

2019/20 Revenue Budget Monitoring Report – Month 5

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Cabinet Member: Cllr Mandy Chilcott – Cabinet Member for Resources
Division and Local Member: All

1. Summary

- 1.1. This report sets out the Month 5 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.
- 1.2. The report continues to show an overall projected **balanced position** for the Council, with the main adverse variances being within Children's Services and Trading Units (Dillington House). Management action continues to be developed and implemented in these areas to mitigate pressures with an aim to end the year within the approved budget. Until these management actions are fully developed and implemented, these variances are included in the detail of the report and a proportion of the corporate contingency 'notionally' allocated to off-set them. This leaves £5.748m 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.
- 1.3. The budget for 2019/20 includes a savings target of £21.547m and this report confirms current forecast delivery of £21.365m.

2. Issues for consideration / Recommendations

- 2.1. The Committee is asked to comment on the projected revenue outturn for 2019/20, whether there are any suggestions for additional management actions or alternative options that they would like to recommend to the Cabinet.
- 2.2. The Committee is asked to consider any issues or information they would like to be addressed or included in future reports.

3. Background

- 3.1.** This report is the fourth revenue budget monitoring for 2019/20 and remains a relatively early forecast of the potential end of year position.
- 3.2.** 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 £0.805m. This is a slightly worsened position from the previous month's forecast mainly as a result of changes in the Children's services area and the increased deficit in the trading forecast for Dillington which are detailed in section 4.5 and section 4.10 respectively. At this stage in the year, this adverse variance is being off-set by a 'notional' allocation from Corporate Contingency while firm management actions to correct variances are being developed.
- 3.3.** 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.

4. Reserves

- 4.1.** Forecasts for the use of reserves and the year-end balance have not significantly changed from the previous month with the current estimated balance of approximately £33m remaining in earmarked reserves at the end of the year. As part of the fuller quarterly budget monitoring reports, reserves will be reported in more detail including explanations and will include a forecast of the value of reserves that will be held at the end of the year.

5. Capital Receipts Flexibilities (CRF)

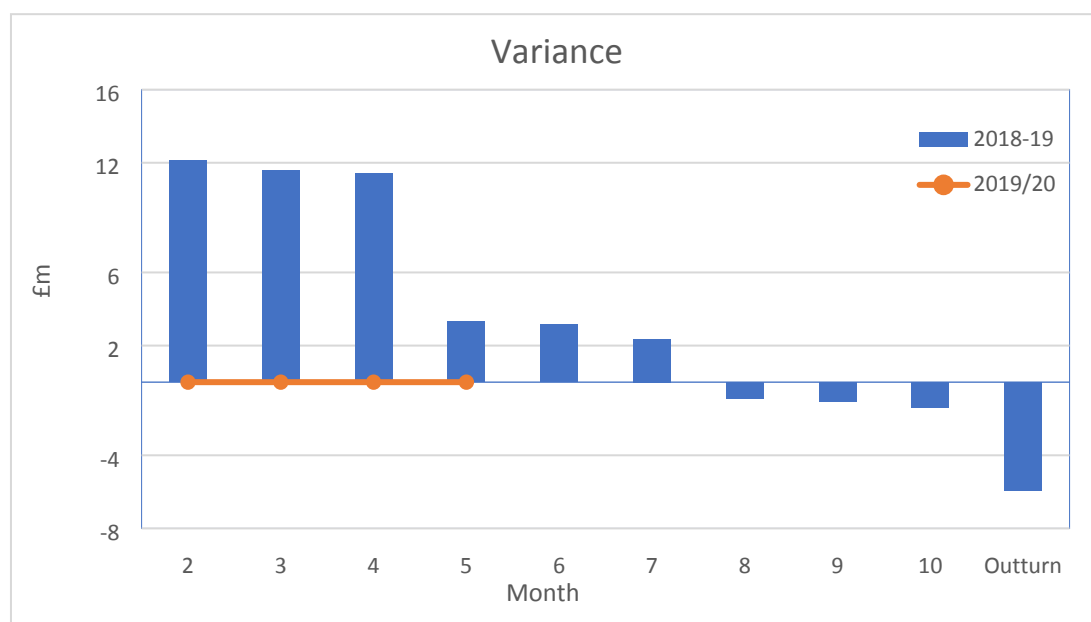
- 5.1.** The MTFP (2019-22) process included a review of business cases supporting the transformation activity that planned to utilise capital receipts flexibilities during 2019/20 in compliance with Government Guidelines. This was originally planned at £2.795m in the MTFP. The Month 5 forecast position indicates a small reduction of £0.370m to £2.425m against the original planned amount and is in-line with the month 4 report. A full summary of the forecasts will be included in the quarterly budget monitoring reports.

6. Summary Forecast 2019/20 – Revenue Budget

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

- 6.2. 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



- 6.3. The table showing the projected end of year position, and variances from agreed budgets, are set out in Appendix A. The paragraphs below offer short explanations of the major parts of those variances. As part of continuing improvements to financial management we will continue to review the format and content of this report to ensure that it meets current best practice and aids transparency.

7. Key Variances

7.1. Adults Services: Net budget £126.533m, £0.174m projected adverse variance, adverse movement of £0.042m

The Adults budget is projected to be overspent by £0.174m against the net budget of £126.533m. This is a small increase of £0.042m from the figure reported in Month 4.

The increased projection of £0.042m is as a result of moving 4 clients from a care home with quality and performance concerns which has now been closed. The new placements have been made at a higher rate than previously but will ensure the assessed outcomes of those involved are met appropriately.

The remainder of the budget has largely stayed as reported previously although there are a number of changes that have netted each other off to reach that position.

There has been an increase in Residential and Nursing placements over the past month, particularly Nursing placements for people with Dementia which

has seen a net increase of 7 placements. This is the continuation of growth that was reported in month 4 and an area that the service knows is likely to increase in the future. As a result, the Mental Health transformation plan and new models of care being commissioned are a big focus over the coming months and years.

Offsetting the increase above is a decrease in the projected cost of Domiciliary Care. There was a reduction in hours delivered across the County throughout period 4, particularly in the Sedgemoor and South Somerset areas. There were particular sourcing issues in South Somerset throughout July although these have now subsided following work done with providers in that area.

The Learning Disabilities Pooled Budget is now projecting a very small favourable variance of £0.062m. There are increased costs for Supported Living following an increase in assessed needs for a number of clients both within the Discovery contract and those that are purchased outside of the contract. These additional costs have been offset by 3 new and 1 increased Continuing Health Care awards.

The council has recently reached a financial settlement with Unison on behalf of its members in relation to an employment tribunal claim. This has enabled the claim to be resolved in a way that is satisfactory for all parties. Costs are being finalised and will be reported as part of the next budget monitoring report.

It is likely that as forecasts become clearer a favourable variance of one-off funding will arise and will be requested at year end to be transferred to the Adult Social Care Resilience earmarked reserve. As part of the fuller quarterly budget monitoring reports a forecast will be included of the likely value of the favourable variance next month.

There are MTFP savings of £5.157m to be achieved during 2019/20. Of these £3.468m have already been fully achieved with the remaining £1.689m on track to be delivered throughout the year.

7.2. Children's Services: Net budget £83.504m, £0.619m projected adverse variance, adverse movement £0.153m

King Arthur's Community School has become a sponsored academy as part of the Sherborne Area Schools Trust. At the point of transfer the school was in deficit which remains with the local authority, to be funded from its core budget. This is not an allowable charge to the Dedicated Schools Grant. The value of the deficit is still being validated but current estimate is £0.450m. We are hoping that the final deficit balance will be agreed with the Trust over the coming weeks and be reported in quarter 2 (month 6) budget monitoring report.

External placements projections have increased by £0.1m this month resulting in a total adverse variance of £1.123m. This is an area of volatility due to the individual and varying complexity of needs of our children and young people, with current average weekly rates for residential and fostering placements at £4,221 and £920 respectively. The budget continues to be subject to additional financial monitoring arrangements to ensure that any deviation from projection can be identified by managers as early as possible.

The ongoing review of use of transport for contact and education by operations managers and business support has improved the forecast financial position by £0.1m, with the budget now projecting a favourable variance of £0.270m.

Children's Commissioning have an adverse change in variance of £0.037m. Increase staff costs within Partnership Business and the Placements Team have contributed £0.018m towards this change with the remaining £0.021m relating to the unbudgeted membership of the South West Peninsula Framework.

There have been several other movements across Children's Social Care services resulting in an increase of £0.1m since last month.

7.3. Public Health: Net budget £1.153m, projected on budget movement; £nil

As reported previously there remains a favourable variance projected against this budget however the Director of Public Health is in the process of increasing capacity within the specialist public health team. This capacity will provide additional support to the developing prevention focus across the organisation and wider system. There is also some funding now allocated to the Development of Neighbourhoods Transformation Programme.

It is likely that there will be a favourable variance at year end and as part of the fuller quarterly budget monitoring reports a forecast will be included of the likely value of the favourable variance next month. This favourable variance will be requested to be moved at year end to the Public Health Earmarked Reserve. This money will be used to fund Neighbourhoods Transformation and to provide a degree of future resilience given the uncertainty over long term funding for Public Health. The government indicated in the 2019 spending review that the Public Health Grant will receive a real-terms increase for 2020/21.

All savings have been fully achieved for 2019/20. The total savings for the Public Health service is made up of £0.547m reduction to the Public Health Grant for which the service has taken management action to address and £0.500m of MTFP savings that are reported within the savings table below (Table 2).

7.4. Economy Community and Infrastructure: Net budget £66.639m, -£0.608m projected favourable variance, favourable movement of -£0.124m

Economy Community and Infrastructure (ECI) are forecasting a favourable variance of £0.608m for 2019/20. The major variations are:

Property Services are projecting a £0.470m favourable variance. This is as a result of rental income on some properties not reducing as expected due to the delay in the sale of properties. The favourable variance has increased from month 4 by £0.186m due in part to the anticipated transfer of budgets as part of the Corporate Landlord model, increased income projections and a reduction in a number of forecasts due to staff vacancies. Due to a lack of certainty about the sustainability of this level of underspend further work by finance and property colleagues is underway.

Transporting Somerset are £0.008m overspent which is an adverse movement of £0.171m from month 4. This in the main is due to an increase in Concessionary Fares projections as a result of fares increases and passenger numbers. 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.

Highways and Transport Commissioning are projecting a £0.362m adverse variance. This is as a result of new urgent technical studies and additional staff to improve service levels in highways development management. The favourable movement of £0.099m from month 4 is due to further detailed work on projections and budgets in this area.

Highways is forecasting a £0.365m adverse variance. The £0.094m favourable movement from month 4 is due to an increase in forecast for the Term Maintenance Contract rebate as additional schemes have been added, in addition there is a reduction in forecast spend on bridge maintenance. In the main, this adverse variance is due to the overspend on Tree maintenance and the TMC rebate, despite the favourable movement this month, still being lower than anticipated. The highways adverse variance is being closely monitored and a plan is in place to track and reduce this.

Traffic Management are forecasting a £0.121m favourable variance. The adverse movement of £0.057m to the favourable variance reported in month 4 is as a result of updated income projections. The overall favourable variance is due to an increase in applications for Temporary Traffic Regulation Order income (road closures and diversions) and a more consistent approach to enforcement charging. Within Parking Services £0.100m has been allocated to the parking review due to take place over the coming months.

Somerset Waste Partnership are forecasting an £0.802m favourable variance, this is down to waste volumes being less than budgeted. The most significant

areas seeing a reduction are kerbside residual waste and green waste at both kerbside and recycling centres. Volumes continue to be volatile and dependent on outside factors such as the weather.

Economic Development are projecting an adverse variance of £0.033m. This is as a result of the anticipated additional legal costs for Connecting Devon and Somerset.

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 £2.049m has been achieved, £1.106m is on track to be achieved and £0.010m is unachievable and is going through the change control process.

7.5. Corporate and Support Services: Net Budget £22.284m, -£0.059m projected favourable variance, adverse movement of £0.080m

Corporate and Support Services are forecasting a favourable variance of £0.059m for 2019/20. This is due to the following;

The Commercial and Procurement forecast favourable variance is now £0.040m. This variance is as a result of several staff vacancies that are yet to be filled, staff MTFP savings being achieved earlier than anticipated and additional income from trading with other local authorities. This is off-set by the unachievable MTFP for the review of fees and charges, however this saving is currently being considered as part of the change control process and additional savings proposals being identified.

The ICT favourable variance now stands at £0.028m. The adverse movement from month 4 of £0.025m is due to a contract extension costs and the additional costs of improving connectivity in some external offices. This has been offset in part by a reduction in insurance charges and other small favourable variances.

Customers and Communities are forecasting favourable variance of £0.057m. This is due to staff vacancy savings of £0.073m offset in part by a shortfall in income and additional training costs. The favourable movement of £0.006m from month 4 is due to further staff vacancies.

Democratic Services are projecting an adverse variance of £0.060m, this is as a result of a shortfall of Partnership Governance funding and £0.035m 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.

There are number of other small adverse and favourable variances within Corporate and Support Services which offset each other.

Corporate & Support Services have £3.574m of savings for 2019/20. Of this £3.201m has been achieved, £0.206m is on track to be achieved and £0.166m is currently unachievable. This is made up of £0.034m of unachievable savings within Democratic Services for income recovery and generation, a £0.012m unachievable saving in Legal Services which is being reviewed and £0.120m unachievable savings in Commercial and Procurement for the review of fees and charges which is currently being considered as part of the change control process. A saving of £0.060m has already been identified to replace the fees and charges saving and is awaiting formal change control sign-off.

7.6. Non-Service: Net budget £21.301m, £0.261m projected adverse variance adverse movement of £0.007m

Central Debt Charges; favourable: -£0.057m, adverse movement; £0.046m

The adverse movement of £0.046m is the annual cost of repaying a loan early. The total cost was £1.1m but regulation allows the Council to spread the cost over the life of the original term (being 24 years). The remaining costs have been included in the budget for future years. This cost is offset by the saving of the annual interest charge of the original loan.

Residual Magistrates Courts: favourable £0.039m, favourable movement; £0.039m

The projected outturn at month 5 is favourable variance of £0.039m. This is as a result of the budget not being adjusted annually to reflect the reduction in loan debt charges since 2015/16. This reduction has been built into the MTFP for 2020/21.

7.7. Trading Units: Net budget £0.000m, £0.417m projected adverse variance, adverse movement £0.127m

Dillington House: adverse £0.417m, adverse movement; £0.127m

Dillington is currently forecasting a deficit of £0.417m following a deep dive budget/performance review of month 5 accounts and forecasts. The adverse movement of £0.127m reflects revised projections of income levels across all areas of activity particularly weddings. Further updates have been made by adjusting costs to reflect the reduction in activity.

There are positives with increased income this year from conferences, events

and online B&B bookings. Actions are taking place to continue building on these positives and to identify potential alternative revenue streams for 2019/20.

Adult Education has not managed to reach its stretch targets for this year but has exceeded previous years' income levels. Work is ongoing to develop a refreshed programme in 2020 to attract new business. We will be taking advantage of the space in this year's programme to test new courses and market appetite.

Whilst weddings have been disappointing for this year (due to a vacancy in a key post during the relevant booking period), next year's wedding bookings are already 57% higher than the current year, with bookings and enquiries continuing.

An independent review is imminent to assess the latest business plan and financial forecasts for the next 3 years and consider how Dillington can effectively deliver services as part of the County Council's portfolio.

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

SSE Outdoors' surplus position has increased by £0.022m due to vacancy savings. Further favourable movements across SSE of £0.016m are due to confirmed buyback resulting in increased income.

7.8. Contingencies: Net Budget £6.553m, -£0.805m projected notional allocation, movement of -£0.285m

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 £6.553m 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) and the agreed recommendation to transfer £0.175m to fund the enhanced capacity and capability to aid Brexit preparations (as per September Cabinet meeting).

At this stage in the year it remains prudent for this contingency budget to be shown as fully committed however an element is being shown to off-set the adverse variance of £0.805m currently forecast in service areas and Trading Units which is an adverse movement of £0.285m from month 4. If the current adverse variance in other services and Trading Units is not mitigated by additional management action the remaining available contingency budget would be £5.748m. If no other pressures materialise during the year the outturn position would be an overall favourable variance of this sum for the authority.

8. Delivery of Savings

- 8.1.** The Financial Imperative approach, established to manage the preparation and delivery of MTFP continues to provide monthly assurance for the development, delivery and validation of savings plans.
- 8.2.** 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.
- 8.3.** The following table (Table 2) shows a summarised breakdown of achievement of savings for 2019/20 as at 31st August 2019 and confirms that 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.

Table 2 – Revenue Savings 2019/20

Service	Agreed Savings (£)	Red (at risk) £	Green (on track) £	Blue (delivered) £
Adult Services	5,506,800	-	1,688,674	3,818,126
Children's Services	4,592,800	5,800	1,246,500	3,340,500
Corporate & Support Services	3,573,500	166,300	206,403	3,200,797
Economic & Community Infrastructure	3,165,300	10,000	1,106,400	2,048,900
Non-Service	4,708,800	-	-	4,708,800
Total	21,547,200	182,100	4,247,977	17,117,123
Percentage of Delivery		0.85%	19.71%	79.44%

9. Consultations undertaken

- 9.1.** 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.

10. Implications

- 10.1.** The financial implications are identified throughout the report.
- 10.2.** There are no specific legal implications arising from this report.
- 10.3.** 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.
- 10.4.** 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 adverse variances, 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."

Following the Spending Round (SR19) additional funding for Local Authorities has been announced mainly for social care and high needs education. However, the mechanisms for distribution of these additional funds is subject to consultation and will be confirmed in early December.

Additionally, there is no current commitment to continue the significant levels of one-off funding beyond 2020/21. In view of this significant level of uncertainty facing local government in funding and on-going increasing demand pressures and costs, 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.

- 10.5.** There are no specific equalities implications arising from the contents of this report.
- 10.6.** There are no community safety implications arising from the contents of this report.
- 10.7.** There are no sustainability implications arising from this report.
- 10.8.** There are no health and safety implications arising from this report.
- 10.9.** There are no privacy implications arising from this report.
- 10.10.** There are no health and wellbeing implications arising from this report.

11. Background papers

- 11.1.**
 - 25th September 2019 Month 4 Budget Monitoring Report to Cabinet

Note: For sight of individual background papers please contact the report author.

Appendix A - Revenue Budget Monitoring (Month 5) - Headline Summary Table

Service	Total Revised Budget	Adverse Variances (+)	(Favourable) Variances (-)	Month 5 Net Variance Adverse / (Favourable)		Month 4 Net Variance	Movement from Month 4
	£m	£m	£m	£m	%	£m	£m
Adult Services	126.533	4.900	(4.726)	0.174	0.14%	0.132	0.042
Children's Services	83.504	3.772	(3.153)	0.619	0.74%	0.467	0.153
Public Health	1.153	0.000	0.000	0.000	0.00%	0.000	0.000
Economic & Community Infrastructure Services	66.639	2.432	(3.040)	(0.608)	(0.91%)	(0.484)	(0.124)
Key Services Spending	277.829	11.104	(10.919)	0.185	0.07%	0.114	0.071
Corporate & Support Services	22.284	0.699	(0.758)	(0.059)	(0.26%)	(0.139)	0.080
Non-Service Items	21.301	0.719	(0.457)	0.261	1.23%	0.255	0.007
Trading Units	0.000	0.424	(0.007)	0.417	0.00%	0.290	0.127
Support Services & Corporate Spending	43.586	1.842	(1.222)	0.619	1.42%	0.406	0.214
Corporate Contingencies	6.553	0.000	(0.805)	(0.805)	(12.28%)	(0.520)	(0.285)
Total SCC Spending	327.967	12.946	(12.946)	(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