Decision Report – Cabinet
Decision Date – 14th August 2019

2019/20 Revenue Budget Monitoring – Quarter 1 (month 3) Report

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources
Division and Local Member(s): All
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	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	01/08/2019
Forward Plan Reference:	FP/19/06/05		
Summary:	This report sets out the Quarter 1 (month 3) forecast outturn position for 2019/20 for the net Revenue Budget of £327.967m. It highlights variances to service budgets, as well as emerging 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. Although still early in the year, the report shows an overall projected **balanced position** for the Council, with the main variances being within Children's Services and Trading Units (Dillington House). Management action is under development in these areas that will aim to ensure a balanced budget by the end of the year. However, until these are more fully developed, these variances are being reported in the detail of the report and a proportion of the corporate contingency 'notionally' allocated to off-set the variances. This leaves £6.061m of the Corporate Contingency budget currently unallocated and therefore potentially available to further improve the Council's financial resilience in the medium term. A decision regarding use of the contingency will be considered later in the year once the end of year position is firmer. As this is the Quarter 1 report, more detail on debt charges, reserves, capital receipts and an up-date on the Improving Lives Programme are included than would be the case for the intervening monthly reports. This confirms the positive direction of travel to continue to strengthen the reserves position through taking appropriate opportunities to replenish reserves were sensible. The budget for 2019/20 includes a savings target of £21.550m and this report confirms delivery of £16.694m to date. Of the remainder, very close monthly tracking and change control mechanisms continue to be in place as they have been since September 2018, to ensure full delivery during the year.
Recommendations:	**It is RECOMMENDED that the Cabinet:** 1. Note the forecast balanced budget position for the end of 2019/20 2. Note that £6.061m of the corporate contingency remains unallocated and this is expected to increase as management actions on service variances are confirmed 3. Note the delivery of £16.694m savings by Quarter 1 and the forecast delivery of £21.485m by the year end.

	4. Note the improving financial resilience of the Council, with the level of reserves now being projected as £53.810m by the year end (comprising £35.443m of Earmarked Reserves and £18.367m of General Fund).
Reasons for Recommendations:	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.
Links to County Vision, Business Plan and Medium-Term Financial Strategy:	The Medium-Term Financial Plan (MTFP 2019-22) 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.
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 required for any further 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:	The Council's corporate risk register recognises the difficulties to containing spend within budget in the face of service pressures, reducing funding and the challenges of delivering ever more savings and efficiencies. 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.

	The Children's Services budget, while rebased, remains under pressure as the Service continues to improve alongside the sensitivity of some aspects of the services to volume changes, especially placements. 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. The up-dated risk for 2019/20 acknowledges the improvement that has been made and describes the risk to be: "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." In view of the unprecedented level of uncertainty facing local government (for example service demands, absence of a Spending Review beyond 2019/20 and lack of clarity over the future funding of Local Government more broadly), despite growing confidence with internal control mechanisms, the risk score remains at the current level of "very high" (4x4(16)). Robust control must be maintained.					
	Likelihood	**4**	**Impact**	**4**	**Risk Score**	**16**

Other Implications (including due regard implications):	**<u>Equalities Implications</u>** There are no specific equalities implications arising from the contents of this report. **<u>Community Safety Implications</u>** There are no community safety implications arising from the contents of this report. **<u>Sustainability Implications</u>**

	There are no sustainability implications arising from this report. **Health and Safety Implications** There are no health and safety implications arising from this report. **Privacy Implications** There are no privacy implications arising from this report. **Health and Wellbeing Implications** 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 18th September 2019; comments arising will be made available to the Cabinet at a subsequent meeting.

1. Background

1.1. This report is the second revenue budget monitoring for 2019/20 and remains an early forecast of the potential end of year position.

1.2. Nevertheless, it is encouraging that the forecast continues to show confidence that the more robust approach to budget planning for 2019/20 onwards has ensured that the budget assumptions are realistic, and deliverable with a relatively small adverse variance seen in Service forecasts of £0.667m. At this early stage in the year, this is being off-set by a 'notional' allocation from Corporate Contingency while firm management actions to correct variances are being developed.

The Council must, and will, sustain this tighter financial grip going forwards. This will include the continuation of formal monthly monitoring report to Cabinet and to Scrutiny for Policies and Place and continual improvements to the format, content and layout of the reports to aid effective review and scrutiny. Alongside this internal tracking and budget monitoring processes continue to be given close attention by the Senior Leadership Team.

1.3. **Reserves**

1.4. The Council holds reserves in two forms:

- Earmarked reserves held for specific purposes and to mitigate against future known or predicted liabilities, and;
- The General Fund to mitigate against unforeseen spends or major unexpected events.

1.5. 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 was an improvement of over £20m during 2018/19. This first Quarter budget monitoring report sets out the forecast planned use of earmarked reserves with a summary set out in the tables 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 below confirms the contributions to earmarked reserves that were approved by the Council on 20 February 2019 together with the net additional movements now anticipated by Services during the year. This clearly demonstrates the continued positive improvement in the Councils financial resilience. These anticipated movements have been reflected in the balanced budget position as at Quarter 1 and will be monitored closely for the remainder of the year and details reported later in 2019/20.

1.6. **Table 1**
Earmarked Reserves: Actual and anticipated movements for 2019/20

Earmarked Reserves 2019/20	£m
Balance as at 31st March 2019	**26.075**
Budgeted In-Year Movements 2019/20 as agreed in the MTFP:	
Set Up Invest to Save Fund	2.852
Set Up Business Rates Pilot County-Wide Pot	4.015
Set Up Prevention Fund	1.000
Budgeted Increase to Insurance Fund	0.541
Balance as at 1st April 2019	**34.483**
Additional Anticipated Net Service Movements (includes the £3.390m contribution to Corporate Priorities Reserve as per Month 2 report)	0.960
Closing Balance as at 31st March 2020	**35.443**

1.7. General Fund

The 2019/20 revenue budget includes plans to improve the Council's resilience of its General Fund Reserve by £2.000m as set out in Table 2 below:

1.7.1 Table 2
General Fund Reserve Movements 2019/20

General Fund 2019/20	£m
Balance as at 31st March 2019	**17.689**
In Year Movements 2019/20:	
Budgeted Contribution	2.000
Balance as at 1st April 2019	**19.690**
Less impact of Negative Earmarked Reserve	*-1.322*
Closing Balance as at 31st March 2020	**18.367**

Capital Receipts Flexibilities (CRF)

The MTFP (2019-22) process included a review of business cases supporting the transformation activity that planned to utilise capital receipts flexibilities during 2019/20 in compliance with Government Guidelines. This was planned at £2.795m in the MTFP, although the quarter 1 forecast position has reduced to £2.533m, a reduction of £0.262m from the original forecast. Appendix A gives a summary of the transformational projects and current forecast value. Over time the impact of these investments will be evaluated to ensure full compliance with Government Guidelines.

1.8. Improving Lives Programme (ILP)

The Improving Lives Programme (ILP) will deliver an ambitious redesign of the Councils services to enable the Council 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 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 require a business case to be completed and to pass through an approval process, which assesses and determines the most appropriate funding of these costs, be it ITS Fund or CRF.

As at the end of June 2019, the estimated cost of additional resources required to facilitate the Improving Lives Programme during 2019/20 is £0.480m.

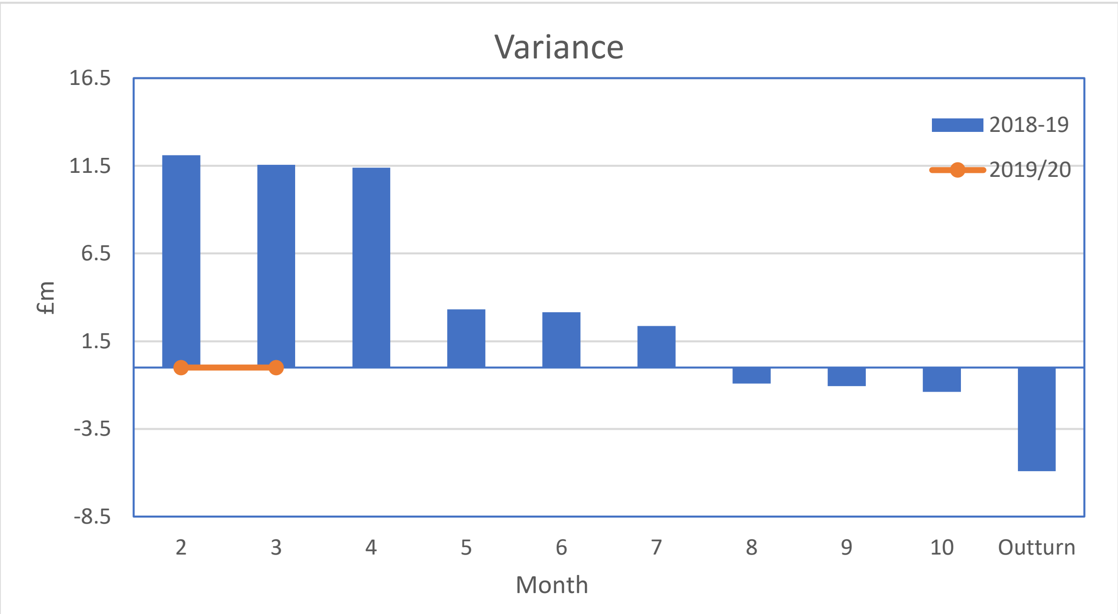
An update on the delivery of the programme can be found in section 2.10

Summary Forecast 2019/20 – Revenue Budget

The Councils 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 most of the variance being within Children's Services and Trading Units (Dillington House). Most other areas of the Council are within reasonable tolerance.

1.9. 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



1.10. The table showing the projected end of year position, and variances from agreed budgets, are set out in Annex A. The paragraphs below offer short explanations of the major parts of those variances. As part of continuing improvements to financial management the format of the table in Annex A will be reviewed to ensure that it meets current best practice and aids transparency.

2. Key Variances

2.1. Adults Services *(Net budget £126.614m, projected on budget, no movement)*

Adult Services: on budget £0.000m, movement; £nil

The Adults budget is projected to be a balanced position against the net budget of £126.614m. This is following management action being taken to address pressures and use of Better Care Fund and Council Tax precept to fund growth, particularly within the Learning Disabilities service.

There has been a small increase in the projected spend reported against Adult Social Care since the month 2 report. This has resulted in an adverse movement of £0.069m (0.09%), however this growth will be offset by some of the Council Tax precept money that has been held back to fund growth.

The main cause of the above is an increased usage of Nursing beds over the past month, mainly to support hospital discharges. This follows several months of Nursing placements reducing in large numbers each month. At the end of March 2019 there were 779 nursing placements which had reduced to the 745 which were reported last month. This movement increases numbers back up to 761. Although fluctuations like this are common when dealing with a large number of placements, Adults management team will keep this under review to ensure any further growth is managed accordingly.

There have also been increases in the use of Respite placements with quarter one of 2019/20 being 20% higher when compared to the same period in 2018/19. This approach is part of the 'Promoting Independence' strategy and enabling people to remain in their own homes with their families for longer. These increases are offset by a reduction in Residential placements which is in line with the MTFP saving put forward to reduce the use of Residential.

Mental Health activity has also increased since month 2 with projected spend being £0.053m higher than the previous report. This 0.36% growth will also be offset by Council Tax precept.

Following a review of residential placement end dates with the Strategic Manager for Mental Health services there are a number of extensions which are now being projected for. This has increased anticipated spend by £0.220m. This has however been offset by additional income from NHS England for a Transforming Care case which wasn't being projected for previously.

The Learning Disabilities Pooled Budget expenditure has increased marginally this month. Spend is now projected to be £0.193m higher than that reported at month 2 which is an increase of 0.24%. As agreed previously with the Clinical Commissioning Group this growth will be funded by the Better Care Fund inflation.

The main reasons for this growth are a net increase of 10 people taking a Direct Payment to meet their outcomes, increases for 2 clients following a review where their support has changed to a Direct Payment, and a client who has transitioned from Children's into a Supported Living placement. Although there has been growth in Learning Disabilities there were no new residential placements which is in line with the services commissioning intentions. Spend against the Learning Disabilities budget will continue to be tracked closely throughout the year to enable any potential further growth to be flagged early and managed appropriately.

There are MTFP savings of £5.157m to be achieved during 2019/20. Of these £2.767m have already been fully achieved with the remainder on track to be delivered throughout the year.

2.2. Children's Services *(Net budget £83.372m, £0.497m projected overspend, favourable movement -£0.477m)*

Children & Learning Central Commissioning: adverse £0.064m, movement; favourable -£0.493m

The budgets for transporting children and young people to and from their place of education has benefited from a transfer from contingency of £0.498m substantially decreasing the overall overspend reported last month. This was a decision taken in the month 2 monitoring report and reflects 're-basing' of the budget, rather than any increased costs.

However, there has been an adverse variation of £0.195m from month 2 to month 3 in the full year forecast expenditure for PRU (Pupil Referral Unit) transport. This is as a result of a reporting issue but Month 3 forecasting now projects an overspend on the budget where an underspend had been forecast last month. A large proportion of this will be funded by schools so the net impact on the PRU transport budget is small at £0.082m.

A number of permanent exclusions late in the academic year have seen an increase in demand but around 130 children accessing PRUs were in school year 11 and will now leave reducing the forecast spend. Transport to some PRU centres has also stopped altogether and the service expects to see a reduction in costs for Month 4.

Tendering for school transport routes starting in September 2019 is due to take place in August and at that point the Council will have a much clearer view of what the 2019/20 costs are likely to be for this budget line.

Children & Families Operations: adverse £0.433m, movement; adverse £0.016m

The overall position for Children's & Families is a £0.433m overspend, no material change to the bottom line since month 2.

External Placements: adverse £1.046m, movement; adverse £0.006m

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 in number 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. The placement forecast does not yet account for any management actions to mitigate the overspend.

Leaving Care: adverse £0.241m, movement; adverse £0.021m

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 £0.241m. 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; movement; £nil

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

Transport: favourable -£0.000m, movement; favourable -£0.200m

A review of use of transport for contact visits is being undertaken by the service and management action is being taken to address the previous months overspend.

Allowances: favourable -£0.189m, movement; adverse £0.111m

A reduction in the projected volumes of allowances across Permanence since last year has given rise to a forecast underspend of £0.189m. A review of the forecast model has led to a reduction in the projected underspend.

Staffing: favourable -£0.321m, movement; adverse £0.185m

There are £0.321m 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. A review of all vacancies and recruitment assumptions and an update against a savings target has reduced the projected underspend by £0.185m since last month.

2.3. Public Health *(Net budget £1.081m, on budget.)*

Public Health: on budget £0.000m, movement; £nil

As reported last month there remains an underspend projected against this budget. However, the Director of Public Health is continuing to develop a plan to use this underspend to increase capacity within the specialist public health team. This capacity would provide additional support to the developing prevention focus across the organisation and wider system.

All savings have been fully achieved for 2019/20. These were a £0.547m reduction to the Public Health Grant and £0.100m of MTFP savings.

2.4. Economy Community and Infrastructure *(Net budget £66.367m, -£0.371m projected underspend, favourable movement of -£0.389m from month 2)*

Economy & Community Infrastructure: favourable variance -£0.371m, movement; -£0.389m

Economy Community and Infrastructure's (ECI) are forecasting an underspend of £0.371m for 2019/20. The major variations are;

Highways and Transport Commissioning are projecting a £0.337m overspend which is an adverse movement of £0.062m from month 2. This is as a result of new urgent technical studies, and additional staff re-charges to District Councils to improve service levels in highways development management.

Highways is forecasting an £0.309m overspend. The £0.102m adverse movement from month 2 is due to increased legal costs and highways licence income being lower than budgeted. It is anticipated that this overspend will be addressed through additional management action that will be reported in subsequent months.

Traffic Management are forecasting a £0.181m underspend, a favourable increase of £0.156m to the underspend reported in month 2. This is due to improved income forecasts as a result of an increase in applications for Temporary Traffic Regulation Order income (road closures and diversions) and a more consistent approach to enforcement charging.

Property Services are projecting a £0.123m underspend, this is as a result of rental income on some properties not reducing as expected due to the delay in the sale of properties. However, the underspend from month 2 has reduced by £0.050m as a number of premises have been and are expected to be vacated resulting in a reduction of rental income projections.

Transporting Somerset are £0.197m underspent which is an adverse movement of £0.067m from month 2. 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. The movement from month 2 is as a result of an additional commitment for redundancy costs and more accurate data on relief/permanent staff projections.

Somerset Waste Partnership are forecasting a £0.572m underspend, a favourable movement of £0.545m from month 2. The movement is as a result of being further into the year and having more accurate waste tonnage data available to project the outturn position.

There are still a number of factors that could change forecasts including winter and emergency costs and any upturn in waste volumes and transport costs (Concessionary Fares as a result of operator's data and County Ticket).

Economy Community and Infrastructure have £3.165m of savings for 2019/20. Of this £1.796m has been achieved, £1.261m is on track to be achieved and £0.108m is unachievable but will be met through a substitute saving.

2.5. Corporate and Support Services *(Net Budget £22.277m, -£0.006m projected underspend, adverse movement of £0.006m from month 2)*

Corporate and Support Services: favourable -£0.006m, movement; adverse £0.006m

Corporate and Support Services are forecasting a minor underspend of £0.006m for 2019/20. This is due to the following;

Customers and Communities are forecasting and underspend of £0.030m. This is due to staff vacancy savings of £0.065m offset in part by a shortfall in income and additional training costs. The movement of £0.030m from month 2 is due to an increase in staff vacancies.

Democratic Services are projecting an overspend of £0.046m, this is as a result of a shortfall of Partnership Governance funding and £0.037m of MTFP savings (Member allowances voluntary deduction, Partnership Governance income generation and Democratic Services demand management) that are unachievable. These savings are unachievable due to the business need to continue as the Host Authority for several significant Partnership Governance arrangements and additional work as part of the Improving Lives Programme and Peer Challenge recommendations for Member training and the review of the council's scrutiny function.

Legal Services are £0.037m overspent, this is in part due to the Coroners budget overspend on conveyance of bodies and pathologist costs. Also, the anticipated cost of counsel fees for 2019/20 resulting in an overspend, this will be reviewed throughout the year.

Commercial and Procurement are forecasting an £0.093m 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 movement from the month 2 position of £0.081m underspent is due to further staff vacancies.

The ICT budget is projecting an £0.035m overspend for 2019/20 due to the under recovery of income. This will be reviewed throughout the year through budget monitoring. The £0.007m movement from month 2 is due to increased staff and software costs.

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 £3.201m has been achieved, £0.326m is on track to be achieved and £0.049m is currently unachievable. This is made up of £0.037m of unachievable savings within Democratic Services for income recovery and generation and a £0.012m unachievable saving in Legal Services which is pending change control.

2.6. Non-Service *(Net budget £28.257m, -£0.410m projected underspend, adverse movement of £0.860m)*

Contingencies: favourable -£0.662m, movement; adverse £0.784m

The 2019/20 budget included £7.226m in a corporate contingency to mitigate against the risk of unexpected in-year service pressures and or funding changes. This sum is now £6.728m following the agreed recommendation to transfer £0.498m to fund some of the pressure within Children's Services for SEN transport (as per July Cabinet meeting). At this stage in the year it is prudent for this contingency budget to be shown as fully committed however an element is being shown as a favourable variance to off-set the small overspend of £0.667m currently forecast in service areas and Trading Units which is a movement of £0.777m from month 2. If the current overspend in other services and Trading Units is not mitigated by additional management action the remaining available contingency budget would be £6.061m. If no other pressures materialise during the year the outturn position would be an overall underspend of this sum for the authority.

Pay Award: adverse £0.076m, movement; adverse £0.076m

This is the second year of the Governments national 2% pay offer for local government workers and in view of this the Council budgeted £3.017m (including increments) for 2019/20. Now that the actual pay award and increments have been calculated by each service the Council is reporting an adverse variance of £75,600 which is 2.5% of the pay award budget and a marginal variance compared to total pay bill for the Authority.

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

Dillington House: adverse £0.290m, movement; £nil

Dillington is currently forecasting a deficit of £0.290m following the latest monthly budget/performance review of month 3 accounts. The variance reflects revised projections of income levels across all areas of activity. Costs have also been adjusted to reflect the reduction in forecast bookings, particularly for weddings. 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.

An additional analytical review of the trading position for Dillington will be carried out during September with a view to report with more confident an update as part of quarter 2 budget monitoring which will also indicate future year forecasts.

Support Services for Education: on budget £0.000m, movement; £nil

A reduction in income levels across Somerset Music, Somerset Centred Initial Teacher Training (SCITT) and Health and Safety have resulted in deficits within the service of £0.059m. This is due to reduced buyback and three trainees withdrawing from the SCITT programme.

Contract Support’s deficit of £0.029m is due to increased contract costs from Kier because of a greater inflationary increase than we were anticipating at the time of setting forward budgets. This is currently being disputed.

These deficits are partly being offset by £0.021m of surplus predominantly in our outdoor education centres due to increased traded income from additional bookings.

The current projected deficit of £0.067m is expected to be managed through efficiencies and increased traded income.

2.8. Delivery of Savings

The Financial Imperative approach, established to manage the preparation and delivery of MTFP continues to provide assurance for the development, delivery and validation of savings plans. Business Change continues to prioritise resources to support this and processes and assurance mechanisms have been improved for 2019/20 informed by lessons learnt reviews and feedback from Audit.

The different savings statuses are as follows:

- Red: This means that 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 combined savings for 2019/20. Please note that these numbers are valid as at 30 June 2019.

Table 3 – Revenue Savings 2019/20

Area	Agreed Savings (£)	Red (at risk) £	Green (on track) £	Blue (delivered) £

Adult Services	5,506,800	-	1,962,000	3,544,800
Children's Services	4,592,825	5,800	1,246,525	3,340,500
Corporate & Support Services	3,576,500	49,300	326,403	3,200,797
Economic & Community Infrastructure	3,165,300	10,000	1,256,100	1,899,200
Non-Service	4,708,800	-	-	4,708,800
Total	**21,550,225**	**65,100**	**4,791,028**	**16,694,097**
Percentage of Delivery		**0.30%**	**22.23%**	**77.47%**

2.9. Aged Debt Analysis

The overall debt position shows a total gross debt of £10.874m, of which £2.116m (19%) is over 90 days old. This is an improvement on last year, where the figure was 34% at quarter 1. Previous areas where debt has been difficult to collect promptly have improved. A summary of aged debt can be found in Table 4 below

Detailed debt information is reported to Audit Committee on a quarterly basis. In addition, last year, a SWAP audit report was issued on debt management, which informed updates to the Income Code of Practice. Mandatory training awareness sessions have also been provided to all officers involved in actively managing debt and additional support has been provided to services on specific debt management processes and controls.

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

Table 4 – Aged Debt Analysis by Service

Service	Not Overdue	0-30 Days	31-90 Days	91-365 Days	365+ Days	Total (Gross)
	£m	£m	£m	£m	£m	£m
Adult Services	0.088	4.707	0.519	0.723	0.370	**6.407**
Children & Families Operations	0.009	(0.001)	0.004	0.002	0.006	**0.020**
Children & Learning Commissioning	0.044	0.018	0.140	0.052	0.003	**0.257**
Schools & Early Years	0.026	0.023	0.011	0.004	0.006	**0.070**
Public Health	0.000	0.000	0.007	0.010	0.000	**0.017**
Economic & Community Infrastructure	0.097	1.048	0.606	0.742	0.164	**2.657**

Corporate & Support Services	0.024	0.385	0.023	0.026	0.007	**0.465**
Support Services for Education (Trading Units)	0.004	0.886	0.090	0.001	0.000	**0.981**
Total (£m)	**0.292**	**7.066**	**1.400**	**1.560**	**0.556**	**10.874**
Total (%)	**3%**	**65%**	**13%**	**14%**	**5%**	**100%**

Adult Services: £6.407m

Debts over 30 days old have reduced by £0.879m since the figure reported at Outturn following a lot of focus on the debt position by the Adults Finance Team. The current amount of debt over 30 days stands at £1.612m and of this £0.502m relates to invoices that are in dispute with Somerset Clinical Commissioning Group. Discussions are taking place to resolve these as quickly as possible. There are also a number of debts relating to client contributions and these have been referred to legal services for further action to be taken.

Children's Services: £0.277m

Of the debts over 30 days, the majority (61%) relates to 3 invoices owed by partner health authority for the recoupment of interagency fees of children in care and the annual NHS contribution to the Somerset Safeguarding Children's Board (SSCB). These invoices are not in dispute and settlement is due imminently.

Economic & Community Infrastructure: £2.657m

ECI are reporting a total of £0.906m outstanding debt over 90 days old. These debts are all being actively chased by services or by legal/debt recovery. The majority of these debts are for Engineering Design and Property Services.

Corporate & Support Services: £0.465m

The total value of debts over 90 days is £0.033m, all debts are being actively chased or have been referred Legal/Debt recovery.

Support Services for Education: £0.981m

The majority of debt (90%) is under 30 days old and relates to services and courses purchased via the SSE website. This is expected to be recovered in line with the timescales set out within the Income Code of Practice.

2.10. Improving Lives Programme

During Quarter 4 of 2018/19 the evolution and transition of the former Core Council Programme into the Improving Lives Programme was completed. The

Council continues to build on the foundations laid by our Core Council and Financial Imperative Programmes in 2018/19, which established financial control and sustainability and enabled us to bring our focus to a transformational redesign of the Council.

The Improving Lives Programme (ILP) is an overarching strategically important programme that has a vision aligned to the County Plan. The ILP will redesign the organisation to create a sustainable Council and a culture that promotes innovation and values our staff. It will enable the Authority to better manage demand and put prevention at the heart of its thinking. It also incorporates the Children's Transformation Programme and the continued Financial Imperative focus (as detailed above)

The ILP Programme has 4 Design themes

- **Behaviours and Cultures** - Ensuring that we have the right skills, tools, values and behaviours to improve lives across the County.
- **Commissioning for the Future** - Working as one organisation and in partnership with others to prioritise early intervention and prevention, encourage self-help and commission creatively and to ensure value for money.
- **Managing Demand and Building Stronger Communities** - Developing a shared vision with our communities focussed on improving lives. It should mean emphasising prevention so demand on our statutory services is minimised and workstreams are aligned to these areas of focus
- **Helping People to Help themselves** - Empowering our residents to help themselves wherever possible. We will do this by providing the right advice and information and encouraging and supporting more customer self-service via digital channels and a lot of work has commenced under the Digital Customer Workstreams

The programme continues to be mobilised with the last 3 months focusing on developing the scope of the programme and associated delivery plans to provide a firm foundation to enable a transition into a delivery phase later in 2019. Governance has been put in place to establish clear and effective organisation and assurance reporting commenced in June.

The Senior Leadership Team have been working on a shared narrative of the Programme, allowing each to bring to life the vision of the Programme as well as the expectations on their staff. A varied and engaging session for Strategic and Service Mangers was held in June, where staff exhibited 15 examples of where the design principles are being brought to life across SCC. There are plans to replicate this session, in a roadshow form, thereby promoting the Programme design themes and reaching as many staff and Councillors as possible.

Significant strides have been made in identifying the resources and skills that will be required to drive the Programme forward. Business Cases, from across the design themes, have been approved and the majority of posts are now filled, or appointments have been made pending start dates. Building this capacity will form the foundation to scope and deliver the cross cutting transformational activity to follow.

Key enabling activity to build capability is being progressed. The Somerset's People Attributes have been launched with a delivery plan to promote their adoption across services and embed these new behaviours and attitudes required to support new ways of working in SCC's practice by April 2020. The Somerset Mini-Academies, a training and development approach to develop commissioning capability across SCC, has also been scoped for further development in the Autumn.

The £0.850m Prevention Fund's is an opportunity for proposals to be developed by service areas in discussion with the relevant Cabinet Member and must focus on preventing needs/or the escalation of need in order to reduce future demands on SCC service. The fund has attracted good levels of interest with four Business Cases, asking for total funding of £0.600m, being approved by the Senior Leadership team. Once the business cases have followed due process the bids will be monitored through the Improving Lives Programme governance.

Children's Transformation

This programme wraps governance, rigour and assurance around a number of workstreams which collectively intend to deliver improved outcomes for Children within a sustainable budget. Workstream plans are underway with leads in place and meetings held regularly with the Board Chair to challenge progress and identify risks, issues and decisions that require escalation.

Workstreams such as Placements and Systems Review have received particular attention in terms of savings opportunities identified and deep dive sessions held with the leads of these areas to ensure the Board understands progress within the context of the volatility of Children's service demand.

This period the Inclusion Service submitted a report outlining the 3-year plan to address the Designated Schools Grant (DSG) deficit which is also tracked in this programme due to the High Needs component of the DSG.

Integral to the success of this Programme is a focus on workforce development and required cultural and behavioural change across the system based on an agreed vision and set of shared values and outcomes, and which is being led by the Director of HR/OD. Workstream outcomes align to The Improving Lives programme with improvement opportunities identified such as the 'Family Front Door' project within the Early Help workstream highlighted as having a digital customer element to it which supports the themes of demand management, prevention, self-service thinking and commissioning for the future.

Adults Transformation

From April 2019 Adults re-set their transformation priorities and the scope of their Transformation Programme for the next 3-5 years which builds upon our Promoting Independence Strategy. The Programme has transitioned to being service led and the scope, plan and activity baseline for each Theme has been developed and aligned to ILP Design principles. This is now being used to review and identify opportunities to take into the Improving Lives Programme as well as identifying dependencies.

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.
- 8th July 2019 Cabinet Month 2 Budget Monitoring Report

Annex A – Revenue Budget Monitoring (month 3) – Headline Summary Table

Service	Total Revised Budget	Net Variance Adverse / (Favourable)	Planned Use of Earmarked Reserves	Planned Use of Capital Receipts Flexibilities	Net Variance (Under) / Overspend		Previous Cabinet Report Net Variance	Movement from Previous Cabinet Report
	£m	£m	£m	£m	£m	%	£m	£m
Adult Services	**126.614**	3.454	(2.830)	(0.624)	**0.000**	**(0.00%)**	0.000	**0.000**
Children & Families - Operations	**58.554**	0.433	0.000	0.000	**0.433**	**0.74%**	0.417	**0.016**
Children & Learning - Commissioning	**24.818**	0.064	0.000	0.000	**0.064**	**0.26%**	* 0.059	**0.005**
Public Health	**1.081**	0.000	0.000	0.000	**0.000**	**0.00%**	0.000	**0.000**
Economic & Community Infrastructure Services	**66.367**	1.131	(0.780)	(0.723)	**(0.371)**	**(0.56%)**	0.018	**(0.389)**
Key Services Spending	**277.433**	**5.082**	**(3.610)**	**(1.347)**	**0.126**	**0.05%**	**0.494**	**(0.368)**
Corporate & Support Services	**22.277**	(0.033)	1.214	(1.186)	**(0.006)**	**(0.02%)**	(0.012)	**0.006**
Non-Service Items	**28.257**	(3.767)	3.357	0.000	**(0.410)**	**(1.45%)**	* (0.772)	**0.362**
Trading Units	**0.000**	0.290	0.000	0.000	**0.290**	**0.00%**	0.290	**0.000**
Support Services & Corporate Spending	**50.534**	**(3.510)**	**4.570**	**(1.186)**	**(0.126)**	**(0.25%)**	**(0.494)**	**0.368**
Total SCC Spending	**327.967**	**1.572**	**0.960**	**(2.532)**	**0.000**	**0.00%**	**0.000**	**0.000**

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

* Children & Learning Commissioning and Non-Service "Previous Cabinet Report Net Variance" has been adjusted to reflect the transfer from contingency of £0.498m as approved by Cabinet at their meeting on 8th July 2019.