	0.000
ECI Services	66.745	-1.902	64.843	5.141	-4.333	-1.231	-0.776	-1.199	-1.85%	-0.514	-0.685
Key Services Spending	275.084	6.846	281.930	20.817	-12.787	-1.428	-3.501	3.101	1.10%	4.500	-1.399
Corporate and Support Services	20.106	1.099	21.205	4.508	-2.983	1.299	-2.514	0.310	1.46%	0.414	-0.104
Non-Service Items (Inc Debt Charges)	22.692	-7.944	14.748	0.858	-0.210	0.000	0.000	0.648	4.39%	-0.065	0.713
Trading Units	0.000	0.000	0.000	0.389	-0.423	0.034	0.000	0.000	0.00%	0.000	0.000
Support Services and Corporate Spending	42.798	-6.845	35.953	5.755	-3.616	1.333	-2.514	0.958	2.66%	0.349	0.609
Updated Business Rates Receipts	0.000	0.000	0.000	0.338	-2.029	0.000	0.000	-1.691	0.00%	-1.691	0.000
SCC Total Spending	317.882	0.001	317.883	26.910	-18.432	-0.095	-6.015	2.368	0.74%	3.158	-0.790