

2018/19 Revenue Budget Outturn Report

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	Cabinet Member	Mandy Chilcott	
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	Relevant Scrutiny Chairman	Anna Groskop	
Forward Plan Reference:	FP/19/04/06		
Summary:	<p>This report details the dramatic turn-around in Somerset County Council's finances in 2018/19 from a significant forecast overspend of -£12.115m predicted early in the financial year, through to an actual delivery of a £5.909m underspend against a net budget of £317.882m (-1.85%) at year end. An £18.024m turnaround. The General Fund Reserve is also rebuilt to an end of year balance of £16.366m with further increases in excess of £19m now predicted during the current Medium-Term Financial Plan period (MTFP 2019-22). The Council's financial outlook is far more positive than it has been for a number of years.</p> <p>This has been achieved through a tighter financial grip on spending, difficult decisions to make budget reductions and a determination to significantly rebuild resilience through reserves.</p> <p>That all of this has been achieved is tribute to staff, managers and all county councillors who have contributed to a turnaround that places the Council in an improving and more</p>		

resilient position.

However, it remains imperative that this tighter financial grip is maintained whilst the Council further strengthens its financial foundations.

The report sets out more details, but in summary the tighter financial grip included an emergency Cabinet meeting on the 12 September 2018 where the Cabinet:

- Approved additional in-year change proposals of £12.790 (including savings of £9.396m);
- Approved the setting up of more robust processes for ensuring the effective management of expenditure and for ensuring delivery of agreed savings (supporting delivery of 72% of MTFP1 original planned savings (i.e. those agreed in February 2018) and 98% of MTFP2 additional savings (i.e. those agreed in September 2018) by the end of the financial year). See table 8 (section 7) for details.

Cabinet also recognised the need for improved public accountability and transparency through significantly strengthened financial reporting during 2018/19; in terms of frequency, quality and timeliness of reports to Cabinet, Audit Committee and Scrutiny meetings. This improved approach will continue throughout 2019/20 to ensure on-going transparency in financial reporting.

Finally, the Cabinet recognised the unsustainable low level of reserves and the need for the Council to take in-year opportunities to improve the position to secure the longer-term financial sustainability of the Council (ending 2018/19 with a £16.366m General Fund balance compared with a balance at the beginning of the financial year of £12.188m).

The movement of -£18.024m from the early forecast outturn position (month 2) to actual outturn position reflects a combination of several factors:

- Additional Grants: £0.931m
- Additional Funding: £2.839m
- Additional in-year savings (agreed in Sept 2018): £9.396m
- Technical Adjustment - Minimum Revenue Provision (MRP) Saving: £4.178m
- Various in-service movements: £0.680m.

	<p>In addition to this during the year, the Council has improved the reserves position significantly by £16.628m through:</p> <ul style="list-style-type: none"> • Net repayment of negative balances: £2.107m (repayments totalling £5.363m, off-set by increases of £3.256m); • New earmarked reserves set up in 2018-19: £9.020m, and; • Contributions to the General Fund Reserve of £5.501m. <p>The sections in this report highlight the following:</p> <ul style="list-style-type: none"> • Proposal for application of revenue budget underspend 2018/19 (section 2) • Service outturn variances (section 3 and appendix A) • Service carry forward requests (section 4 and appendix B) • 2018/19 use of Earmarked Reserves and General Fund Reserves position (section 5 and appendix C) • 2018/19 use of Capital Receipts Flexibilities (section 6) • Delivery of agreed MTFP savings (section 7) • Outturn Aged Debt position (appendix D) • Early Indications for 2019/20 (section 8) • Core Council Programme update (section 9)
<p>Recommendations:</p>	<p>Cabinet is recommended to approve:</p> <ol style="list-style-type: none"> 1. Carry forward requests of £0.417m to be used against future commitments (section 4 and appendix B); 2. The creation of new earmarked reserves totalling £9.020m (section 5, table 5) to fund future commitments as detailed in section 4 and appendix C; 3. The elimination of the negative balance of £2.936m of the Repairs & Maintenance (R&M) and Buildings Maintenance Indemnity Scheme (BMIS) reserves (sections 2 and 5) and; 4. The creation of a new earmarked reserve of £2.556m to enable the Council to support ongoing priorities with delegated authority to be given to the Leader, Cabinet Member for Resources, Chief Executive and Director of Finance (section 2)
	<p>Cabinet is recommended to note the contents of this report and the outturn position for 2018/19 and to specifically note:</p> <ol style="list-style-type: none"> 5. The transfers to and from existing reserves (section 3, table 2 and section 5) 6. The planned future forecast position of the General Fund

	<p>and Earmarked Reserves (section 5, table 5 and appendix C).</p> <p>7. The use of Capital Receipts Flexibilities (section 6)</p> <p>8. The delivery of the agreed savings for 2018/19 (section 7)</p> <p>9. The Aged Debt position (appendix D)</p> <p>10. The early outlook for 2019/20 (section 8)</p> <p>11. The update on the Core Council Programme (section 9)</p>
Reasons for Recommendations:	To inform members of the revenue budget position at the end of 2018/19 and to confirm funding through carry forward requests for delayed commitments that are expected to crystallise in 2019/20.
Links to Priorities and Impact on Service Plans:	The Medium-Term Financial Plan (MTFP) sets the funding for the County Vision. The Council's business plan then sees that the use of those funds is monitored, via budget monitoring reports, throughout the year and a final position as part of this report 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.
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:

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.

Although broader economic 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.

The Children's Services budget, whilst increased during the year to reflect demand and cost pressures, remains under pressure due to the sensitivity to small volume changes that result in significant financial changes especially seen in placements.

Whilst the ECI budget is robust for 2019/20 there are still several factors that may result in budget pressures during the year, including winter and emergency costs, any upturn in waste volumes and Concessionary Fares. For example, 2017/18's late and severe weather conditions resulted in additional costs of over £0.500m in Highways.

According to a report by the Alzheimers Society the number of people living with Dementia in the United Kingdom will increase by 34% between 2015 and 2025. Adults Services have managed demand in this area to date, but this has the potential to be a significant financial pressure as the number of people requiring support with Dementia continues to increase.

The Organisational Risk (00043) for 2018 had a broad perspective, encompassing both current year spending and future years' budgets. On the risk register it is framed as:
"Maintain a sustainable budget: Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2018/19. That we don't set a balanced budget for 2019/20. Risk that we don't have a short- and medium-term financial plan for SCC".

In view of the significantly improving financial position during the latter part of the financial year, the month 10 revenue budget monitoring report, (to Cabinet on 20 March 2019), agreed the following amends to this risk:

- Amended the impact of this corporate risk from 5 (complete failure to deliver a strategic priority or opportunity) to 4 (major impact, positive or negative, on

	<p>a strategic priority);</p> <ul style="list-style-type: none"> Reduced the likelihood from 5 (very likely; >75% chance of occurrence) to 4 (likely; >50 to 75% chance of occurrence; likely to happen within the next 1-2 years). <p>This combination of scores still leaves the risk as “red” – “very high” but is showing a positive direction of travel without allowing any room for complacency. The financial situation is still vulnerable to increased demand or poor management therefore robust control must be maintained.</p> <p>Due to the significant level of uncertainty over demand for services, the potential impact of Governments various funding reviews (Fair Funding Review, Business Rate Retention Review and Spending Review) and the nature of “one-off” grants, it is not proposed to amend the rating of this risk at this time although the description is being up-dated to reflect the core strategic risks facing the Council into 2019/20.</p>						
	<table border="1"> <tr> <td>Likelihood</td> <td>4</td> <td>Impact</td> <td>4</td> <td>Risk Score</td> <td>16</td> </tr> </table>	Likelihood	4	Impact	4	Risk Score	16
Likelihood	4	Impact	4	Risk Score	16		
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 19 th June 2019						

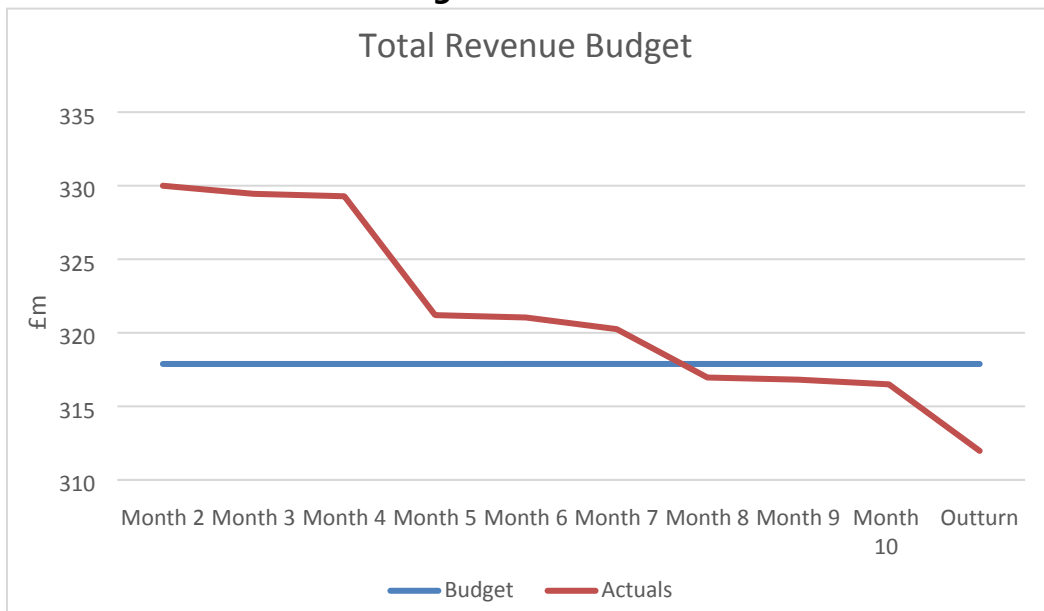
1. Background

- 1.1.** At the start of the 2018/19 financial year the Council recognised that urgent action was required to manage its financial situation differently to ensure it remained within its resources in 2018/19; with low financial resilience due to reduced reserves and a significant overspend forecast early in the year action was required immediately. This was noted by the external auditor with a qualified Value for Money (VFM) opinion which detailed poor resilience and ineffective/unclear financial reporting. Additionally, the feedback from the Corporate Peer Challenge Review in April 2018, a process where a small team of Local Government officers and members spent time at Somerset County Council to provide challenge and share learning also detailed the challenges that the Council faced.
- 1.2.** Several specific actions were identified to drive the improvement journey including:

- Addressing the funding gap in Children’s Services and allocating some corporate contingency to help mitigate the scale of the budget gap;
- Additional savings proposals identified and approved in September 2018;
- A Financial Imperative programme established to control, track and monitor current year financial performance and delivery of savings;
- Weekly Senior Leadership meetings focussing on the Financial Imperative work;
- Increased reporting through Cabinet and Scrutiny meetings on a monthly basis and additional reporting to Audit Committee of management actions and progress in addressing the auditors adverse VFM opinion;
- A conscious decision to increase reserves where the opportunity allowed;
- A robust approach to budget planning for 2019/20 onwards to ensure the budget assumptions were realistic and deliverable.

1.3. Throughout the financial year, the forecast outturn position has been reported to Cabinet and chart 1 below summarises the month by month forecast, culminating in the end of year underspend of £5.909m:

Chart 1 – Total Revenue Budget Outturn 2018/19



1.4. The Council’s forecast early in the year showed a projected net overspend of £12.115m with the main pressures being in Children’s Services, reflecting even higher forecast spend for 2018/19 than the previous year due to the continuing increase in costs of looking after and transporting children. To manage this situation, a more realistic budget needed to be identified urgently to enable the service to provide safe and improving services. At its meeting in July 2018 the Cabinet approved £5m of the corporate contingency (£7.8m) to be immediately allocated to the Children’s operational budget. An exercise was also carried out to assess the underlying funding need in Children’s Services to ascertain a more realistic budget.

- 1.5.** The report from the Corporate Peer Challenge Review reinforced the need for urgency and that strategic focus was needed on finance first and foremost. Following this, and early indications of in-year overspends, the Senior Leadership Team (SLT) and Members increased their focus on identifying ways of reducing spend, demand and ultimately the gap between available resources and spending.
- 1.6.** The Quarter 1 revenue budget monitoring report, forecast that, without decisive intervention, there would be a projected overspend of £11.400m at the end of the year with the majority of the overspend being in the Children's Services budgets. Following the previous budget monitoring report there had been considerable focus on addressing the financial pressures (known as Financial Imperative Programme). This culminated in nearly £13m of proposals for change which included over £9m of savings to be delivered over the remainder of the financial year and more in 2019/20. These proposals that were agreed at Cabinet's meeting in September addressed the majority of the current financial year's pressures and laid the foundations for longer-term financial sustainability for the Council. This was based on a core service offer that is affordable within funding now available and prioritises services for vulnerable children and adults and those services most valued by residents.
- 1.7.** With the added focus on finance, additional actions and greater management of spend across the Council the financial position had been managed more effectively and by quarter 3 the Council was reporting a projected underspend of £1.067m. In addition to the projected underspend, a contribution to the General Fund reserves was made and an adjustment to release some pressure on the need to use Capital Receipts Flexibilities to support the revenue budget and to improve the resilience of the Council. By quarter 3 it was also anticipated that the General Fund reserve would reach of total of £11.637m, plus any residual underspend, at the year end.
- 1.8.** The Council's final revenue budget outturn position is an underspend of £5.909m (tables 1&2 below) against a net budget of £317.882m (-1.86%). In recognition of the need for services to manage service delivery across financial years, it may be sensible to carry forward funding to 2019/20 where specific individual rationale is clearly set out (see section 4 and **appendix B** and details within section 3 and **appendix A**). Total requests for carry forwards are £0.417m and it is recommended that Cabinet approve these.
- 1.9.** Services continued with their tighter grip on financial management of services during the latter part of the year and whilst the overall financial position has changed favourably since month 10 by £2.580m additional contributions to reserves have also been made which improved the Council's overall financial resilience.

2. Proposals for underspend

- 2.1.** To further strengthen the Council's financial resilience, it is proposed that the

services' net underspend (including the unused Corporate Contingency) is applied as follows:

- To consider carry forward requests submitted by Services and detailed in section 4 and **appendix B**;
- To eliminate the deficit balance on the Repairs & Maintenance (R&M) and Buildings Maintenance Indemnity Scheme (BMIS) reserves, and;
- To create an earmarked reserve of £2.556m to enable the Council to support ongoing priorities with delegated authority to be given to the Leader, Cabinet Member for Resources, Chief Executive and Director of Finance.

2.2. Table 1 below summarises the planned use of the Council's overall revenue underspend for 2018/19:

2.3. **Table 1 – Planned application of revenue budget underspend 2018/19**

Proposals for Underspend	£m
Service outturn underspend	£3.965
Unused Corporate Contingency	£1.944
Total outturn underspend	£5.909
<i>Proposed use:</i>	
Carry forward requests (as detailed in appendix B)	£0.417
Elimination of Repairs & Maintenance (inc BMIS) deficit Reserves	£2.936
Creation of a new Priorities reserve	£2.556
	£5.909

3. **Summary Outturn 2018/19 – Revenue Budgets**

3.1. Table 2 below summarises the outturn positions at Service level. Column F of this table shows the final Local Authority variance. More detailed information on the variances at Service level and for Trading Units are in **appendix A**. The carry forward requests made by those services is provided within section 4 and **appendix B**.

3.2. Table 2 – Revenue Outturn 2018/19 – Summary

<i>Column A</i>	<i>Column B</i>	<i>Column C</i>	<i>Column D</i>	<i>Column E</i>	<i>Column F</i>
Service	Total Approved Budget	Variance Under (-) / Overspend	Contribution to Earmarked Reserves	Use of Capital Receipts Flexibility	Net Variance Under (-) / Overspend
	£m	£m	£m	£m	£m
Adult Services	132.186	(6.080)	9.718	(3.638)	0.000
Children and Families	61.910	1.884	0.000	(0.097)	1.787
Children and Learning	24.554	(2.234)	1.452	(0.066)	(0.848)
Public Health (SCC funding)	0.966	(0.829)	0.249	0.000	(0.580)
ECI Services	65.007	(3.138)	0.699	(0.595)	(3.034)
Key Services Spending	284.623	(10.397)	12.118	(4.396)	(2.675)
Corporate and Support Services	20.785	1.761	1.147	(2.911)	(0.003)
Non-Service Items (Inc Debt Charges)	12.474	0.345	0.555	(1.292)	(0.392)
Trading Units	0.000	0.066	(0.066)	0.000	0.000
Support Services and Corporate Spending	33.259	2.172	1.636	(4.203)	(0.395)
Funding Surplus	0.000	(2.839)	0.000	0.000	(2.839)
SCC Total Spending	317.882	(11.064)	13.754	(8.599)	(5.909)

4. Carry Forward Requests

- 4.1. Service underspends are usually added to the General Fund at year end unless services have Cabinet approval to carry-forward unspent sums where there are future commitments, ring-fenced grant conditions or pooled budget arrangements with partners. For 2018/19 these requests total £0.417m and are summarised in Table 3 below and explained further in **appendix B**:

4.2. Table 3: Carry Forward Requests (from favourable variances in 2018/19)

Service	Carry Forward Value £m	Description
Children & Learning Commissioning	0.030	Youth Justice Board (agency contributions reduction)
Children & Learning Commissioning	0.124	Early Help Portal (Getset)
Children & Learning Commissioning	0.047	Troubled Families Programme
Economic Community Infrastructure	0.018	Library Stock
Economic Community Infrastructure	0.030	Road Safety
Economic Community Infrastructure	0.050	Food Waste Campaign
Economic Community Infrastructure	0.103	Property Services (Popham House)
Corporate & Support Services	0.015	Contact Centre Headsets (Customers & Communities)
Total	0.417	

5. Reserves

5.1. 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.

5.2. Although there is no formal guidance that sets the appropriate level of reserves, in recognition of the financial challenges facing the Council and the high level of uncertainty over future funding arrangements for Local Government, a prudent and sensible level of General Fund reserve balance is considered to be 5% of the net budget, approximately £16m. However, alongside the potential volatility of the Council's core services due to demographic changes, and as the Council continues to build its financial resilience, it is considered reasonable for this level to be exceeded for a number of years.

5.3. The following paragraphs explain the movements in reserves in 2018/19 and the end of year balances.

5.4. Earmarked Reserves

- 5.4.1.** Across all earmarked reserves (including the Dedicated Schools Grant) the Council holds a balance of £26.075m as at the 31st March 2019, (this assumes that the recommendations included in the report to repay a negative reserve, and create a new earmarked reserve are approved) compared with £9.874m held as at 31 March 2018: an improvement of £16.201m during 2018/19. This improvement is due to:
- £9.020m of new reserves set up in 2018/19;
 - £5.043m net reduction of negative reserves;
 - £2.138m of other various in-year movements.
- 5.4.2.** The overall balance of £26.075m comprises:
- Reserves held on behalf of other organisations such as the Somerset Rivers Authority (SRA) and the Local Enterprise Partnership (LEP), and others where use is controlled by statute, such as Public Health and the Insurance Fund. (These total £20.738m);
 - Useable earmarked reserves which total £5.337m.
- 5.4.3.** The level of useable earmarked reserves is a significant improvement of £14.066m on the balance at 1 April 2018, which was a negative balance of -£8.730m. This turnaround has been possible by taking the opportunity of using one-off funding and service underspends during 2018/19 to strengthen the Council's financial resilience and repay several of the negative balances.
- 5.4.4.** It must be noted that the figures above include the significant negative reserve associated with the Dedicated Schools Grant (DSG). This reserve position is the result of the Department for Education (DfE) confirming 3 years ago that the funding for schools and education (dedicated schools grant) must be ring-fenced. Over this period significant pressures have been felt in this area and as a result a cumulative position has been built up in these ringfenced earmarked reserves. Due to the pressures that is felt nationally the DfE confirmed that at the end of the financial year 2018/19 any Local Authority with a DSG deficit of 1% or more of the total DSG received must submit a recovery plan to them. For Somerset County Council this deficit at the end of 2018/19 was £7.020m which equates to 1.8% of the DSG received. The Council is working with Somerset Schools Forum to develop a robust plan which will be submitted back to the DfE by 30 June 2019, which will set out the recovery actions and the impact on this deficit.
- 5.4.5.** **Appendix C** (ALL Earmarked Reserves) gives details of individual earmarked reserves the specific movements during 2018/19 and a forecast for the following two years. The following table (table 4) shows a summarised position:

5.4.6. Table 4 – Summary of Earmarked Reserves:

	Balance at 1st April 2018	2018/19 Use of Reserves	Balance at 1st April 2019	2019/20 Planned Use of Reserves	Balance at 1st April 2020	2020/21 Planned Use of Reserves	Balance at 31st March 2021
	£m	£m	£m	£m	£m	£m	£m
Total	9.874	16.201	26.075	-2.523	23.552	-2.115	21.437

Made up of

Total Negative SCC Reserves	-13.068	5.043	-8.024	-0.420	-8.444	-0.170	-8.614
Total Positive SCC Reserves	4.338	9.023	13.361	-1.163	12.198	-0.060	12.138
Held on Behalf of Others	18.605	2.135	20.738	-0.938	19.799	-1.885	17.914

Total	9.875	16.201	26.075	-2.521	23.553	-2.115	21.438
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Including new reserves

New Earmarked Reserves	-	9.020	9.020	3.382	12.402	-	12.402
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5.5. Transfers to and from Earmarked Reserves

- 5.5.1.** During the year, reserves are used to fund various activity and additional contributions are made to the reserves for future use. At the end of the financial year some new earmarked reserves were set up for specific purposes and are detailed in the following table (table 5).

5.5.2. Table 5 – Earmarked Reserves created in 2018/19

Note: All new Earmarked Reserves listed in the following table except for the Adult Social Care Reserve are awaiting Cabinet approval

Held for others

Name of Reserve (or Group)	Service	Description	Balance at 31st March 2019 (£m)
LEP Heart of SW Reserve	Corporate & Support Services	Funded from contributions from the LEP and the contributions fund SCC administration of the joint committee and other work commissioned by the committee	0.036
Total held for others			0.036

Held for SCC use

West Somerset Opportunity Area	Children & Learning Commissioning	3-year programme funded by the DfE. Decision in January 2018 for all current and future grant funding to be allocated to the WSOA delivery plan	1.286
Adult Social Care Reserve	Adult Services	Resilience reserve to support future pressures resulting from demand	2.309
Adults & Health System Reserve	Adult Services	To support Somerset's Sustainability and Transformation Plan.	2.500
Parking Services	ECI	To hold any surplus of deficit of parking income. It is ring-fenced and can only be used in accordance with the road traffic regulation act 1984 section 55.	0.333
Corporate Priorities	N/A	To support Council priorities with delegated authority to be given to the Leader, Cabinet Member for Resources, Chief Executive and Chief Finance Officer	2.556
Total held for SCC use			8.984

TOTAL			9.020
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5.6. General Fund Reserve

5.6.1. As set out in table 6 below, the balance of the General Fund Reserve as at 1 April 2018 was £12.188m and movements during the year have improved this to a balance of £16.366m by 31 March 2018. This reflects:

- 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 (e.g. Ministry of Housing, Communities and Local Government (MHCLG) Levy Grant);
- Release of contingency budget no longer required due to the savings approved by Cabinet in September 2018;
- The subsequent rebase of under pressure budgets, and;
- In-year contributions to reduce the impact to the Council of a number of the Council's negative (deficit) earmarked reserves.

5.6.2. The Council has budgeted, as part of its Medium-Term Financial Plan (MTFP 2019-22), to contribute an additional £2.000m to the General Fund and to repay £3.389m of negative reserves during 2019/20 to further strengthen the Council's financial resilience. However as detailed in section 2, proposals have been put forward to pay off the negative Repairs and Maintenance (R&M) and Buildings

Maintenance Indemnity Scheme (BMIS) reserves in 2018/19 by using part of the reported underspend (although the year-end position of these reserves was an improvement to earlier forecasts.)

5.6.3. The General Fund position at the end of March 2019 and for 2019/20 is shown in table 6:

5.6.4. Table 6 – General Fund Reserves Movements 2018/19

General Fund	Outturn £m
Opening Balance 2018/19	12.188
<u>In Year Movements 2018/19:</u>	
Additional Business Rate Pool Gain from 2017/18	0.703
Base budget contribution	2.013
LOBO annual loan repayment premium	-0.046
Revenue underspend contribution (month8)	1.000
One-off additional grant levy (month9)	1.031
Contribution from Contingency Fund (month9)	0.800
	5.501
Less impact of negative Earmarked Reserves	-1.322
Balance at 31st March 2019:	16.366
<u>In Year Movements 2019/20:</u>	
Base budget contribution	2.000
Cabinet Addendum Proposal - Funding for preventative work	0.500
	2.500
Balance at 31st March 2020:	18.866

6. Capital Receipts Flexibilities

6.1. Since 2016 the Government has allowed local authorities to use capital receipts to fund transformation projects that would otherwise have counted against revenue funding. The Council has used this flexibility in 2018/19 and following a full review of business cases for 2018/19 in March 2018, £8.598m of expenditure was judged to qualify as transformational against capital receipts funding. This enables the amount of £1.5m set aside in Quarter 3 monitoring report to avoid adverse effects on services had any of the expenditure not met the qualifying criteria, to contribute to the outturn underspend position.

6.2. The business cases where capital receipts flexibility funding has been used are detailed in the below table (table 7). This can also be seen in the Revenue Outturn 2018/19 – Summary table above (section 3, table 2, column E).

6.3. **Table 7 – Use of Capital Receipts Flexibilities 2018/19**

Service		Value £m	Description
Adult Services	Learning Disabilities	3.638	Contractual transformation costs
Children & Families - Operations		0.050	Moving Adoption services to an agency arrangement
		0.047	Supporting the Family Support Service model
Children & Learning - Commissioning		0.066	Supporting the Family Support Service model
ECI Services	Property	0.206	Costs associated with property rationalisation and transforming the use of assets
	Economic Development	0.087	Supporting the roll-out of Broadband, underpinning how services can be delivered to the public
	Commissioning	0.025	Commissioning development and working towards integrated commissioning solutions
	Libraries	0.277	Costs associated with the activity supporting the Library transformation
Key Services		4.396	
Corporate & Support Services	Core Council Programme	1.756	Costs within the Core Council Programme team who support transformational projects across the Council
	ICT and related costs	1.000	Costs associated with supporting the digital transformational changes across the Council
	Customers and Communities	0.154	Costs supporting the transformation of the customer "front door" service delivery
Non-Service	Central Redundancies	1.292	Redundancy costs as a result of restructures supporting service transformation
Support Services and Corporate		4.202	
SCC Total		8.598	

7. Delivery of 2018/19 Savings

7.1. As part of the 2018/19 revenue budget setting process, £13.418m of savings were agreed by Full Council in February 2018. Following the forecast adverse variance of £12.115m anticipated earlier in the year, the Council approved a further £12.790m of savings proposals to the 2018/19 revenue budget in the September meeting. This section of the report provides the final position at outturn of the delivery of the new proposals as well as the original savings. These savings have four different status' showing the level of risk around delivery and by the end of the year are either delivered or not delivered.

7.2. The different savings statuses 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.

7.3. When combined, 85% of both the original savings (MTFP1) and the new savings (MTFP2) have been delivered. The remaining 15% of savings have been absorbed via in-year service underspends or included as part of the new base budget for 2019/20.

7.3.1. A total of 72% of the original 2018/19 MTFP savings of £13.418m approved by Full Council in February 2018 have been delivered and 98% of the additional in-year savings of £12.790m approved by Cabinet in September 2018 have been delivered. The significant improvement in achievement of savings over the year reflects the more rigorous monitoring process established in September 2018. Importantly this rigor will be sustained into 2019/20.

Please see table 8 for a breakdown of savings for each service.

7.4. Table 8 Revenue Savings (2018/19)

Note: This table shows the achievement of savings for MTFP1 (72%) and MTFP2 (98%). Overall savings achieved were 85%

Service	Value of Approved Saving MTFP 1	Red (controlled)	Blue (delivered)	Value of Approved Saving MTFP 2	Red (controlled)	Blue (delivered)
	£	£	£	£	£	£
Adult Services	3,226,000	-	3,226,000	3,828,000		3,828,000
Public Health	107,000	-	107,000	-	-	-
Adults and Health	3,333,000	-	3,333,000	3,828,000	-	3,828,000
Children and Families - Operations	1,451,400	774,400	677,000	241,000	-	241,000
Children and Learning - Commissioning Central	1,697,000	1,186,700	510,300	1,893,100	193,800	1,699,300
Children's	3,148,400	1,961,100	1,187,300	2,134,100	193,800	1,940,300
ECI Other Services	1,307,500		1,307,500	3,838,200	-	3,838,200
Economic and Community Infrastructure	1,307,500	-	1,307,500	3,838,200	-	3,838,200
Key Service Spending	7,788,900	1,961,100	5,827,800	9,800,300	193,800	9,606,500
Corporate and Support Services	4,128,800	1,732,100	2,396,700	793,600	24,628	768,972
Corporate and Support Services	4,128,800	1,732,100	2,396,700	793,600	24,628	768,972
Total Services	11,917,700	3,693,200	8,224,500	10,593,900	218,428	10,375,472
Non-Service	1,500,000		1,500,000	2,196,000	-	2,196,000
Total Non-Service	1,500,000	-	1,500,000	2,196,000	-	2,196,000
TOTAL	13,417,700	3,693,200	9,724,500	12,789,900	218,428	12,571,472
Percentage		28%	72%		2%	98%

8. 2019/20 Outlook

- 8.1.** 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. This section of the report summarises the outlook for 2019/20 for each service, identifying potential risks that require close monitoring during the year.
- 8.2.** As the Council moves into 2019/20 the core strategic risk, Maintaining a Sustainable budget (ORG043) has been reviewed to reflect the significant level of on-going uncertainty over demand for services, the potential impact of Governments various funding reviews (Fair Funding Review, Business Rate Retention Review and Spending Review) and the nature of "one-off" grants. However, it is not proposed to alter the rating of this risk since the council, along with all other upper tier authorities, still face a challenge in developing long term sustainable MTFP's.
- 8.3. Children's Services**
- 8.3.1.** The budget for 2019/20 was based on known activity at month 4 in 2018/19 adjusted for demography and inflation. This brings with it a risk that the budget that has been set may not be sufficient to meet the changes in demand that have occurred since, in particular in external placements.
- 8.3.2.** Headroom has been built into the external placements budget, however as reported in year, expenditure exceeded the rebased budget for 2018/19 as the number of days in care increased above those originally projected. If this level of increase were to continue into 2019/20 it could bring with it a significant pressure that will be extremely challenging for the service to manage in year. A first look at current placement data shows that this is not the case, but history demonstrates this can change quickly and therefore the Council must ensure robust monitoring and reporting arrangements are in place to enable urgent management action to be taken to address.
- 8.3.3.** There are also £1.367m of placement savings that must be achieved to ensure a balanced outturn position. These savings are being tracked via the Transformation Board to ensure early identification if the plans are off target and appropriate management actions put in place to address the slippage.
- 8.3.4.** As mentioned elsewhere in the report there is a risk that the issue identified with Capita may have an impact on the Home to School Transport budget in 2019/20 as this occurred after the rebased budget was calculated. At present it is too early to confirm what impact that would have but should be noted as a potential pressure to be managed in year.

8.4. Adult Services

8.4.1. Whilst there may be early forecasts for an underspend in Adult Social Care in 2019/20, the service continues to face serious long term demographic challenges and will be planning accordingly. An end of year variance is not therefore expected.

8.4.2. It is anticipated that the Discovery contract will underspend in 2019/20. This comes as the service continues to transform and as a result of the equalisation reserve being cleared fully in 2018/19. Any underspend would be split with the Clinical Commissioning Group in accordance with the pooled budget agreement and will contribute to the long-term financial resilience of Adult Social Care services.

8.5. Public Health Service

8.5.1. There are no early indications of any financial issues for Public Health during 2019/20. The grant is reduced by a further £0.547m for which savings have already been identified and there is a one-off MTFP saving of £0.100m to be achieved.

8.6. Economic and Community Infrastructure Services (ECI)

8.6.1. A robust budget has been set for ECI for 2019/20. It is anticipated that services will come in on budget. However due to the volatility of some budget areas for example winter maintenance, concessionary fares and waste volumes there may be some variation. This will be monitored closely and reported throughout the year. The Highways energy budget could come under pressure if energy prices increase more than anticipated. Due to resource pressures in both Highways DC and Planning Control it will be a challenge to maintain a balanced budget position.

8.7. Corporate and Support Services (C&SS)

8.7.1. When the budget was set for 2019/20 an unachievable prior year saving within HR&OD was not identified. Given the savings that have subsequently been offered up in this area it is unlikely there will be in year underspends to cover this pressure. However, the budget as a whole is robust and there are no other known variances expected at this stage.

8.8. Non-Service

8.8.1. Given the outturn position, the negative Repair and Maintenance and BMIS reserve balances are being re-paid in 2018/19 rather than 2019/20 as originally planned. Having taken the opportunity to replenish negative earmarked reserves of -£3.389m earlier than originally planned may enable alternative use of this funding in 2019/20 to deliver corporate priorities subject to successful delivery of the agreed budgets. A decision on the use of this funding will be included

through regular budget monitoring during 2019/20.

There is expected to be an adverse variance of £0.400m due to a saving being identified as unachievable (R18-027 - Efficiencies across trading activities).

9. Evolving the Core Council Programme

- 9.1.** During Quarter 4, the evolution of the Core Council Programme has continued. 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.
- 9.2.** As a result, going forward, the Council will be creating a new overarching strategically important programme called Transforming Somerset County Council to Improve Lives. This will also incorporate the Children's Transformation Programme and along with the continued Financial Imperative focus will replace the Core Council Programme.
- 9.3.** Initial activity has been on planning and scoping the emerging Transforming SCC to Improve Lives work. This programme will redesign the organisation to create a sustainable Council and a culture that promotes innovation and values our staff.
- 9.4. Transforming Somerset County Council to Improve Lives Programme.**
- 9.4.1.** The Transforming Somerset County Council to Improve Lives Programme (TSTILP) will deliver an ambitious redesign of our services to enable us to better manage demand and put prevention at the heart of our thinking. It will also set a digital agenda that supports and empowers our customers to help themselves as well as enabling us to commission very differently in the future so that the people and communities of Somerset can thrive.
- 9.4.2.** Alongside this redesign the programme will focus on transforming the culture of the organisation and ensuring the workforce is equipped with the right skills and demonstrates the behaviours needed to bring the organisational vision to life.
- 9.4.3.** The approach to this organisational redesign will be open and transparent, collaborating with staff and partners to enable the co-design of a financially sustainable Council that delivers better outcomes for our residents. To support this open and transparent approach the programme was launched by the Chief Executive with Strategic and Service Managers in February and following this launch a dedicated website was created and shared with staff – referred to as a Knowledge Site. The site is the 'go to' place for the workforce to access information and register their interest to get involved in the programme. In addition to this, regular communications have been shared with staff and a series of engagement events as well as opportunities for staff to shape the work are being planned and will be publicised in the next quarter.

9.4.4. All Council members were briefed on the launch of this programme via a Members Information Sheet in February and also have access to the programme knowledge site. Members will be kept updated as the programme progresses via Members Information Sheets and face-to-face briefings where appropriate. The Council is also exploring the possibility of a members only area on the knowledge site, where information can be published.

9.5. Financial Imperative Programme (FIP)

9.5.1. The Financial Imperative Programme has successfully supported the delivery of 98% of the £12.79m additional in-year savings approved by Cabinet in September 2018, by the close of the financial year.

9.5.2. In addition, 72% of the adjusted original 18/19 MTFP savings (£13.42m) approved by Full Council in February 2018, amounting to £9.72m, have also been delivered. Of the remaining 28% (£3.7m), £949k is being delivered in full in 2019/20 with budgets reduced accordingly, and the remaining £2.75m has been reset as part of the new base budget for 2019/20.

9.5.3. The financial imperative approach has enabled the delivery of a balanced budget for 2019/20 with the identification and development of a further £15.1m of savings proposals as part of the 2019-22 Medium Term Financial Plan.

9.6. Children's Service Transformation Programme (CSTP)

9.6.1. This programme wraps governance, rigour and assurance around a number of transformational workstreams which collectively intend to deliver improved outcomes for Children within a sustainable budget. The workstreams have been shaped initially from the recommendations of the Peopletoo review and honed to prioritise areas of high opportunity to transform commissioning and practice and ensure future sustainability of the Service in the light of known service funding and future demand pressures. Integral to the success of this Programme is a focus on workforce development and required cultural and behavioral change across the system based on an agreed vision and set of shared values and outcomes. Workstream outcomes align to the Transforming Somerset to Improve Lives design principles and aim to deliver improvements in demand management, prevention, digital customer thinking and commissioning for the future.

9.7 Other Programmes and Projects

9.7.1. The following existing Core Council Programme and Projects will either be closing in the next quarter or will transition into the services to deliver as part of their service planning process. Dependencies with the Transforming SCC to Improve Lives Programme will be managed and monitored with progress reported and aligned to Financial Imperative and Transformation (TSTILP) activity.

- **Modernising Adult Social Care** – The Adults Transformation Programme is currently being refreshed. The scope includes service development with Learning Disabilities and Mental Health services, innovation with the use of existing and new technology and commissioning differently for the future. This new framework has identified further opportunities to enhance our promoting independence offer. All commissioning activity aligns to the Promoting independence strategy, and the new transformation programme will focus on joint commissioning to enhance this further, as well as helping out key stakeholders understand what ‘promoting independence’ means for them and how the Council can work collaboratively to achieve better outcomes for people.
- **Family Support Services** – 200 Public Health Nursing Staff including Health Visitors, School Nurses, Assistant Practitioners and Admin Support officially transferred from Somerset Partnership NHS Foundation Trust to Somerset County Council from 1st April. The new service specification will give us a fantastic opportunity to continue to make a difference to the families in Somerset and further develop a service with a strong public health focus.
- **Libraries Service Review** – The future of Somerset’s Libraries Service was decided by Cabinet on 5 November 2018: Of the 13 libraries that received an expression of interest to become Community Library Partnerships, 9 have signed agreements and will be transferred on 1 April through an Officer decision taken on 4 March. Work is continuing for the remaining 4 libraries, Priorswood, Street, Bishops Lydeard and Milborne Port and it planned for these to be transferred during the next 3 months.

10. Background Papers

- 10.1.** Cabinet – 12 Feb 2018 – 2018/19-2021/22 Medium Term Financial Plan
 Cabinet – 12 Sep 2018 – Revenue Budget Monitoring 2018/19 Month 4 (Qtr1)
 Cabinet – 18 Dec 2018 – Revenue Budget Monitoring 2018/19 Month 7
 Cabinet – 23 Jan 2019 – Revenue Budget Monitoring 2018/19 Month 8
 Cabinet – 19 Feb 2019 – Revenue Budget Monitoring 2018/19 Month 9 (Qtr3)

Note:

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