

Decision Report – Cabinet

Decision Date – 8th July 2019

2019/20 Revenue Budget Monitoring – Month 2 Highlight Report

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

Division and Local Member(s): All

Lead Officer: Sheila Collins, Interim Director of Finance

Author: Leah Green, Finance Manager MTFP – Corporate

Finance Contact Details: SDCollins@somerset.gov.uk 01823 359028

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	26/6/2019
	Monitoring Officer	Scott Wooldridge	26/6/2019
	Corporate Finance	Sheila Collins	26/6/2019
	Human Resources	Chris Squire	26/6/2019
	Property	Paula Hewitt / Claire Lovett	26/6/2019
	Procurement / ICT	Simon Clifford	26/6/2019
	Senior Manager	Sheila Collins	26/6/2019
	Commissioning Development Team	commissioningdevelopments@somerset.gov.uk	26/6/2019
	Local Member(s)	All	26/6/2019
	Cabinet Member	Mandy Chilcott	26/6/2019
	Opposition Spokesperson	Liz Leyshon	26/6/2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	26/6/2019
Forward Plan Reference:	FP/19/06/03		
Summary:	This report provides the first indication of the year regarding the potential Revenue Budget outturn position for the 2019/20 financial year. It highlights variances to the Medium-Term Financial Plan (MTFP) assumptions, as well as emerging		

	<p>issues, risks, areas of concern and proposed actions to resolve them. The Council’s Medium-Term Financial Plan (2019-22) sets out proposals to further develop its financial resilience over the long-term whilst also supporting the delivery of the Council’s key priorities.</p> <p>This report is a summary and shows a projected balanced position for the authority. However Key Service forecasts project a small net overspend. The majority of the variance is within Children’s Services and Trading Units (Dillington House). Management action is under development in these areas with the aim of ensuring a balanced budget by the end of the year, although until these are more fully developed, this variance is being reported. Other areas of the Council have minor variances. It must be noted that the projected balanced position assumes that contingency will be allocated to off-set any unmanageable overspend. If management action fails to address the current forecast overspend in services £5.284m of the Corporate Contingency budget will be available for future in-year pressures.</p>
<p>Recommendations:</p>	<p>It is RECOMMENDED that the Cabinet approves:</p> <ol style="list-style-type: none"> 1. The contribution of £3.390m to the Corporate Priorities Reserve as detailed in section 1.4 and 2.6 which further supports the council’s long term financial resilience. 2. The transfer of £0.498m of Corporate Contingency to support the pressure in Home to School Transport as detailed in section 2.2. <p>It is also recommended that Cabinet comments upon the contents of this report and the potential outturn position for the year.</p>
<p>Reasons for Recommendations:</p>	<p>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 and others 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. Due process and consultations will be carried out where required for any further specific proposals for change.</p>
<p>Financial Implications:</p>	<p>The financial implications are identified throughout the report.</p>
<p>Legal Implications:</p>	<p>There are no specific legal implications arising from this report.</p>
<p>HR Implications:</p>	<p>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.</p>
<p>Risk Implications:</p>	<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.</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, while rebased, remains under pressure as the Service continues to improve and due to the sensitivity of some aspects of the services to volume changes, especially placements.</p> <p>The Organisational Risk (00043) has a broad perspective, encompassing both current year spending and future years’ budgets. At the beginning of each year this corporate risk is reviewed.</p> <p>This has taken place and the risk up-dated to focus on 2019/20 acknowledging that improvement has been</p>

	<p>made, resulting in identification of a new updated risk description of "Maintaining a balanced budget for 2019/20 and ensuring a sustainable MTFP". There is a risk to the council's long-term sustainability if there are significant in-year service overspends, and or if the council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted."</p> <p>Alongside the review of the risk description, likelihood and impact of the risk has also been evaluated and the risk score remains at the current level of "very high" (4x4(16)).</p> <p>The financial situation is still vulnerable to increased demand or poor management. Robust control must be maintained.</p>					
	Likelihood	4	Impact	4	Risk Score	16

<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>				
---	--	--	--	--	--

	There are no health and wellbeing implications arising from this report.
Scrutiny comments / recommendation (if any):	This report will be presented to Scrutiny for Policies and Place Committee, on 16 th July 2019; comments arising will be made available to the Cabinet at a subsequent meeting.

1. Background

1.1. Following the significant financial turnaround during 2018/19, which was reported to Cabinet on 10 June 2019, and the more robust approach to budget planning for 2019/20 onward, which was approved by Council in February 2019, the Council is focused on continuing the improved transparency and rigour around its financial management throughout 2019/20. Although this report is the first formal revenue budget monitoring for 2019/20, an early outlook has already been incorporated into the Outturn report presented to the Cabinet in June.

1.2. Despite confidence that the more robust approach to budget planning for 2019/20 onwards has ensured that the budget assumptions are realistic, and deliverable, due to continuing rising cost pressures, from demographic demand growth in social care for adults and children, the Council must, and will, sustain this tighter financial grip going forwards. This will include monthly monitoring report to Cabinet and continual improvements to the format, content and layout of the reports to aid effective review and scrutiny.

1.3. Reserves

During 2018/19 significant progress was made in replenishing the Council's reserves position, with total balances at the end of the year being £26.075m for Earmarked Reserves and £17.689m for General Fund Reserve. This budget monitoring report sets out the forecast planned use of earmarked reserves with a summary set out in the table below (Table 1). Earmarked reserves are set aside for specific purposes and the transfer to and from those reserves during the year are presented to Cabinet for approval.

Table 1 – Planned Use of Earmarked Reserves (2019/20)

Service	Planned Use of Earmarked Reserves (£m)
Draws from Earmarked Reserves:	
Adult Services	2.830
Economic & Community Infrastructure Services	0.441
Contributions to Earmarked Reserves:	
Corporate & Support Services	-1.231
Non-Service	-3.357
Total net increase in Earmarked Reserves	-1.316

Adults Services

A request is made to draw down an element of the Adults Social Care Earmarked Reserve relating to Home First (£0.330m) and £2.500m from the Adults & Health System Earmarked Reserve relating to Somerset's Sustainability and Transformation Plan. These amounts will be used to fund joint working arrangements between Somerset County Council and Somerset Clinical Commissioning Group.

Economic & Community Infrastructure Services

£0.052m is projected to be drawn from the Total Transport reserve – the purpose of the Total Transport Pilot Fund is to implement a cross-sector approach to the delivery of supported services. Somerset County Council (along with Gloucester County Council) are using the grant to fund the development of integrated IT infrastructure that will encourage the use of various methods of public transport through ease of access. The transfer from the reserve will cover the dedicated project officer time along with various development and implementation costs. The fund is expected to be fully used either in 2019/20 or early 2020/21 dependent on the success of user acceptance testing.

£0.794m will be transferred to the Somerset Rivers Authority (SRA) reserve and as host authority, the Council holds the funds for the SRA. The transfer to the reserve is due to it being anticipated that less will be spent on projects and schemes than will be received from Somerset County Council/District Councils/Internal Drainage Boards (IDB) in 2019/20. A substantial amount is being held as provision for the

Sowry River/King Sedgemoor Drain enhancement scheme, it is expected that this will be used in 2020/21 onwards.

£0.077m will be drawn from the Libraries Stock Reserve to fund an in-year stock write off.

£0.043m is projected to be transferred to the Parking Reserve. This is because projected underspends for Parking Services must be spent as per the Road Traffic Regulation Act 1984, Section 55. Currently it is anticipated that the reserve will be used to fund new Automatic Number Plate Recognition (ANPR) cameras and a new Traffic Regulations Orders digital system, however this has not yet been agreed.

£0.390m is expected to be drawn from the Economic Development Earmarked Reserve (ED Fund) during 2019-20 on various projects including £0.200m on the iAero capital scheme at Yeovil and £0.050m on the Somerset Energy Innovation Centre building 3 at Bridgwater. The new enterprise centres being built at Wells and Wiveliscombe together with the maintenance on the existing enterprise centres will account for around £0.140m.

£0.830m is expected to be drawn from the Local Enterprise Partnership (LEP) General Reserve to fund the LEP activities planned for 2019-20.

£0.071m is to be contributed to the Strategic Property reserves incorporating; £0.032m to the Futures for Somerset reserve. The Council pays employees seconded to Futures for Somerset, for which Futures for Somerset reimburse those payroll payments. This reimbursement includes an uplift for the estimated redundancy costs of those staff, as redundancies will not be funded from the SCC Central Redundancies budget. Any surplus on the Futures for Somerset cost centre is transferred to this earmarked reserve in preparation for the relevant redundancies. £0.039m will be contributed to the Repairs & Maintenance (R&M) Uncommitted (Buildings Maintenance Fund). Planned repairs and maintenance is covered by revenue budget within Strategic Property. The intention is that any balance on the R&M Earmarked Reserve will be drawn down cover any excess unplanned or reactive maintenance.

Corporate & Support Services

£0.937m is projected to be transferred to the Building Schools for the Future (BSF) equalisation reserve. The BSF Private Finance Initiative (PFI) Project relates to three schools in Somerset and the reserve held relates to the profiled lifecycle of the BSF Project. The plan is that drawdowns from this reserve towards the end of the 30-year duration of the BSF project will bring the equalisation reserve balance to zero.

£0.040m will be contributed to the Heart of the South West (HOSW) Joint Committee reserve. The Council is the administering authority for the HOSW Joint Committee. Partner authorities send contributions to SCC to cover the administration and certain project work that SCC procure on behalf of the Joint Committee. The earmarked reserve balance is the surplus of those funds, which will either be spent as directed by the Joint Committee or transferred to another authority if the admin responsibility moves.

£0.253m is planned to be contributed to the Elections Reserve. The Elections budget funds the running of the Council's election every four years and any by-elections that occur in the interim. The earmarked reserve is built up over the quadrennium, and the increasing balance on this reserve will fund the next election in May 2021. In total the last Somerset County Council election in 2017 cost £945,000.

Non-Service

The Council has budgeted, as part of its Medium-Term Financial Plan (MTFP 2019-22), to repay £3.389m of negative reserves for the Repairs and Maintenance Fund (R&M) and the Buildings Maintenance Indemnity Scheme (BMIS) in 2019/20. However, these negative reserves were eliminated in 2018/19 using part of the Council's underspend reported as part of the outturn report at Cabinet's meeting in June which has enabled alternative use of this funding in 2019/20. A request is made to contribute this favourable variance to the new Corporate Priorities Reserve set up in 2018/19.

There is also a request to draw down £0.033m from earmarked reserves made up of £6,700 from the HR Services Earmarked Reserve to fund the quarterly Wyvern Lease Charges (due to end in July) and £26,000 from the revenue backed Capital Fund to fund the ING Lease payment for Leisure Equipment that the Council procured before the service externalised (due to end in August).

General Fund

The 2019/20 revenue budget includes plans to improve the Council's resilience of its General Fund Reserve by £2.500m: made up of an annual contribution of £2.000m, and an additional £0.500m contribution (one-off) to the Prevention Fund that makes £1.000m in total – as agreed at Full Council in February 2019. This £0.500m will be more accurately reflected as a contribution to the Prevention Fund Earmarked Reserves rather than General Fund Reserve since Full Council were specific about how this funding would be used.

This means the General Fund balance at the beginning of 2019/20 is £18.366m (rather than £18.866m as reported in the 2018/19 Revenue Outturn report to Cabinet on the 10th June 2019).

1.4. Capital Receipts Flexibilities

During 2018/19 a full review of business cases supporting the transformation activity that utilised the capital receipts flexibilities was undertaken. During the review there was an agreement that some costs in 2019/20 would also utilise this flexibility with a planned value of £2.795m. The current forecast use of this flexibility for 2019/20 is £2.642m, which is included in the overall forecast position. This is a small reduction of £0.153m and provides assurance that the costs of the transformational activity is on track. The table below (Table 2) gives a summary of the transformational projects and current forecast value.

Table 2 – Planned use of Capital Receipts Flexibilities

Service		Planned Costs £m	Forecast Costs £m	Description
Adult Services	Learning Disabilities	0.624	0.624	Contractual transformation costs
Children and Families	Getset	0.055	0.000	Supporting the Family Support Service model
ECI Services	Property	0.206	0.206	Costs associated with property rationalisation and transforming the use of assets
	Economic Development	0.381	0.381	Supporting the roll-out of Broadband, underpinning how services can be delivered to the public
	Commissioning	0.070	0.070	Commissioning development and working towards integrated commissioning solutions
	Libraries	0.066	0.000	Costs associated with the activity supporting the Library transformation
Corporate & Support Services	Core Council Programme	1.006	0.981	Costs within the Core Council Programme team who support transformational projects across the Council
	ICT and related costs	0.233	0.227	Costs associated with supporting the digital transformational changes across the Council

	Customers and Communities	0.154	0.154	Costs supporting the transformation of the customer "front door" service delivery
SCC Total		2.795	2.643	

1.5. Transforming Somerset County Council to Improve Lives Programme (TSTILP)

The Transforming Somerset County Council to Improve Lives Programme (TSTILP) will deliver an ambitious redesign of the Council's services to enable the Authority to better manage demand and put prevention at the heart of its thinking.

During the budget setting process for 2019/20 a new Invest to Save Fund (ITS) Earmarked Reserve was set up to fund internal projects designed to improve the Council's efficiency and drive down future revenue costs and also to reduce the need to use Capital Receipts Flexibilities (CRF).

Any activities that contribute to Transformation outcomes requiring investment from a funding stream, e.g. ITS Fund or CRF will require a business case to be completed and will pass through an approval process, which then assesses and determines the most appropriate funding of these costs, be it ITS Fund or CRF.

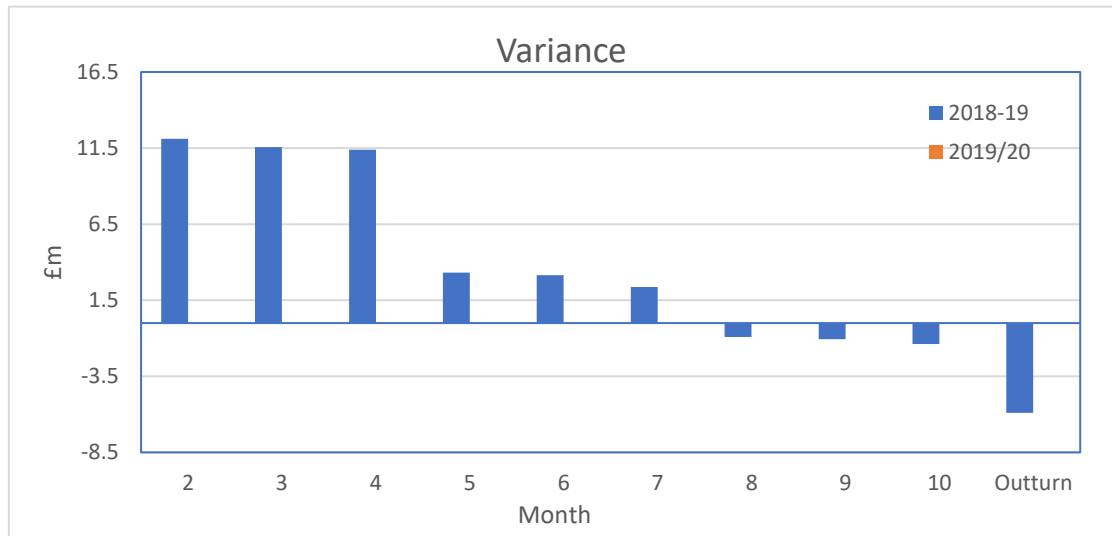
As at the end of May 2019, the estimated cost of additional resources required to facilitate the Transforming Somerset to Improve Lives Programme during 2019/20 is £0.448m.

1.6. Summary Forecast 2019/20 – Revenue Budget

The Council's forecast shows a projected balanced position when compared to the revenue budget of £327.967m. There is a forecast overspend in Key Service Spend with the majority of the variance is within Children's Services and Trading Units (Dillington House). Most other areas of the Council are within reasonable tolerance.

1.7. The following graph (Graph 1) compares the reported monthly budget variances in 2018/19 and the current financial year.

Graph 1 – Revenue Budget Variances 2018/19 and 2019/20



1.8. The table showing the projected outturn, and variances from agreed budgets, are set out in Appendix A. The paragraphs below offer short explanations of the major parts of those variances.

2. Key Variances

2.1. Adults Services (*Net budget £126.030m, -£0.002m projected underspend.*)

Adult Services: favourable -£0.002m

The projected position for Adults' services during 2019/20 is an underspend of £0.002m. There are a number of factors that go into this variation and these are explained below.

The Adult Social Care council tax precept of 1% for 2019/20 raised an additional £2.605m which will be invested in social care market. The fee rate for Home Care has been increased by 3% and the rate increase for Residential and Nursing placements increased by 2.5%. As well as the precept investment there is also an additional £1.800m made available for Learning Disabilities demography and inflation.

Adult Social Care has seen a further reduction in the use of Nursing placements. There are 41 less than at the end of March and this leads to a projected underspend of £1.422m. Reduced use of Residential and Nursing placements is a continuation of the trend seen throughout 2018/19 and is in line with both the overall strategy of 'Promoting Independence' and associated commissioning intentions to keep people living within their own home where it is safe to do so.

A positive reaction to the above reduction is an increase in the delivery of Home Care both in people's homes and in Extra Care Housing schemes. There was a drop off in this spend during 2018/19 but as expected we are now starting to see an upturn as people remain living in the community for longer.

Mental Health spend is projected to increase by £0.375m. This is due to the full year effect of Home Care and Supported Living, with 2 large packages in particular contributing to the pressure. These are both joint funded with the Clinical Commissioning Group. Offsetting these increases is a reduction of 6 Residential placements which is a change from the increases seen throughout 2018/19.

One area where there is a pressure is the LD Pooled Budget which is projecting an overspend of £0.885m. This is made up of a £1.221m pressure against the Purchasing budget which is slightly offset by a £0.336m underspend against the Discovery contract. In discussions with the CCG it has been agreed that this overspend will be funded by the Better Care Fund inflation, therefore benefitting both organisations. The pressure has been created by the full year effect of 18/19 costs rather than new placements however this is an area that will need to be watched closely to ensure future growth is managed as it has been in the previous 2 years.

There continues to be a number of vacant posts within the overall Adults staffing establishment and although there is a plan to appoint to these during the year, it is still projected that the staffing budget will underspend by £0.615m. This will be closely monitored throughout the year.

There are MTFP savings of £5.157m to be achieved during 2019/20. Of these £2.280m have already been fully achieved with the remainder on track to be delivered throughout the year.

2.2. Children's Services *(Net budget £82.338m, £0.974m projected overspend)*

Children & Learning Central Commissioning: adverse £0.557m

The budgets for transporting children and young people to and from their place of education are projecting a combined overspend of £0.538m. The impact of 3 routes being omitted from the Capita reporting in 2018/19, and therefore the rebase, has now been calculated resulting in a pressure of £0.498m in Home to School transport. It is recommended that this pressure be funded by a transfer from contingency (see recommendations section).

Increased routes within SEN transport has contributed an additional £0.040m. The Services' planned transformation work throughout the year is expected to reduce the overall forecast overspend. Additional quality assurance work is being undertaken by the finance service to ensure systems, processes and forecasting are as accurate as possible going forward.

Children & Families Operations: adverse £0.417m

External Placements: adverse £1.000m

External placements is projecting an overspend of £1.000m, 5.2% above budget.

The increase in the care population reported in at the end of December 2018 fed through to an increase in residential placements in the 3rd and 4th quarter primarily due to a shortage of foster placements. Other placements have not ended as planned resulting in an external placement forecast overspend of £2.600m at the beginning of the financial year. Focussed management action has been undertaken during April and May 2019 to reduce this overspend by £0.541m and further efficiencies through lower placement costs has reduced this by a further £0.094m.

When the budget was approved there was combined headroom and growth equivalent to £1.100m for new placements and increased costs in 2019/20. This has been applied reducing the forecast overspend on external placements to £1.000m

The placements savings target of £1.649m is currently forecasting achievement of £1.515m, leaving £0.134m still to be identified. The activities to achieve these savings is being monitored via the Transformation Board.

The placements forecast currently assumes a standstill position in terms of number and type of placements. Given the volatility of this area of activity with placement costs for the most complex children costing up to £0.250m per child in a full year, this brings a risk that any increase or escalation of placement type will have an adverse impact on the future financial position, conversely a reduction in a number of these high cost placements may result in an underspend in this budget area. In addition, the projection does not account the impact of further service actions.

To ensure that the financial position is closely monitored fortnightly meetings will take place involving key managers in the service and finance to scrutinise the current position of the children looked after budgets and to ensure appropriate management actions are identified and implemented. Improved financial management data aligned to activity is being produced in the form of a metrics

report providing an overview across the service as well as a focus on areas of historic volatility. The report links the financial position to the operational activity to enable managers to better understand the financial impact of their decision making and identify opportunities to reduce costs.

The revised Quarterly Performance Review Meetings (QPRM) have a key financial/activity component and the Q1 meeting in July will test the effectiveness of the new model.

It is worth noting that in terms of spend this budget area is forecast to spend £2.6m (£3.6m excluding the overspend) less on External Placements in 19/20 than in 18/19. This reflects continuing improvement in social work practice as care planning is a main driver of costs. With the exception of South Somerset, where staffing continues to be very challenging, all teams are close to their target performance. Further reductions in the care population can only be achieved by more effective interventions with parents/carers with drug and alcohol driven familial neglect.

Leaving Care: adverse £0.200m

The successful placement of 16 and 17-year olds into Pathway to Independence (P2i) accommodation has created a pressure on the Leaving Care budget of £0.200m. In addition to being a positive outcome for these young people, it has contributed to reducing the costs of external placements.

Unaccompanied Asylum-Seeking Children (UASC): favourable - £0.139m

An increase in the grant rate for over 18 Unaccompanied Asylum-Seeking Children (UASC) is projected to increase grant income by £0.139m.

Transport: adverse £0.200m

The use of transport for contact visits has increased above the level anticipated resulting in a projected overspend of £0.200m. A review of use of transport is being undertaken by the service to address this and enable appropriate management actions to be identified.

Allowances: favourable - £0.300m.

A reduction in the projected volumes of allowances across Permanence has given rise to a forecast underspend of £0.300m.

Staffing: favourable - £0.500m

There are £0.500m of vacancy savings across the service, in particular Emotional Health and Wellbeing and the Kinship Team, where a number of vacancies are actively being recruited to.

2.3. Public Health *(Net budget £0.979m, on budget.)*

Public Health: on budget £0.000m

The Public Health budget is made up of two elements. The ring-fenced Public Health Grant of £20.176m and £0.979m of Somerset County Council funding. The main focus of this funding is preventative services and the major areas of spend are Public Health Nursing Services, Sexual Health Services, NHS Health Checks and the Somerset Drug and Alcohol Partnership. There is a small planned underspend projected against this budget. The Director of Public Health is currently developing a plan to use this underspend to increase capacity within the specialist public health team to provide additional support to the developing prevention focus across the organisation and wider system.

The Public Health Grant funding has reduced by £0.547m in 2019/20 and savings have been identified to achieve this in full. There is also an in year saving against the Somerset County Council funding of £0.100m and this has also been achieved.

2.4. Economy Community and Infrastructure *(Net budget £65.355m, £0.018m projected overspend)*

Economy & Community Infrastructure: adverse variance £0.018m

Economy Community and Infrastructure's (ECI) are forecasting an overspend of £0.018m for 2019/20. The major variations are;

Highways and Transport Commissioning are projecting a £0.275m overspend, this is as a result of new urgent technical studies, and additional staff costs to improve service levels in highways development management.

Whilst Highways is forecasting an £0.206m overspend it is anticipated that this will be addressed through the Skanska contract and more accurate forecasting data. The forecast rebate is set in the annual plan will be updated as usual to allow for changes such as additional DfT monies.

Property Services are projecting an £0.173m underspend this is due to County Farms income not yet reducing as expected, as a result of the delay in the sale of County Farms

Transporting Somerset are £0.264m underspent, this in the main is due to Concessionary Fares projections. However, it is very early in the year and Concessionary Fares volumes and County Ticket take up can impact the outturn position as the year progresses

Economy Community and Infrastructure have £3.165m of savings for 2019/20. Of this £1.776m has been achieved, £1.281m is on track to be achieved a £0.108m will be met through a substitute saving.

2.5. Corporate and Support Services (*Net Budget £21.499m, -£0.012m projected underspend.*)

Corporate and Support Services: favourable -£0.012m

Corporate and Support Services are forecasting an underspend of £0.012m for 2019/20. This is due to the following;

Democratic Services are projecting an overspend of £0.011m, this is due to the £0.027m overspend on Partnership Governance, in part offset by a number of small underspends elsewhere within the service.

Legal Services are £0.029m overspent due to anticipated cost of counsel fees for 2019/20. This will be reviewed throughout the year.

Commercial and Procurement are forecasting an £0.081m underspend, as a result of a number of staff vacancies that are yet to be filled and staff MTFP savings being achieved earlier than anticipated.

The ICT budget is projecting an £0.029m overspend for 2019/20 due to the under recovery of income. This will be reviewed throughout the year through budget monitoring.

All other areas within Corporate and Support Services are anticipated to come in on budget for 2019/20 at this stage.

Corporate & Support Services have £3.577m of savings for 2019/20. Of this £2.541m has been achieved, £1.004m is on track to be achieved a £0.032m is currently unachievable. This unachievable saving within Democratic Services for

income recovery and generation will be found from other areas within Corporate & Support Services.

2.6. Non-Service *(Net budget £31.767m, -£1.267m projected underspend.)*

Contingencies: favourable -£1.444m

The budget allocated to contingencies as part of the budget setting process for 2019/20 was £7.226m. At this stage in the year it is prudent for this budget to be shown as fully committed however an element is being shown as a favourable variance to off-set the small overspend currently forecast in service areas and Trading Units. Following the request to transfer £0.498m of the Corporate Contingency budget to fund some of the pressure within Children's Services for SEN transport (as per section 2.2), the sum remaining available for the remainder of the year will be £6.728m. However, if the current overspend in other services and Trading Units is not mitigated by additional management action the remaining available budget would be £5.782m. If no other pressures materialise during the year the outturn position would be an overall underspend of this sum for the authority.

Contributions: favourable -£0.018m

Due to timing of information, a prudent estimate was made when the expenditure budget was set for third party payments. As a result, the Council will achieve an underspend of approximately £18,000 for this budget.

Discontinued Services: favourable -£0.018m

The projected £0.018m underspend on Discontinued Services arises from a variation in the number of individuals for whom the SCC Pension Fund charges SCC for compensation for loss of office.

Central Debt Charges: no variance

No variance is reported at this time. Further work is underway to analyse the 2018/19 capital spend funded by borrowing. As this was lower than forecasted it is expected to result in a saving on the amount MRP required in 2019/20. Similarly, there is the potential to make saving from not borrowing to the level forecast. The figures will be unknown until the quarter 1+1 capital forecasts are received.

Investment Income: no variance

The effect of ongoing political and economic events continues to make predicting interest rates volatile. The Authority's Treasury Management team continue to maximise the return on investments within the treasury investment framework.

Use of Reserves: favourable -£2.934m

As at month 2, the Council is reporting a favourable variance of £2.934m against the corporate use of reserves budget which is a result of the following explanations.

An adverse variance of £0.400m due to a cross-cutting saving being identified as unachievable (R18-027 - Efficiencies across trading activities). This and other minor adverse variances are offset against a favourable variance of £3.390m due to the negative Repair and Maintenance (R&M) and Buildings Maintenance Indemnity Scheme (BMIS) reserve balances that have been re-paid in 2018/19 rather than 2019/20 as originally planned. The saving from the early repayment of the BMIS and R&M reserves has been set aside into the Corporate Priorities reserves to further improve the council's resilience.

Special Grants: favourable -£0.244m

The favourable variance of £0.244m is because the allocation for the 2019/20 Extended Rights to Free Travel Grant has now been confirmed which is more than originally budgeted for.

2.7. Trading Units: *(Net budget £0.00m, adverse £0.290m projected outturn position)*

Dillington House: adverse £0.290m

Dillington is currently forecasting a deficit of £290k following a budget/performance review of month 2 accounts. The variance reflects revised projections of income levels across all areas of activity. Costs have also been adjusted to reflect the reduction in activity. A development plan has been formulated and work is on-going to generate additional income wherever possible for this year and secure bookings for future years.

Support Services for Education: on budget £0.000m

Pressures within the service at this point of the year are expected to be managed within budget either through efficiencies or increased traded income.

2.8. Delivery of Savings

The different savings statuses are as follows:

- Red: This means that the saving has either been identified as being at risk of delivery, or 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.

Savings proposals included within the 2019/20 budget are made up of savings agreed as part of MTFP 2018/19 additional savings agreed at Cabinet in September 2018 (MTFP2) and savings agreed as part of MTFP 2019/20.

99% of the proposals for change have been classified as having a green or blue 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. 1% of savings proposals have been classified as red meaning the savings are currently at risk or replacement savings have not been agreed through the change control process. The monitoring of the delivery of the savings across the three decision processes can be seen in Appendix B.

The following table (Table 3) shows a summarised breakdown of achievement of savings for 2019/20 (MTFP3)

Table 3 – Revenue Savings 2019/20 (MTFP3)

Service	Value of Approved Savings MTFP 2019-20	Red (controlled)	Green (on track)	Blue (delivered)
Adult Services	3,389,000	76,000	2,751,000	562,000
Adults Services	3,389,000	76,000	2,751,000	562,000
Children's Services	1,701,025	-	98,325	1,602,700
Children's Services	1,701,025	-	98,325	1,602,700
ECI Services	2,307,200	-	818,700	1,488,500
ECI Services	2,307,200	-	818,700	1,488,500

Key Service Spending	7,397,225	76,000	3,668,025	3,653,200
Corporate & Support Services	2,955,900	-	933,000	2,022,900
Corporate & Support Services	2,955,900	-	933,000	2,022,900
Total Services	10,353,125	76,000	4,601,025	5,676,100
Non-Service	4,708,800	-	-	4,708,800
Total Non-Service	4,708,800	-	-	4,708,800
TOTAL	15,061,925	76,000	4,601,025	10,384,900
Percentage		1%	31%	69%

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.
- 2018/19 Revenue Outturn Report to Cabinet – 10 June 2019
 - Revenue Budget – Medium Term Financial Plan 2019-22 to Full Council – 20 February 2019

Appendix A – Revenue Budget Monitoring (month 2) – Headline Summary Table

Service	Total Revised Budget	Net Variance Adverse / (Favourable)	Planned Use of Earmarked Reserves	Planned Use of Capital Receipts Flexibilities	Net Variance Adverse / (Favourable)	
	£m	£m	£m	£m	£m	%
Adult Services	126.030	3.452	(2.830)	(0.624)	(0.002)	(0.00%)
Children & Families - Operations	58.590	0.417	0.000	0.000	0.417	0.71%
Children & Learning - Commissioning	23.748	0.557	0.000	0.000	0.557	2.35%
Public Health	0.979	0.000	0.000	0.000	0.000	0.00%
Economic & Community Infrastructure Services	65.355	1.116	(0.441)	(0.657)	0.018	0.03%
Key Services Spending	274.701	5.542	(3.271)	(1.281)	0.990	0.36%
Corporate & Support Services	21.499	0.119	1.231	(1.362)	(0.012)	(0.06%)
Non-Service Items	31.767	(1.267)	3.357	0.000	(1.267)	(3.99%)
Trading Units	0.000	0.290	0.000	0.000	0.290	0.00%
Support Services & Corporate Spending	53.266	(0.858)	4.587	(1.362)	(0.990)	(1.86%)
Total SCC Spending	327.967	4.684	1.316	2.642	0.000	(0.00%)

Total Revised Budget = Revised budget after transfers between services, not affecting the total budget for 2019/20

Adverse variance = one that deteriorates the projected outturn position

(Favourable) variance = one that improves the projected outturn position