

Cabinet

11 February 2019

2018/19 Revenue Budget Monitoring – Quarter 3

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources
Division and Local Member(s): All
Lead Officer: Peter Lewis – Interim Director of Finance
Author: Leah Green – Finance Manager MTFP – Corporate
Finance Contact Details: PJLewis@somerset.gov.uk Tel: 01823 359028

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	28/01/19
	Monitoring Officer	Scott Wooldridge	28/01/19
	Corporate Finance	Peter Lewis	28/01/19
	Human Resources	Chris Squire	28/01/19
	Senior Manager	Peter Lewis	28/01/19
	Local Member(s)	All	
	Cabinet Member	Mandy Chilcott	28/01/19
	Opposition Spokesperson	Liz Leyshon	28/01/19
	Relevant Scrutiny Chairman	Anna Groskop	Sent 24/01/19
Forward Plan Reference:	FP/18/11/08		
Summary:	<p>In the month 8 report, Cabinet learned that an underspend, of just under £1m, was being projected for the first time in 2018/19. This quarter 3 report, based upon actual spending to the end of December 2018, now shows a continuation of that trend, with an underspend of £1.067m being projected. This is a 0.3% variance on a revenue budget of £317.882m.</p> <p>In addition to this projected underspend, opportunity has been taken to make a further contribution to reserves and to release some pressure on the need to use Capital Receipts Flexibilities to support the revenue budget. Both of these adjustments will further improve the resilience of the Council and the robustness of the accounts.</p> <p>In addition to the strong grip on the revenue budget and the consistent delivery of planned savings, the most significant improvements to the revenue account between month 8 and month 9 are the introduction to the monitoring projection of the refund of the Government levy money (£1.031m mentioned in the month 8 report), a range of favourable service forecasts totalling £1.646m (as detailed later in the report) and the release of nearly £0.800m from the contingency. With regard to the latter, it is judged that only £2.000m needs to remain in the contingency for the rest of the financial year to underwrite unexpected financial challenges.</p>		

	<p>This quarterly report also sets out a projection of the reserves as at the end of 2018/19. It is encouraging that it is anticipated that the General Fund reserve will reach of total of £11.637m, plus any residual underspend, at the year end, when in September it was thought that it would only reach £7.796m. This improvement is significant in terms of the standing of the Council and for its resilience to deal with the challenges that the Spending Review 2019 (SR2019) and the Fair Funding Review (FFR) might bring for 2020/21.</p> <p>At this relatively late stage of the year, it is planned to now use £1.382m of the corporate contingency total of £3.382m for the following:</p> <ul style="list-style-type: none"> • £0.442m to compensate Corporate and Support Services for reduced overhead recovery from Support Services for Education (SSE) services; • £0.140m to support the Local Assistance Scheme programme costs within Adult Social Care, and; • £0.800m contribution to the General Fund to support future resilience.
<p>Recommendations:</p>	<p>Cabinet is recommended to: -</p> <p>Note the projected revenue budget outturn position for 2018/19 (being an underspend of £1.067m), the current Aged Debt Analysis, the position regarding reserves and the projected delivery of the Medium Term Financial Plan savings.</p> <p>Approve one-off use of £1.382m from the corporate contingency as set out above in the summary section and in paragraphs 3.20 and 3.44.</p> <p>Note the plans to improve the Councils financial resilience by increasing the General Fund balance from £7.796m to £11.637m.</p>
<p>Reasons for Recommendations:</p>	<p>Robust budget monitoring information is an essential ingredient of a well-run Council, and that information must be used to inform decisions about actions required to address any budget variances.</p>
<p>Links to Priorities and Impact on Service Plans:</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>
<p>Consultations and co-production undertaken:</p>	<p>Information and explanations have been sought from directors on individual aspects of this report and their comments are contained in the report.</p>

Financial Implications:	The financial implications are identified throughout the report.					
Legal Implications:	There are no legal implications arising directly from this report.					
HR Implications:	There are no HR implications arising directly from this report.					
Risk Implications:	<p>The availability and use of reserves and the revenue contingency is critical in being able to manage peaks in demand and costs incurred. This report recognises the need for adequate reserves and contingencies and aims to adopt a reasonable approach to maintaining both.</p> <p>The Council's corporate risk register recognises the risk to containing our spend within budget.</p> <p>Whilst the overspends in specific demand led service budgets seems to be more stable than in recent months, e.g. Children's Services external placements, these service areas remain volatile and the outlook could alter relatively quickly. The risk of overspends continues to be mitigated through detailed budget review and challenge sessions which are generating an improved understanding of the budget and hence actions which are delivering improved control of expenditure within the service.</p> <p>The main risk on the register relating to financial management is ORG0043. This risk is reassessed on a monthly basis to determine if the likely of the risks set out in the register can be reduced. Given the assessment in this report, it is felt that the likelihood score may reduce following consideration and approval of the budget for 2019/20 in February 2019.</p>					
	Likelihood	5	Impact	5	Risk Score	25
Other Implications (including due regard implications):	Any remedial actions being taken to manage budgets within resources will have due regard to the legal, HR and equalities issues, as necessary.					
Scrutiny comments / recommendation (if any):	This report will be presented to the Scrutiny Committee for Policies and Place on 6 March 2019					

1. Background

- 1.1. The Council is continuing in its journey to tighten control of its revenue budget; it has eliminated the overspend that was projected earlier in the year; is seeking to reduce the potential for future overspends by demonstrating a strong financial grip throughout the organisation; and has

partially restored some of its significantly depleted reserves. Overall, the Council's resilience is much improved since the Cabinet made its budget resolutions in September 2018.

- 1.2. Robust monitoring of the revenue budget and particularly of the proposals for change agreed in both February and September 2018 have significantly aided the improvements described in this report. In December the Council received the provisional Financial Settlement for 2019/20, as did all other local authorities. This included an additional one-off payment from Government for 2018/19, £1.031m, for the re-distribution of an excess business rate levy, intended to cover safety net needs under the current funding regime.
- 1.3. A forecast underspend of £1.067m is now projected, as shown in Appendix A of this report and described in the paragraphs below. This reflects the continued focus by services on managing budgets. Whilst an encouraging position, it is important to recognise that there are significant financial challenges faced by the Council beyond the current year, meaning it is essential to also focus on securing the Council's long term financial resilience through holding adequate reserves and contingencies.

2 Reserves

- 2.1. The Council holds reserves in two forms: the General Fund to mitigate against unforeseen spends or major unexpected events, and earmarked reserves for specific purposes and to mitigate against future known or predicted liabilities.
- 2.2. The paragraphs below explain the forecast balances at the end of 2018/19 which confirms the improving position, although reserves still remain relatively low for a Council of the size of Somerset.
- 2.3. **General Fund**
 - 2.3.1. The movements to the General Fund during 2018/19 are a combination of planned contributions budgeted for in the 2018/19 Medium Term Financial Plan (MTFP); additional contributions during 2018/19 to improve the financial stability of the Council funded from additional one-off funding (eg MHCLG Levy Grant); release of contingency budget no longer required due to the savings approved by Cabinet in September 2018; the subsequent rebase of underpressure budgets; and in-year contributions to reduce the impact to the Council of a number of the authority's negative (deficit) earmarked reserves.
 - 2.3.2. The Council has budgeted, as part of its MTFP(2019-22), to contribute an additional £2.000m to the General Fund and repay an additional £2.989m of deficit reserves during 2019/20 to further strengthen the Councils financial resilience.
 - 2.3.3. The predicted General Fund position at the end of March 2019 and for 2019/20 is shown in the tables:

General Fund	Value £m
Balance brought forward 2018/19	12.892
In Year Transfers (2018/19):	
Base Budget contribution 2018/19	2.000
Additional revenue contributions (Mnt8)	1.000
One-off levy grant	1.031
Contingency contribution	0.800
Negate the impact of deficit earmarked reserves	-6.086
Current Balance	11.637
Estimated in year underspend to be transferred to General Fund	1.067
Balance at March 2019	12.704
In Year Transfers (2019/20):	
Base Budget contribution 2019/20	2.000
Planned contribution to reduce impact of deficit reserves on General Fund	2.989
Balance at 31 March 2020	17.693

2.4. Earmarked Reserves

2.4.1. Across all earmarked reserves the Council is predicting a balance of £13.535m by the end of the year, an improvement of £10.714m during 2018/19, mainly due to £7.055m of 2017/18 being moved from a negative earmarked reserve to be set against the General Fund reserve.

2.4.2 Within this balance there are a number of reserves held on behalf of other organisations such as Somerset Rivers Authority and the Local Enterprise Partnership, and others where use is controlled by statute, such as Public Health; Dedicated Schools Grant, Early Years, High Needs & De-delegated services; and the Insurance Fund. These are forecast to total £19.621m as at 31 March 2019, meaning the Council effectively is forecasting a negative balance on its useable earmarked reserves of £6.086m at 31 March 2019. This is a significant improvement (£10.430m) on the balance at 1 April 2018 (negative £16.516m), made possible by the utilisation of one-off funding and service underspends during 2018/19. The MTFP contains provision for repayment of some of the negative balances.

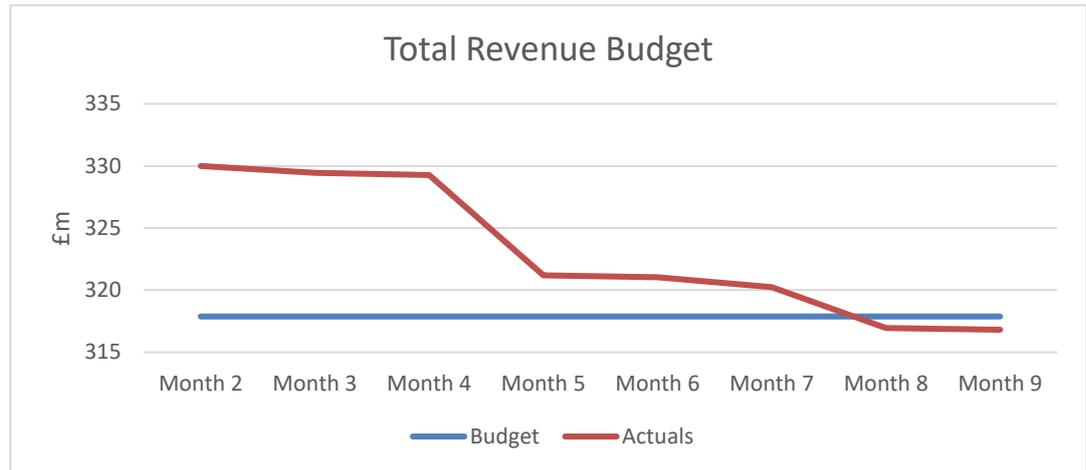
2.4.3. The following table shows the in-year movements:

Earmarked Reserves	Value £m
Balance of ALL Earmarked Reserves brought forward 2018/19	2.821
LESS: Balance of negative/held on behalf of others Earmarked Reserves brought forward 2018/19	19.337
Balance of Earmarked Reserves available for the authority to utilise - as at 1 April 2018	-16.516
In Year Movements (2018/19):	
In-year movement of Earmarked Reserves available for the authority to utilise	10.430
In-year movement of negative/held on behalf of others Earmarked Reserves	0.284
Total in-year movement of ALL Earmarked Reserves	10.714
Balance of Earmarked Reserves available for the authority to utilise - as at 31 March 2019	-6.086
Balance of negative/held on behalf of others Earmarked Reserves as at 31 March 2019	19.621
Balance of ALL Earmarked Reserves as at 31 March 2019	13.535

3. Summary Forecast 2018/19 – Revenue Budgets

- 3.1. Services have continued their tight grip on financial management of services during month 9 and whilst the overall forecast favourable variance has only changed marginally since month 8, up to a favourable variance of £1.067m compared to £0.921m previously, additional contributions to reserves have been made that improve the Council's overall financial resilience. The graph below shows the track of projected over and underspends throughout 2018/19. While the overall budget did not change in month 6, there were significant movements within that budget following

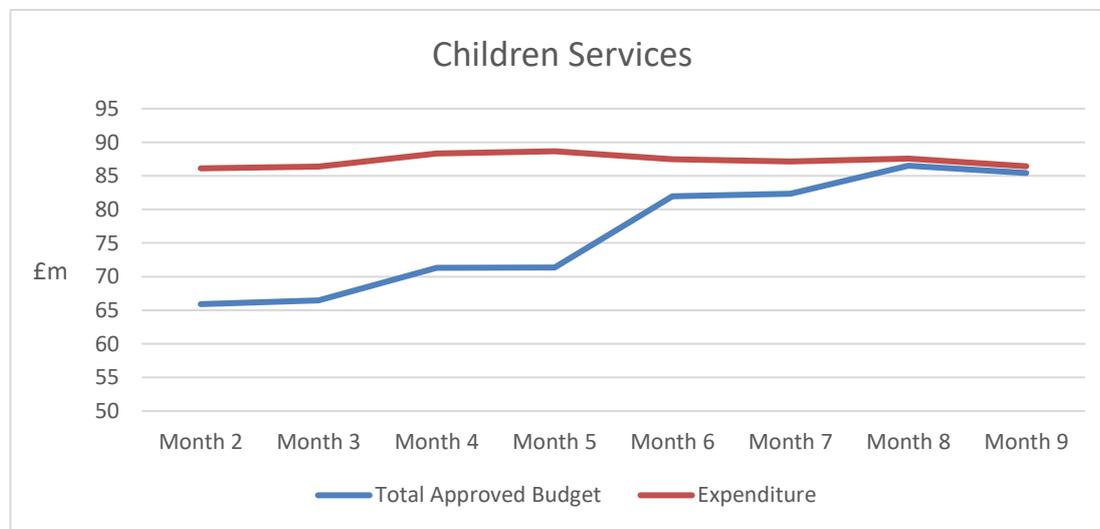
the Cabinet resolutions on the proposals for change at month 6 (September).



3.2. The paragraphs below set out the key service variances and explanations.

3.3. Children’s Services (Net budget £85.447m, £1.000m projected overspend, a favourable movement of £0.062m since month 8).

The chart below shows the Children’s Services budget variance trend for 2018/19, illustrating the impact of the budget rebasing during the year. This was designed to match budget more realistically to the level of spending need, thereby making budget management more realistic. It also shows that the Children’s services spend forecasts have remained relatively stable across the year despite ongoing increasing demands and this reflects the considerable effort by the service to focus on spend control and management actions to mitigate additional increases in spend. It should be noted that these service budgets remain high risk due to the nature and volatility of spend and significant management action continues to mitigate any increases in costs.



3.4. Children and Families Operations: overspend £1.602m: movement; adverse £0.062m

The projected cost of Occupational Therapy equipment purchased via the Integrated Community Equipment Service (ICES) has now been confirmed resulting in a pressure of £0.062m. Equipment prescription is based on assessed need and follows a robust governance process; clinical decision-making panel, senior manager approval and presentation to an advanced authoriser group for final approval to order. Joint funding and charitable funding options are always considered to mitigate the impact on the Council's budget.

3.5. There are some other minor variances from the previous month and the most volatile area of spend for the service, Placements has seen a significant stabilisation of costs with the forecast moving by £0.010m this month. This budget line remains high risk and significant management action continues to mitigate any increases in cost in this area.

3.6. Children and Learning Central Commissioning: underspend £0.602m, movement; favourable £0.124m

Most areas within the service line have not seen a significant change in forecast from the previous month, with continued pressures remaining in Transport that are being off-set mainly by vacancy savings.

3.7. The West Somerset Opportunities Area (WSOA) grant supports a 3-year programme funded by the DfE to tackle low social mobility and improving opportunities for young people across West Somerset. Although the funding is committed in full to deliver a number of projects, a review of the project delivery plan and receipt of additional funding in the financial year has resulted in an underspend now being reported in 2018/19 of £0.771m, assuming that an additional £0.725m will be allocated to Somerset in February 2019 as suggested by the Department for Education (DfE). The balance of this grant will be requested to be carried forwards as part of outturn and is now being placed in an earmarked reserve in line with the decision made by the Cabinet Member for Children and Families on the 24 January 2018 to allocate all current and future grant funding to deliver the WSOA plan. The underspend is shown as a favourable variance and is reversed out in Planned Use of Earmarked Reserves column in the Headline Summary Table in Appendix A.

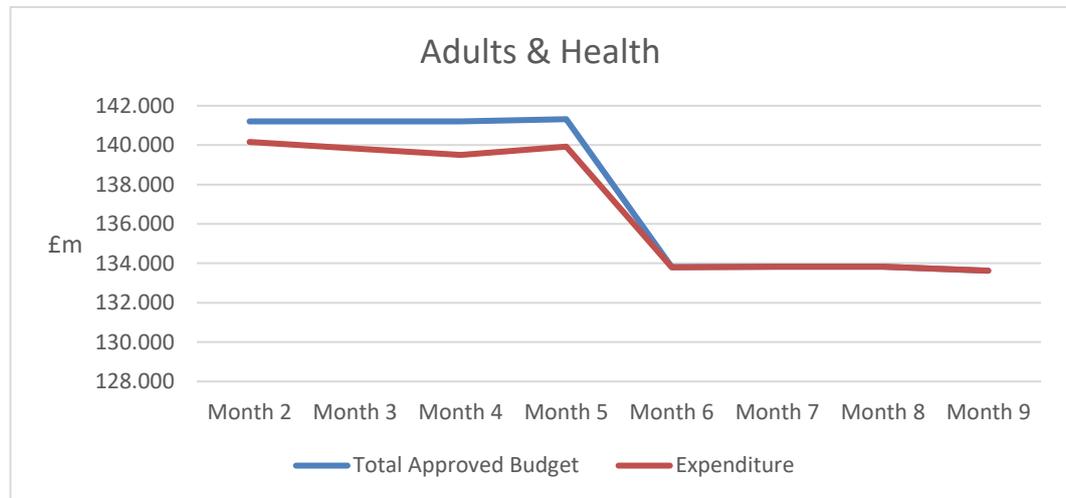
3.8. Additional Special Educational Needs (SEN) routes due to increasing SEN numbers and the retendering of Home to School routes has increased the projected expenditure on school transport by £0.058m.

3.9. There have been vacancy savings across the service totalling £0.103m and further minor efficiencies across all services totalling £0.079m.

3.10. The delivery of MTFP savings has progressed since Q2 with £1.195m more now shown as on track or delivered. A number of savings remain undelivered in 2018/19 and the savings will either be delivered in 2019/20 where non-delivery in 2018/19 is due to delayed implementation or the non-delivery of these unachievable savings have been factored into the 2019/20 budget.

3.11. Adult Services including Learning Disabilities (*Net budget £133.623m, £0.000m projected on budget, no movement since month 8*).

The chart below shows the ASC budget variance trend for 2018/19, illustrating how the service has been managing within budget throughout the year to date. The reduction in the budget in month 6 reflects the rebasing of the Council's budget undertaken in September, following the decisions of the Cabinet required to address the projected overspend.



3.12. **Adults and Health Operations: underspend £0.000: no movement**

The forecast for the year across all Adults services is a balanced position against a budget of £133.623m. This is the same as has been reported in previous months, although there have been changes across each of the services

3.13. In terms of the overall position, there are pressures of £4.454m against the Learning Disabilities Purchasing budget and £0.572m against Mental Health, which are offset by an underspend in Adult Social Care (£5.050m). There have been small changes since month 8 and the explanations are set out in the paragraphs below.

3.14. There have been increases in variation within Learning Disabilities Purchased (adverse £0.158m) and Mental Health (adverse £0.015m), offset by decreases within Commissioning (favourable £0.091m), Adult Social Care (favourable £0.042m) and increased income from the pooled budget (favourable £0.040m). Explanations are set out in the paragraphs below.

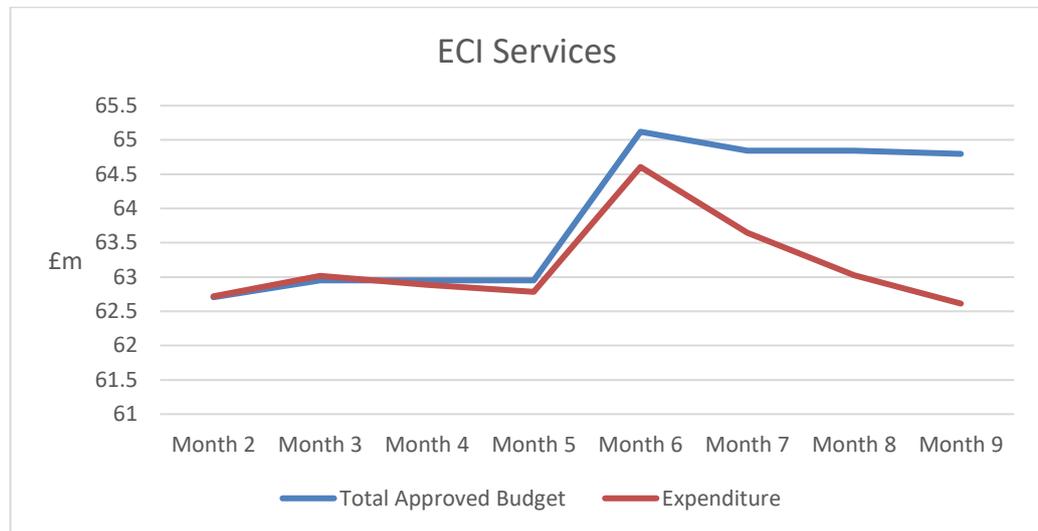
3.15. There has been one main change to affect the Learning Disabilities Purchased budget since the previous report. A new residential placement costing £3,000 per week has led to an increase in projection. Despite new placements such as this one there has been a drop in the growth of Learning Disabilities spend during 2018/19. The Council is projecting an increase of just £0.490m between 2017/18 and 2018/19. This compares to growth figures of £1.600m in 2017/18 and £4.700m in 2016/17.

3.16. The increased underspend within Adult Social Care is as a result of increased income as opposed to decreased activity. Spend on purchased care has increased by a small amount since month 8 (adverse £0.078m)

but this has been offset by an increase in anticipated income against staffing.

- 3.17.** The increase against the Mental Health budget is due to a number of new placements that although they are having a relatively small effect on this year, the full year effect will increase costs during 2019/20. Mental Health spend has seen growth this year, particularly in Residential placements, and this is a trend that the service will need to be aware of going into the new financial year.
- 3.18.** A spending plan has been developed with the Clinical Commissioning Group for the additional £2.500m winter funding announced by the government in October 2018. This money will be fully spent on additional services aimed at reducing delayed transfers of care, however given the timescales involved it is requested that any slippage in 2018/19 be put into a ring-fenced reserve that can be used to continue funding these services during 2019/20. This would be combined with the additional £2.500m announced in the Autumn Statement for 2019/20.
- 3.19.** The majority of MTFP savings will be achieved in full and are marked as green or blue (complete). The only exception to this is the compulsory unpaid leave saving where £0.005m has been achieved through voluntary unpaid leave, leaving £0.073m outstanding to be managed through the overall budget position.
- 3.20.** Adults Services request that £0.140m be drawn down from the earmarked contingency that funds the Local Assistance Scheme programme costs as indicated earlier in the year.
- 3.21.** A review of the positive impacts of the transformation work on costs and projected demand across ASC means that the service is now in a position to reduce the balance on the Learning Disabilities equalisation reserve by a further £2.500m.
- 3.22.** **Public Health:** *(Net budget £0.961m, £0.580m projected underspend, a favourable movement of £0.080m since month 8)*
- 3.23.** **Public Health: underspend £0.580m, movement; favourable £0.080m**
- The Public Health budget is made up of two elements. The ring-fenced Public Health Grant (£20.723m), which is projected to be fully spent, and £0.961m of Somerset County Council funding. Following a review of all spend there is a further £0.080m underspend, released from the Somerset County Council element of the funding, which can be used to assist with the overall Council position.
- 3.24.** **Economic and Community Infrastructure Services (ECI):** *(Net budget £64.795m, £2.182m projected underspend, a favourable movement of £0.365m since month 8)*

The chart below shows the ECI budget variance trend for 2018/19, illustrating how the service has been increasing its forecast favourable variance over several months.



3.25. Economic and Community Infrastructure Services: underspend £2.182m, movement; favourable £0.365m

ECI Services are forecasting an underspend of £2.182m which is 3.37% of the net budget. The service has continued to closely monitor their budgets and ensure all expenditure is justified. In addition, waste tonnages, concessionary fares claims and an increase in traffic regulation order cost recovery has resulted in an overall underspend position. This position also includes the £0.085m pressure for unpaid leave against which ECI have made a saving of £0.006m.

3.26. The favourable movement of £0.365m from month 8 is due to several factors. Waste tonnages remain low and the forecast assumes these tonnage trends will continue for the rest of the financial year (£0.075m favourable movement). Property Services have a favourable movement (£0.070m), this is due to Repairs & Maintenance works that can now be capitalised and reduced Facilities Management costs. Traffic Management cost recovery continues to increase, especially around Traffic Regulation Order income (£0.197m favourable movement). Highway Lighting energy cost estimates have reduced increasing the highways underspend (£0.052m favourable movement). Transporting Somerset's underspend has reduced (£0.039m adverse movement) due to an increase in the public bus contract forecasts along with other small movements within the service.

3.27. There are still several factors that may change forecasts in quarter 4, including winter and any emergency costs, any upturn in waste volumes and concessionary fares. For example, last year's late and severe weather conditions resulted in additional costs of over £0.500m in Highways.

3.28. Use of Capital Receipts Flexibility in Economic and Community Infrastructure Services

The overall ECI Services position assumes that capital receipts flexibilities will be used for the following transformational activities totalling £0.772m:

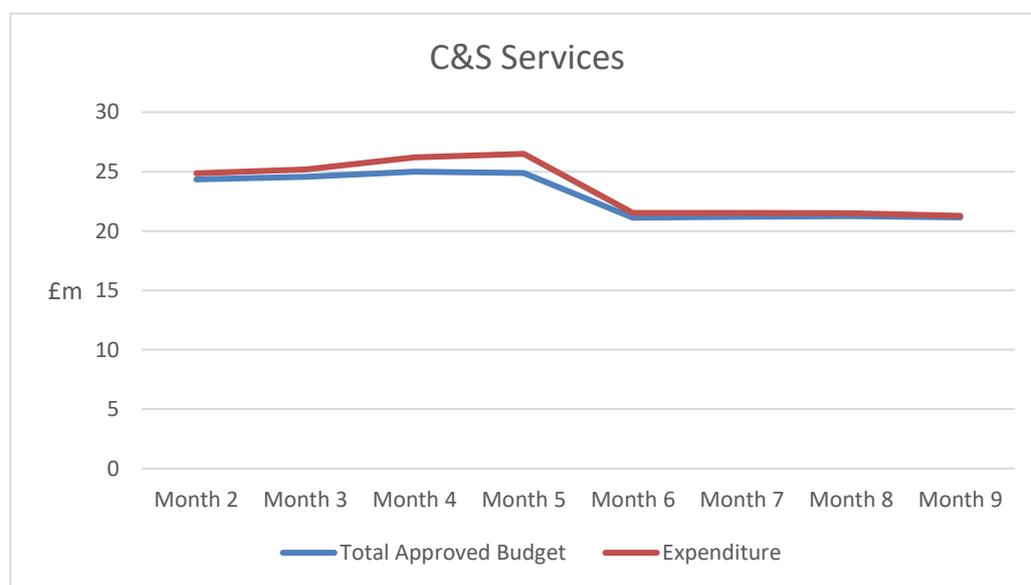
- Economic Development £0.201m for project management, grant management and technical assurance for the Connecting Devon and Somerset Broadband project;

- Libraries £0.277m for costs of transformational work;
- Registration £0.030m to make the service more accessible electronically and to reduce administrative activity in the future;
- Property £0.206m for a number of development projects across the Council's estate, and;
- Commissioning £0.058m for staff undertaking transformational activities.

3.29. All the ECI MTFP 1 and MTFP 2 savings will be achieved in full and are categorised as green (on track) or blue (delivered) except for the unpaid leave saving where £0.006m has been achieved through voluntary unpaid leave, leaving £0.079m outstanding (Red), to be managed through the overall budget position.

3.30. **Corporate and Support Services (C&SS):** (Net budget £21.153m, £0.121m projected overspend, a favourable movement of £0.134m since month 8)

The chart below shows how the C&SS budget variance trend has moved during for 2018/19, illustrating how the service has managed to control its spend within budget budget over recent months.



3.31. Corporate and Support Services: overspend £0.121m, movement; favourable £0.134m

Corporate and Support Services are forecasting an overspend of £0.121m which is 0.57% of the net budget. The overspend position is due to a number of factors such as unachievable cross cutting MTFP savings, Partnership Governance costs and the £0.091m pressure for unpaid leave against which Corporate and Support Services have made a saving of £0.024m.

3.32. The favourable movement of £0.134m from month 8 is due to staff vacancies within Customers and Communities (£0.035m favourable movement), which is in the main caused by the Customer Contact Team struggling to recruit. There is also an underspend against an approved carry forward from 2017/18 for community invest to save projects (£0.083m favourable movement). In addition, there are further reductions in spend within ICT (£0.021m favourable movement).

3.33. Use of Capital Receipts Flexibility in Corporate and Support Services

The overall Corporate and Support Services position assumes that capital receipts flexibilities will be used for the following transformational activities totalling £2.486m:

- ICT £1.241m for a few projects to upgrade SCC's systems and networks, to improve efficiency and support the Technology and People Programme;
- Business Change £1.081m for their work to support a number of transformation projects across the Council as part of the Core Council Programme;
- Corporate Affairs £0.154m to fund a number of transformational roles within Customers and Communities, and;
- Community Governance £0.010m to partially fund the cabinet member for Education and Transformation and for ICT Transformation within Community Governance.

3.34. All the Corporate and Support Services MTFP 1 and MTFP 2 savings are being achieved and categorised as green (on track) or blue (delivered) with the exception of seven savings that aren't fully/partially achievable totalling £0.449m which include £0.067 of the £0.091m unpaid leave saving. £0.327m of these unachievable savings have been factored into the 2019/20 budget.

3.35. Non-Service (*Net budget £11.903m, £1.796m projected overspend, an adverse movement of £0.026 since month 8*).

Non-Service Items: overspend £1.796m, movement; adverse £0.026m

3.36. The forecast position for Non-Service is an overspend of £1.796m. This is an adverse movement of £0.026m from last month's projection and the variances are explained as follows:

3.37. Investment Income: underspend £0.170m, movement; favourable £0.220m

Due to a better than expected return on investment (0.93% compared to 0.80% assumed in month 8), the Council is anticipating additional income of £0.220m.

The Council invests funds earmarked for specific purposes i.e. section 106 (income paid to the Council from developers) and the Local Enterprise Partnership (LEP). The interest earned on these balances is contributed to

the specific reserves it relates to, for 2018/19 this is anticipated to be £0.537m.

3.38. Pension Deficit Charges: underspend £0.847m, movement; favourable £0.847m

Following a revision to the allocation of the pension deficit recharge to the service, schools are now receiving a more proportionate share of the charge which is funded by their Dedicated Schools Grant resulting in a reduction in the pressure on the Council's budget.

3.39. Use of Reserves: overspend £2.531m, movement; adverse £1.031m

As mentioned in month 8 report, as part of the provisional Financial Settlement, the MHCLG allocated a one-off payment for business rates safety net levy of £1.031m to the Council in 2018/19. The variance shown here is the effect of utilising this one off funding to support the general fund. The income being received is seen in the Updated Business Rates Receipts line in the headline table (Appendix A) and has a net nil affect on the Council's overall position. This is a "technical" adverse movement, as the spend against this line is greater than the budget, but the increase in reserves is "favourable".

3.40. Central Redundancies: overspend £0.220m, movement; no change

Based on the average figure for redundancies so far this year, and before any redeployment of staff who may be at risk the Council are forecasting an overspend of £0.220m on this budget. This figure does not yet include any decisions that are made in this financial year for the 2019/20 budget, and the individual amounts of redundancy payments due will depend on the individuals leaving the organisation.

3.41. Discontinued Services: overspend £0.065m, movement; adverse £0.065m

Discontinued services costs are where the Council is no longer the provider of a function but where there are legacy costs remaining from prior years. This includes pension costs in relation to those functions and there is an inflationary increase is now projected to exceed the reducing cost of individuals concerned by £0.065m.

3.42. Trading Units

Trading Units have a net nil budget. Any underspend is described as a surplus and any overspend as a deficit on the trading account.

3.43. Support Services for Education: surplus £0.294m, movement; favourable £0.016m

Vacancy savings within Business Services have resulted in an increased surplus.

3.44. The Support Services for Education (SSE) overhead recovery contribution to support services is £0.442 less than previously forecast causing a pressure within the budget. A proportion of the trading income that SSE

receive is allocated to SCC support services to cover the cost of overheads. The overhead contribution is dependent on the trading activity levels achieved. This pressure of £0.442m has been offset by a contingency release in 2018/19 and any pressure associated with variances in trading activity levels for 2019/20 will need to be addressed.

3.45. Dillington House: overspend £0.488m, movement; adverse £0.210m

Income levels across the main areas of activity are now forecast to come in below the levels budgeted. This is due to significant reductions from weddings arising from the post of Wedding Co-ordinator being vacant during the last year, adult education course attendance being down due to a degree of duplication/repetition in the programme and a decline in take up from existing customers, and as yet no diversification of the programme offer or widening of the customer base. Conference bookings from SCC have decreased by over £0.060m in the last year due to the wider Financial Imperative. Additional income has been secured from other areas such as a wider social events programme and conferences bookings by external organisations. This is not sufficient to offset the reductions elsewhere.

3.46. Unfortunately, the impact from developments taking place as part of the revised business plan will not be seen until next financial year, e.g. enabling customers to book Bed and Breakfast accommodation on line through external booking agencies and increasing exposure through wedding fairs, refresh of the education programme, etc. These are deep rooted issues which will take more time to address.

3.47. A business case setting out options for the improvement of revenue streams for Dillington House is in preparation. This case will need to consider all options to ensure that this discretionary venture is not a continuing strain on the Council's revenue budget.

4. Delivery Progress of 2018/19 MTFP Proposals

4.1. In September 2018, the Council approved a further £12.790m of savings proposals to the 2018/19 revenue budget. This section of the report provides an update of the progress towards delivery of the proposals as well as the original £13.418m of savings agreed in February 2018. These savings now have four different status' showing the level of risk around delivery.

Please see Appendix B for a breakdown of savings for each service.

4.2. Savings

The different savings status' are as follows:

- Red (controlled): This means that although the saving has been identified as being at risk of delivery, there are plans in place which means either the saving has been acknowledged as undeliverable and this is therefore a pressure or it will be replaced by a different saving.

- Red (uncontrolled): This means the saving has been identified as being at risk of delivery and plans to replace the saving have not yet been agreed via the change control process.
- Green: The saving is on track for delivery.
- Blue: The saving has been delivered.

96% of the MTFP1 & 2 savings have been classified as having a green, blue or red (controlled) status, meaning service directors are confident that these savings will be delivered or in the case of the blue savings, they have already been delivered. This leaves 4% of savings which are 'at risk' of being delivered and mitigations are being developed.

5. Capital Receipts Flexibilities

- 5.1.** Since 2016 the Government has allowed local authorities to use capital receipts to fund transformation projects and consequences that would otherwise have counted against revenue funding. The Council will continue to use this flexibility and details are set out elsewhere in this report. For 2018/19 It is anticipated that approximately £9.6m of expenditure will qualify as transformational against capital receipts funding and it is expected there will be approximately £10.8m of receipts received to support this level of expenditure.
- 5.2.** During the autumn months, in preparation for the 2019/20 budget and MTFP, further work was undertaken in regard of ongoing commitments against capital receipts funding. The use of capital receipts is now reported through the Financial Imperative Team monthly. Each initiative will have business cases to back the transformational activity and the positive impact on the revenue budget. The proposed future use of capital receipts flexibility will be approved at Full Council in February 2019. The council also proposes creating an Invest To Save reserve to capture proposals that might not meet the full statutory definition under the directive but still benefits the council's transformation.
- 5.3** The Capital Receipts Flexibility requests have been reduced by a targeted £1.500m since month 8, to reduce pressure on the availability of capital receipts. As part of drawing the accounts to a close, there will be a review of business cases and some may be funded from revenue sources.

6. Aged Debt Analysis

- 6.1.** The overall debt position shows a total gross debt of £12.833m, of which £1.540m (12.00%) is over 90 days old. This continues the improvement throughout the year, where the figure was over 35% at the start of the year, and 23.09% when last reported to Cabinet. Previous areas where debt has been difficult to collect promptly have improved – the outstanding debt over 90 days with the NHS is significantly reduced from the previous year when it was consistently over £1m, and developer debts over 90 days are down by 90% since the early summer.

6.2. Detailed debt information is reported to Audit Committee on a quarterly basis. In addition, a current SWAP audit is being finalised to review our debt collection procedures, and it will inform a review and update of the current Income Code of Practice.

6.3. Members are reminded that over the last 3 years, the Council has collected 99% of all the debt raised on our Accounts Receivable system.

Service	Not o'due	0-30 Days	1-3 Mths	3-12 Mths	12+ Mths	Total
	£m	£m	£m	£m	£m	£m
Adults and Health - Commissioning	0.000	0.000	0.437	0.004	0.000	0.441
Adults and Health - Operations	0.069	3.406	1.324	0.717	0.311	5.827
Business Development	0.015	0.830	1.634	0.009	0.037	2.524
Customers & Communities	0.000	0.000	0.001	0.000	0.000	0.001
Children & Family - Operations	0.004	0.159	0.047	0.011	0.004	0.225
ECl - Commissioning	0.001	0.007	0.005	0.004	0.003	0.020
ECl - Operations	0.656	0.970	0.419	0.253	0.116	2.414
School & Early Years	0.032	0.024	0.012	0.003	0.003	0.074
Finance & Performance	0.004	0.098	0.090	0.004	0.006	0.202
Children & Learning - Commissioning	0.199	0.081	0.106	0.011	0.003	0.400
LD Operations	0.008	0.001	0.000	0.010	0.023	0.042
Support Services for Education	0.005	0.306	0.306	0.001	0.000	0.618
Public Health	0.000	0.004	0.002	0.007	0.000	0.013
Voluntary Unpaid Leave	0.032	0.000	0.000	0.000	0.000	0.032
Total (£m)	1.025	5.886	4.382	1.033	0.507	12.833
Total (%)	7.99%	45.87%	34.15%	8.05%	3.95%	100.00%

Aged Debt – Service Commentary

6.4. Adults and Health: £6.310m

The amount of debt relating to Adults and Health has increased since quarter two but of particular concern is the increase in debt over 30 days old. There are several large invoices outstanding with other local authorities and the Clinical Commissioning Group. It is a top priority to bring down the overall Adults debt over 30 days old, but particularly those debts that is with partner agencies.

6.5. Children and Learning: £1.317m

The majority of the increase relates to invoices raised to the Clinical Commissioning Group for contributions towards costs of children in specialist provision with therapeutic and health related support. It is expected that settlement will be imminent.

Debts over 90 days are relatively low and represent only 3% of the total amount owed. The majority have repayment plans in place.

Invoices for services delivered to schools and academies through SSTEP have recently been raised increasing the level of debt significantly when compared to quarter 2. These are expected to be settled within the agreed timescales set for debt recovery.

6.6. Corporate and Support Services: £2.759m

C&SS has a total of £0.056m debt over 90 days old. The majority of these relate to Property Services and are being chased by the service or are being dealt with by the Legal Debt Recovery team.

6.7. Economic and Community Infrastructure: £2.434m

ECI has a total of £0.376m debt over 90 days old. The largest single category over 90 days old is in relation to New Roads and Street Works Act charges (£0.131m), which is a reduction of 38.8% since Quarter 2. The service has recently written in detail to the most persistent offender with supporting evidence for payment.

Other categories of debt over 90 days old include a small number of remaining developer debts (£0.088m), a variety of transport debts, including County Ticket (£0.028m), and some outstanding payments for services such as Scientific Services (£0.042m).

6.8. Public Health: £0.013m

Public Health have outstanding debt over 30 days old of £9k, all of which is being managed through the Councils agreed debt procedures.

7. The Core Council Programme (CCP)

7.1. Financial Imperative Programme (FIP)

The financial imperative remains the primary focus of the Core Council Programme and resources continue to be prioritised to support, co-ordinate and monitor the activity required to drive through the delivery of financial savings. In terms of tracking the delivery of savings, 96% of the £12.790m of additional in-year savings approved by Cabinet in September 2018 (MTFP2) have either been delivered or are on track for delivery by 1 April 2019. In addition, 100% of the adjusted original 18/19 MTFP1 savings approved by Full Council in February 2018, amounting to £9.92m, are delivered or are on track to be delivered by 1 April. The approach has enabled the delivery of a balanced budget for 2019/20 with

the identification and development of a further £15.4m of savings proposals for 2019/20 as part of the 2019-22 Medium Term Financial Plan.

7.2. Other Programmes and Projects

The following Core Council Programmes and Projects continue to be monitored, unless otherwise stated, with progress reported and aligned to the Financial Imperative activity.

- **Modernising Adult Social Care** – The Adult's Transformation Programme has been reviewed and refreshed and will focus delivery of transformation around four themes to continue to promote independence for the residents of Somerset. These are: Promoting Independence; Learning Disability; Integration, and Technology.
- **Family Support Services** – planning continues to ensure the safe transfer of the Public Health Nursing (PHN) service into Somerset County Council as of the 1 April 2019.
- **Libraries Service Review** – the future of Somerset Libraries Services was decided by Cabinet on 5 November 2018. Workforce redevelopment and the delivery of new service models continues.
- **Improving Children's Services** – Core Council Board (SLT 12/12/18) have agreed to split the remaining SEND Intervention activities between service-led inspection readiness and service transformation. The latter will form part of a rescoped Children's Transformation Programme that is currently being mobilised to continue the improvement journey towards an Ofsted rating of 'Good', whilst linking to Financial Imperative activities and the PeopleToo initiatives.
- **Technology & People Programme (TAP)- Closed out of CCP**
The Technology and People (TAP) Programme closed in November 2018 having succeeded in laying the foundations for ongoing technology and people transformation. 3,300 SCC staff have been upgraded to Windows 10 within a 12-month period enabling significant potential productivity improvement through reduced log in times alone. The number of unlicensed, out of date and unsupported business applications reduced from over 2,500 to just 380, significantly reducing costs and improving security.

7.3. Services are now expected to continue to explore and adopt new ways of working that will streamline processes and reduce cost, duplication and inefficiency to create a leaner, more flexible workforce. This has been, and will continue to be, an enabler for service savings that have supported the MTFP process. Further development of the Council-wide Technology Champion community and the Change & Adoption approach will help facilitate efficiencies across the Organisation going forward.

7.4. Evolution of the Core Council Programme

The next evolution of the Core Council Programme during quarter 4 will consider the transformation and dependencies between new strategic

priorities, the continued financial imperative work and what would need to be considered in relation to the organisation's design principles.

8. Background papers

- 8.1.** Cabinet – 12 Sept 2018 – Revenue Budget Monitoring 2018/19 Month 4
- Cabinet – 19 Dec 2018 – Revenue Budget Monitoring 2018/19 Month 7
- Cabinet – 23 Jan 2019 – Revenue Budget Monitoring 2018/19 Month 8
- Cabinet – 19 Dec 2018 – Medium Term Financial Plan Strategy Report

Note:

For sight of individual background papers please contact the report author(s):

Adults and Health: Lizzie Watkin, 01823 355212, EWatkin@somerset.gov.uk

Children and Learning: Lizzie Watkin, 01823 355212, EWatkin@somerset.gov.uk

Economic & Community Infrastructure: Sarah Rose, 01823 355643,
serose@somerset.gov.uk

Support Services & Non-Service: Sarah Rose, 01823 355643,
serose@somerset.gov.uk

Financial Planning: Leah Green, 01823 359785, LXGreen@somerset.gov.uk

Compiled by: Leah Green, 01823 359785, LXGreen@somerset.gov.uk

Appendix A – Revenue Budget Monitoring Month 9 – 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	-7.661	133.623	8.043	-9.509	4.000	-2.534	0.000	0.00%	0.000	0.000
Children and Families - Operations	46.279	14.589	60.868	3.369	-1.669	0.000	-0.097	1.602	2.63%	1.540	0.062
Children and Learning - Commissioning	19.750	4.829	24.579	0.723	-1.826	0.574	-0.073	-0.602	-2.45%	-0.478	-0.124
Public Health (SCC funding)	1.026	-0.065	0.961	0.000	-0.580	0.000	0.000	-0.580	60.35%	-0.500	-0.080
ECI Services	66.745	-1.950	64.795	4.937	-5.295	-1.053	-0.772	-2.182	-3.37%	-1.817	-0.365
Key Services Spending	275.084	9.742	284.826	17.072	-18.879	3.521	-3.476	-1.762	-0.62%	-1.255	-0.507
Corporate and Support Services	20.106	1.047	21.153	4.602	-3.266	1.269	-2.486	0.121	0.57%	0.255	-0.134
Non-Service Items (Inc Debt Charges)	22.692	-10.789	11.903	2.947	-1.688	0.537	0.000	1.796	15.09%	1.770	0.026
Trading Units	0.000	0.000	0.000	0.700	-0.506	-0.194	0.000	0.000	0.00%	0.000	0.000
Support Services and Corporate Spending	42.798	-9.742	33.056	8.249	-5.460	1.612	-2.486	1.917	5.80%	2.025	-0.108
Updated Business Rates Receipts	0.000	0.000	0.000	0.338	-3.060	0.000	0.000	-2.722	0.00%	-1.691	-1.031
Technical Adjustment (Capital Receipts Flexibilities)	0.000	0.000	0.000	0.000	0.000	0.000	1.500	1.500	0.00%	0.000	1.500
SCC Total Spending	317.882	0.000	317.882	25.659	-27.399	5.133	-4.462	-1.067	-0.34%	-0.921	0.146

Original Base Budget = Budget set by the Council on 21 February 2018

Budget Movements = Transfers between services, not affecting the total budget for 2018/19

Total Budget Approvals = Revised budget after movements

Positive variance = One that improves the projected outturn position

Negative variance = One that deteriorates the projected outturn position.

Appendix B: Savings Month 9 Quarter 3 (2018/19)

Service	Value of Approved Saving MTFP 1 & 2	Red (controlled)	Red (uncontrolled)	Green (on track)	Blue (delivered)
Adults and Health	7,034,000		73,300	432,700	6,528,000
Adults and Health - Commissioning	20,000				20,000
Public Health	107,000			107,000	
Adults and Health	7,161,000	-	73,300	539,700	6,548,000
Children and Families - Operations	1,692,400	125,400	256,000	887,000	424,000
Children and Learning - Commissioning Central	3,614,100	887,000	509,500	1,701,100	516,500
Children's	5,306,500	1,012,400	765,500	2,588,100	940,500
ECI Other Services	5,145,700		79,400	2,875,500	2,190,800
Economic and Community Infrastructure	5,145,700	-	79,400	2,875,500	2,190,800
Key Service Spending	17,613,200	1,012,400	918,200	6,003,300	9,679,300
Corporate and Support Services	4,922,400	1,751,728	121,800	325,172	2,723,700
Corporate and Support Services	4,922,400	1,751,728	121,800	325,172	2,723,700
Total Services	22,535,600	2,764,128	1,040,000	6,328,472	12,403,000
Non-Service	3,696,000				3,696,000
Total Non-Service	3,696,000	-	-	-	3,696,000
TOTAL	26,231,600	2,764,128	1,040,000	6,328,472	16,099,000
Percentage		11%	4%	24%	61%