

Somerset County Council
Scrutiny for Policies, Children and Families
Committee 19 July 2019

2019/20 Revenue Budget Monitoring – Month 2 Report

Lead Officer: Sheila Collins, Interim Director of Finance

Author: Leah Green, Finance Manager MTFP – Corporate

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

Cabinet Member: Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member: All

1. Summary

- 1.1.** This report provides the first indication of the year regarding the potential Revenue Budget outturn position for the 2019/20 financial year. It highlights variances to the Medium-Term Financial Plan (MTFP) assumptions, as well as emerging 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.** This report is a summary and shows a projected **balanced position** for the authority. However Key Service forecasts project a small net overspend. The majority of the variance is within Children's Services and Trading Units (Dillington House). Management action is under development in these areas with the aim of ensuring a balanced budget by the end of the year, although until these are more fully developed, this variance is being reported. Other areas of the Council have minor variances. It must be noted that the projected balanced position assumes that contingency will be allocated to off-set any unmanageable overspend. If management action fails to address the current forecast overspend in services £5.284m of the Corporate Contingency budget will be available for future in-year pressures.
- 1.3.** Children & Learning Central Commissioning are reporting an adverse variance within their budget of £0.557m. This is largely due to 3 routes being omitted from the Capita reporting in 2018/19, and therefore the budget re-base, resulting in a pressure of £0.498m in Home to School transport. The recommendation to Cabinet is that this pressure be funded by a transfer from the corporate contingency fund (see recommendations section of the main Cabinet report).
- 1.4.** Children & Families Operations are reporting an adverse variance of £0.417m. This is mainly due to projected overspends within the External Placements budget offset by underspends within the Unaccompanied Asylum-Seeking Children (UASC) budget, Allowances and Staffing budgets.

The overspend within the placements budget is due to increases in residential

placements primarily due to a shortage of foster placements. Additionally, other placements have not ended as planned, resulting in a forecast overspend at the beginning of the financial year.

- 1.5. To ensure that the financial position is closely monitored within Children's Services fortnightly meetings will take place involving key managers in the service and finance to scrutinise the current position of the children looked after budgets and to ensure appropriate management actions are identified and implemented. Improved financial management data aligned to activity is being produced in the form of a metrics report providing an overview across the service as well as a focus on areas of historic volatility.

2. Issues for consideration / Recommendations

- 2.1. The Committee is asked to comment on the projected revenue outturn for 2019/20 for the Children's Services budget, 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. 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. During the year, a dramatic turnaround in the Council's finances was achieved through a tighter financial grip on spending, robust monitoring of the revenue budget, difficult decisions to make budget reductions, and a determination to significantly rebuild resilience through reserves.
- 3.2. In 2018/19, the Council finished the financial year with an underspend of £5.909m against a net budget of £317.882m (-1.85%). The General Fund Reserve was rebuilt to an end of year balance of £16.366m and opportunity was also taken to replenish some of the Council's negative reserve balances. This was achieved through a tighter financial grip on spending and budget reductions arising from additional savings proposals during the year.
- 3.3. A robust approach to budget planning for 2019/20 onwards has ensured that the budget assumptions are realistic, and deliverable, in particular the Children's revenue budget was re-based. However due to continuing rising cost pressures, from demographic demand growth in social care for adults and children, the Council must not loosen its financial grip.

4. Consultations undertaken

4.1. See Annex A

5. Implications

5.1. See Annex A

6. Background papers

- 6.1.
- 2018/19 Revenue Outturn Report to Cabinet – 10 June 2019
 - Revenue Budget – Medium Term Financial Plan 2019-22 to Full Council – 20 February 2019

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