

## Annex A

Cabinet 13 November 2019

### **2019/20 Revenue Budget Monitoring – Quarter 2 (month 6) Report**

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

Division and Local Member(s): All

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	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
	County Solicitor	Honor Clarke	05/11/2019
	Monitoring Officer	Scott Wooldridge	05/11/2019
	Corporate Finance	Sheila Collins	05/11/2019
	Human Resources	Chris Squire	05/11/2019
	Property	Paula Hewitt / John Cooper	05/11/2019
	Procurement / ICT	Simon Clifford	05/11/2019
	Senior Manager	Sheila Collins	05/11/2019
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	Local Member(s)	All	
	Cabinet Member	Mandy Chilcott	05/11/2019
	Opposition Spokesperson	Liz Leyshon	05/11/2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	05/11/2019
<b>Forward Plan Reference:</b>	FP/19/05/10		
<b>Summary:</b>	<p>This report sets out the Quarter 2 (month 6) 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.</p>		

	<p>The report shows an overall projected <b>balanced position</b> for the Council, with the main adverse movement from month 5 being within Children’s Services. Section 5 details the management actions underway to mitigate these pressures with an aim to end the year within approved budgets. Until these management actions are more fully developed and fully implemented, these variances are included in the detail of the report and a proportion of the corporate contingency ‘notionally’ allocated to off-set the variances. This leaves £6.127m of the Corporate Contingency budget currently unallocated and therefore potentially available to further improve the Council’s financial resilience in the medium term. This position is improved from month 5. A decision regarding use of the contingency will be considered later in the year once the end of year position is firmer.</p> <p>As this a more detailed quarterly report, it includes more detail on aged debt, reserves, use of capital receipts flexibilities and an up-date on the Improving Lives Programme 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.</p> <p>The budget for 2019/20 includes a savings target of £21.547m and this report confirms forecast delivery of £21.316m.</p>
<p><b>Recommendations:</b></p>	<p><b>It is RECOMMENDED that the Cabinet:</b></p> <ol style="list-style-type: none"> <li>1. Note the forecast balanced budget position for the end of 2019/20</li> <li>2. Note that £6.127m of the corporate contingency remains unallocated.</li> <li>3. Note the delivery of £17.884m savings by Quarter 2 and the forecast delivery of £21.316m by the year end.</li> <li>4. Note the improving financial resilience of the Council, with the level of reserves now being projected as £56.347m by the year end (comprising £36.657m of Earmarked Reserves and £19.690m of General Fund).</li> </ol>

<b>Reasons for Recommendations:</b>	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.
<b>Links to County Vision, Business Plan and Medium-Term Financial Strategy:</b>	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.
<b>Consultations and co-production undertaken:</b>	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.
<b>Financial Implications:</b>	The financial implications are identified throughout the report.
<b>Legal Implications:</b>	There are no specific legal implications arising from this report.
<b>HR Implications:</b>	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.
<b>Risk Implications:</b>	<p>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.</p> <p>Although broader market uncertainty exists in view of the current Brexit negotiations, at this stage any precise implications are not known. The Council needs to be alert to potential implications as negotiations develop and respond accordingly at the time.</p> <p>The Children's Services budget, while rebased, remains under pressure as the Service continues to improve alongside the sensitivity of some aspects of the services to volume changes, especially placements.</p> <p>The Organisational Risk (00043) has a broad perspective,</p>

	<p>encompassing both current year spending and future years' budgets. At the beginning of each year this corporate risk is reviewed.</p> <p>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."</p> <p>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 more details are expected to be announced as part of the Local Government Provisional financial settlement in the autumn.</p> <p>Additionally, there is no current commitment to continue the significant levels of uncertain 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)).</p> <p>Robust control must be maintained.</p>				
	<b>Likelihood</b>	<b>4</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>

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

	<p><b><u>Sustainability Implications</u></b></p> <p>There are no sustainability implications arising from this report.</p> <p><b><u>Health and Safety Implications</u></b></p> <p>There are no health and safety implications arising from this report.</p> <p><b><u>Privacy Implications</u></b></p> <p>There are no privacy implications arising from this report.</p> <p><b><u>Health and Wellbeing Implications</u></b></p> <p>There are no health and wellbeing implications arising from this report.</p>
<p><b>Scrutiny comments / recommendation (if any):</b></p>	<p>This report will be presented to Scrutiny for Policies and Place Committee, on 11 December 2019 and Scrutiny for Policies, Children and Families on 13 December 2019; comments arising will be made available to the Cabinet at a subsequent meeting.</p>

## 1. Background

- 1.1. This report is the second quarterly 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 £0.423m. This is being off-set by a 'notional' allocation from Corporate Contingency while firm management actions to correct variances are being implemented.
- 1.3. The Council is evidencing a sustained tighter financial grip going forwards through the budget monitoring forecast and through its approach to MTFP for 2020-2023. To further support this there will be a continuation of formal monthly monitoring report to Cabinet and to Scrutiny for Policies and Place and iterative 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.

## 2. Reserves

2.1. 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.

2.2. 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.

2.3. This second Quarter budget monitoring report sets out the forecast position and use of earmarked reserves during 2019/20 and the forecast position of General Fund reserve with a summary set out in the tables below (Tables 1, 2 & 3).

2.4. Earmarked reserves are set aside for specific purposes and any anticipated transfer to and from those reserves is in line with those original purposes. Table 1 below confirms the contributions to earmarked reserves that were approved by the Council on 20 February 2019 as part of the budget setting strategy to increase the financial resilience of the council.

### 2.4.1. Table 1 Earmarked Reserves: Approved movements for 2019/20 (February 2019 Council decisions)

<b>Earmarked Reserves 2019/20</b>	<b>£m</b>
<b>Balance as at 31st March 2019</b>	<b>26.075</b>
<u>Budgeted In-Year Movements 2019/20 as agreed in the MTFP:</u>	
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
<b>Balance as at 1st April 2019</b>	<b>34.483</b>

2.5. A review of the approach, in 2019/20 and future years, to the use of reserves has recently been completed that now provides greater consistency and transparency across services. This up-dated approach more clearly sets out the original forecast impact on overall reserve balances (see table 2) and the impact of changes to

these forecasts during the year. (In future years the original reserve forecasts will be built into service budgets enabling variances to be included within the overall variances report by services).

**2.5.1. Table 2 Earmarked Reserves: Original anticipated use of earmarked reserves for 2019/20**

Service	Original Estimated Draw from or Contribution to Earmarked Reserves (£m)
<b>Balance as at 1st April 2019</b>	<b>34.483</b>
<b>Draws from Earmarked Reserves:</b>	
Adults	(2.500)
Economic & Community Infrastructure Services	(2.126)
Non-Service	(0.034)
<b>Contributions to Earmarked Reserves:</b>	
Adult Services	2.511
Public Health	0.567
Economic & Community Infrastructure Services	0.178
Corporate & Support Services	1.202
Non-Service	2.187
Trading Units	0.189
<b>Total net increase in Earmarked Reserves</b>	<b>2.174</b>
<b>Estimated Balance of Earmarked Reserves</b>	<b>36.657</b>

**2.5.2.** Narrative is included within the service sections below (Section 5) with explanation of any changes to the original anticipated use of earmarked reserves (as shown above in table 2). These changes will be presented within the outturn report for 2019/20 for approval alongside other reserve requests so that the impact on reserves and the overall council financial resilience is visible and a full position of reserves is known.

**2.6.** The forecast end of year position for earmarked reserves clearly demonstrates the continued positive improvement in the Council's financial resilience. These movements will be monitored closely for the remainder of the year and details reported in quarterly reports during the year.

**2.7. 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 3 below:

### 2.7.1. Table 3 General Fund Reserve Movements 2019/20

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

### 3. Capital Receipts Flexibilities (CRF)

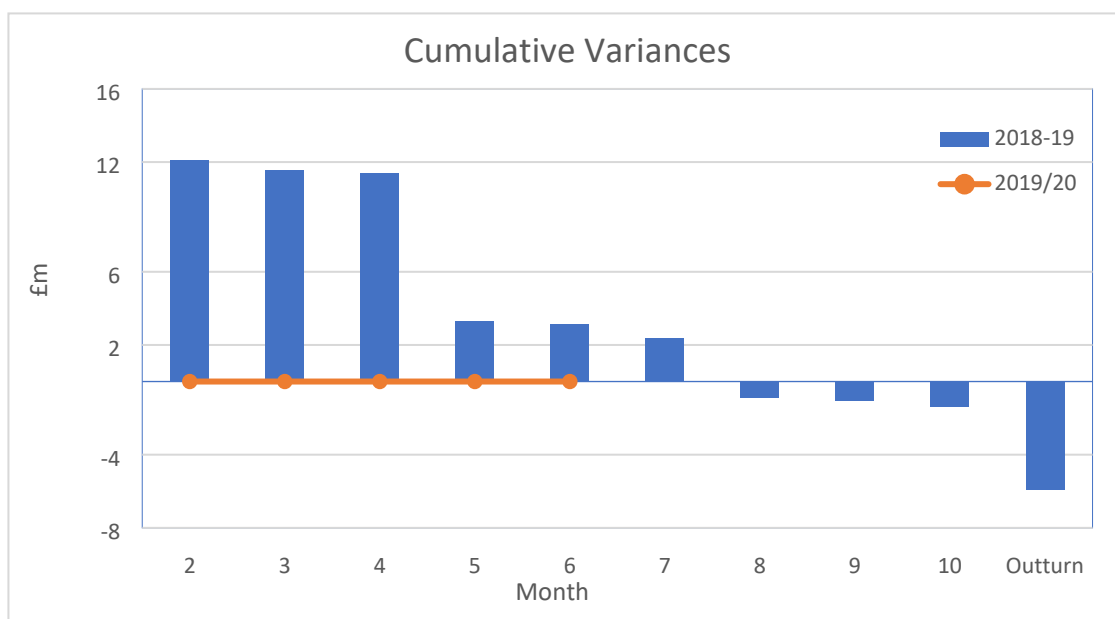
The MTFP (2019-22) process included a review of business cases supporting the transformation activity that planned to utilise capital receipts flexibilities during 2019/20 in compliance with Government Guidelines. This was originally planned at £2.795m in the MTFP. The Month 6 forecast position indicates a reduction of £0.449m to £2.346m against the original planned amount and is a small reduction from what was forecast in the month 5 report (£2.425m). Appendix B gives a summary of the transformational projects and current forecast value.

### 4. Summary Forecast 2019/20 – Revenue Budget

- 4.1.** 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.
- 4.2.** The following graph (Graph 1) compares the reported monthly budget variances in 2018/19 and the current financial year.

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



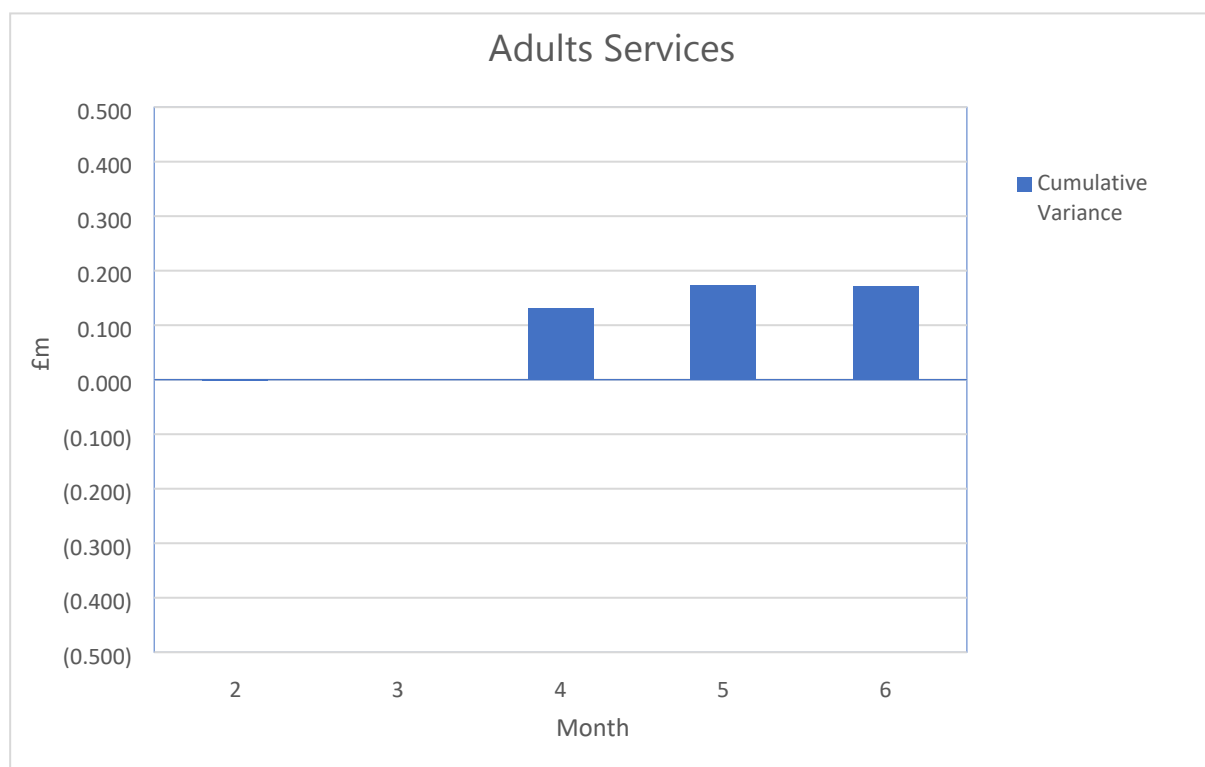


**4.3.** The table showing the projected end of year position, and variances from agreed budgets, are set out in Appendix A. The paragraphs below offer short explanations of the major parts of those variances. As part of continuing improvements to financial management the format of the table in Appendix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

## 5. Key Variances

**5.1. Adults Services: Net budget £126.522m, £0.171m projected adverse variance, favourable movement of £0.003m**

**Graph 2 – Adults Services 2019/20 cumulative variance to budget**



The Adults budget is projected to be overspent by £0.171m against the net budget of £126.522m. Although this is a small decrease of £0.003m from the figure reported in Month 5, there are a number of positive and negative movements which should be noted and are reported below.

There has been an increase in the use of Short-Term placements to assist with discharge from hospital which has increased costs by £0.106m. The service is analysing all the data available to understand this increase but given that these placements are benefitting the system as a whole by speeding up discharge, they will be funded from the Social Care Grant.

The projected cost of Domiciliary Care continues to decrease as capacity in certain areas of the County remains low. There was a reduction in hours delivered in the Sedgemoor and South Somerset areas, which is similar to what was reported last month. The projected cost has reduced by £0.085m.

Staffing projections have reduced by £0.217m since the previous report due to a number of vacancies having their start dates pushed back, and new vacancies created by people leaving the service.

The Learning Disabilities Pooled Budget remains on track with a very small favourable variance of £0.003m, although this is an increase of £0.059m from the position reported at month 5. The main increases were due to new Day Services, the ending of Continuing Health Care for one person and increased costs for a Residential client.

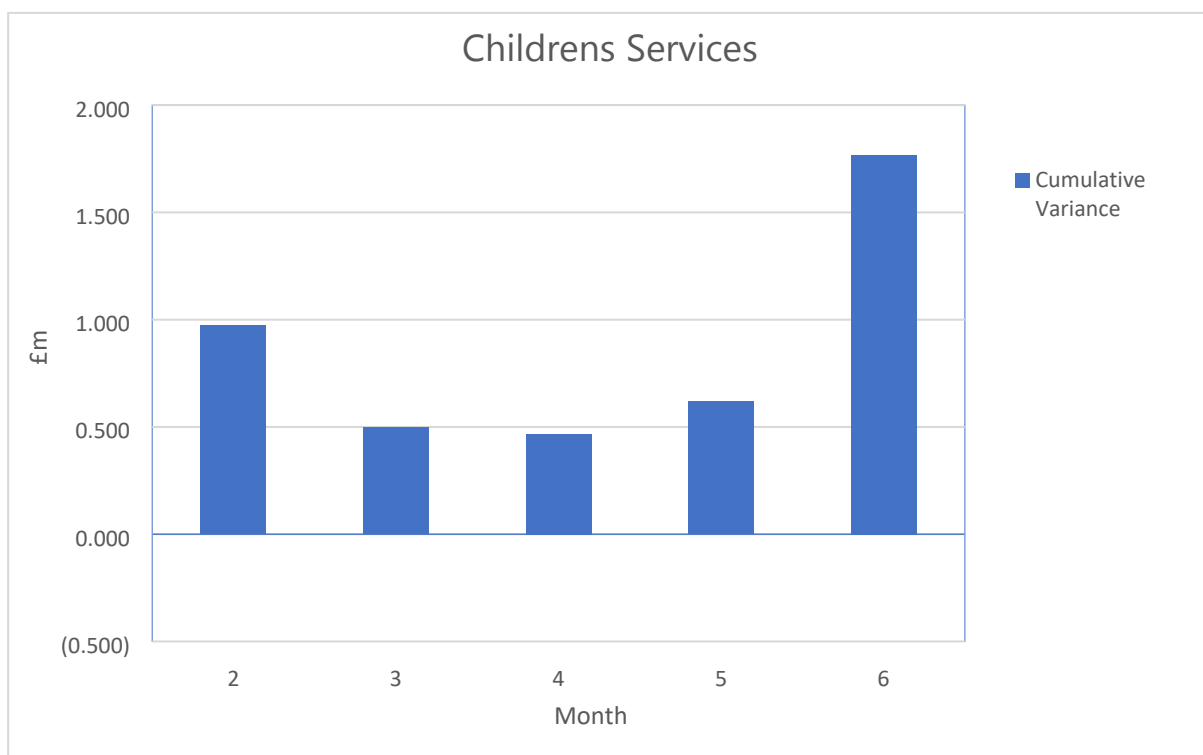
These increases have been largely offset by anticipated reductions in Supported Living and Day Services delivered through the Discovery contract.

This variance is net of an estimated £2.841m that will be requested at year end to be transferred to the Adult Social Care Resilience earmarked reserve. This figure could change as the year progresses should new pressures arise but will allow the service to build up further resilience for future service commissioning.

There are MTFP savings of £5.157m to be achieved during 2019/20. Of these £3.798m have already been fully achieved with the remaining £1.359m on track to be delivered throughout the year.

**5.2. Children’s Services Net budget £83.426m, £1.768m projected adverse variance, adverse movement £1.149m**

**Graph 3 – Children’s Services 2019/20 cumulative variance to budget**



**External Placements: adverse £2.056m; movement: adverse £0.933m**

A Somerset market management conference is taking place on the 25<sup>th</sup> November led by Children’s Commissioners with private sector providers of care and accommodation. This is part of the strategy to involve these stakeholders in shaping Somerset’s future care market to enable more flexible approaches and ways of providing homes and care, including support for children to return to their family.

Commissioning activity led through the Peninsula Framework is currently focussed on market management – improving quality and cost reduction - in the private fostering market. A revised framework agreement, with reduced costs is anticipated by the end of December 2019. It is anticipated that similar market management activity with residential providers early in 2020, will also evidence some reduction in costs in this area.

External placements projections have increased by £0.933m resulting in a total projected overspend of £2.056m. The increase is due to 11 children changing placement during the last month; 7 have moved from a fostering to a residential setting due to a lack of suitably skilled and resilient foster carers in house or in the private sector.

Transformational activities in relation to external placements continue to deliver cost avoidance, with £1.761m already achieved against a target of £1.649m. Reducing the cost of residential placements through individual provider negotiations and reduction in the number of these placements through successful step down to suitable alternative provision has achieved savings of £1.189m. Savings in post 16 provision currently achieved are £0.569m of £0.859 anticipated by year end.

Service management actions are focussed on prevention into care, placement stability and reconnection with families. The primary objective of these actions is to improve the lives of our children and young people, but most will also result in a financial benefit.

**Staffing: favourable -£1.026m; movement: favourable -£0.399m**

Staffing projections across Children's Social Care have reduced by £0.399m this month as a result of the start dates being revised to the new year for any current vacancy. Ongoing difficulties in recruiting and retaining experienced permanent social work front line staff and managers and family support staff account for a significant proportion of the projected underspend. This is not a sustainable position due to the impact on staff morale and the ability to deliver high quality support to families. The HR and Organisational Development Director is leading the development of a workforce strategy to address these issues.

**Transport: adverse £0.293m; movement: adverse £0.196m**

The costs of transporting children to school are projected to increase by £0.196m; a reduction of £0.304m in Home to School and an increase of £0.500m in SEND. The reduction in Home to School is as a result of specific market disruption activity, a project called The Big Bus, which sees an inhouse fleet offering several routes to offset costs of additional children travelling.

The increase in SEND reflects the increase in the number of eligible children and young people with EHCPs being transported now the new academic year has begun. There has been an increase of 66 children with SEND accessing transport with additional routes commissioned to meet demand.

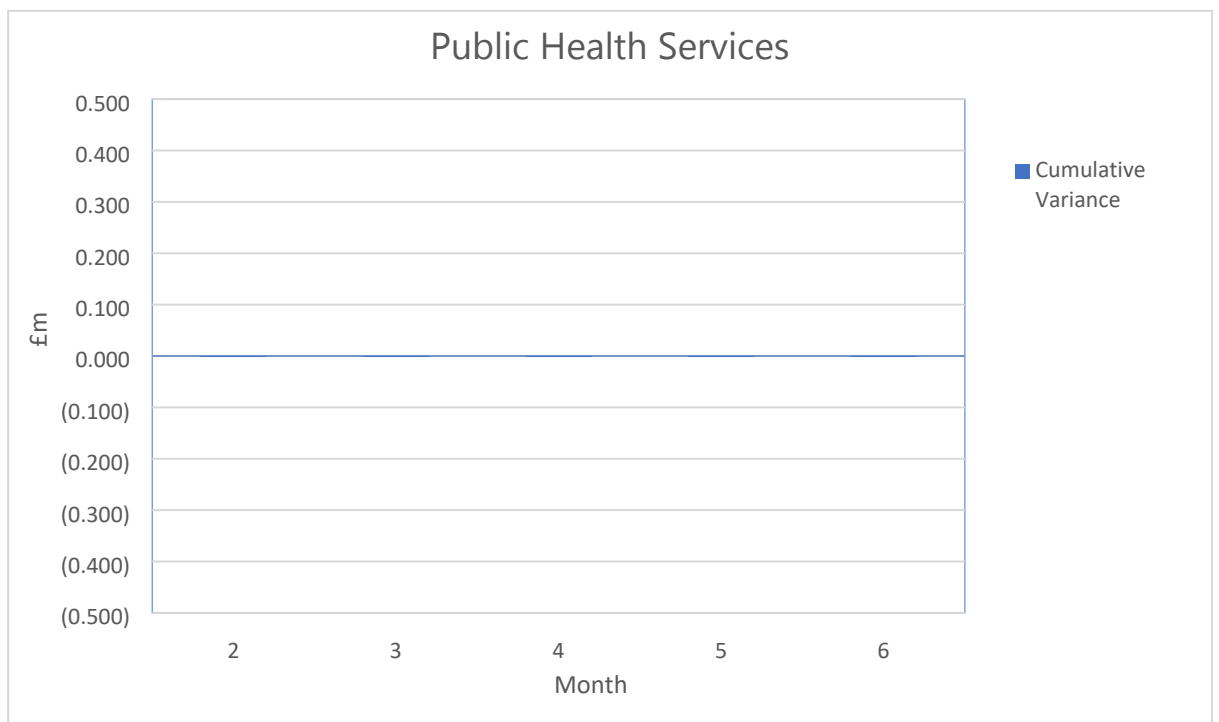
The top 20 high cost routes to each provision type will be reviewed to ensure the transport is the most appropriate and cost effective for that journey. The decision-making process is also being reviewed in conjunction with Transporting Somerset to ensure that it is robust, and a business case is being considered to increase the number of personal travel plans.

**Sponsored Academy Balances: adverse £0.450m; movement: adverse £0.450m**

King Arthur’s Community School has become a sponsored academy (i.e. required to join a multi academy trust following an inadequate ofsted inspection) 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.

**5.3. Public Health: Net budget £0.586m, projected on budget movement; £nil**

**Graph 4 – Public Health 2019/20 cumulative variance to budget**



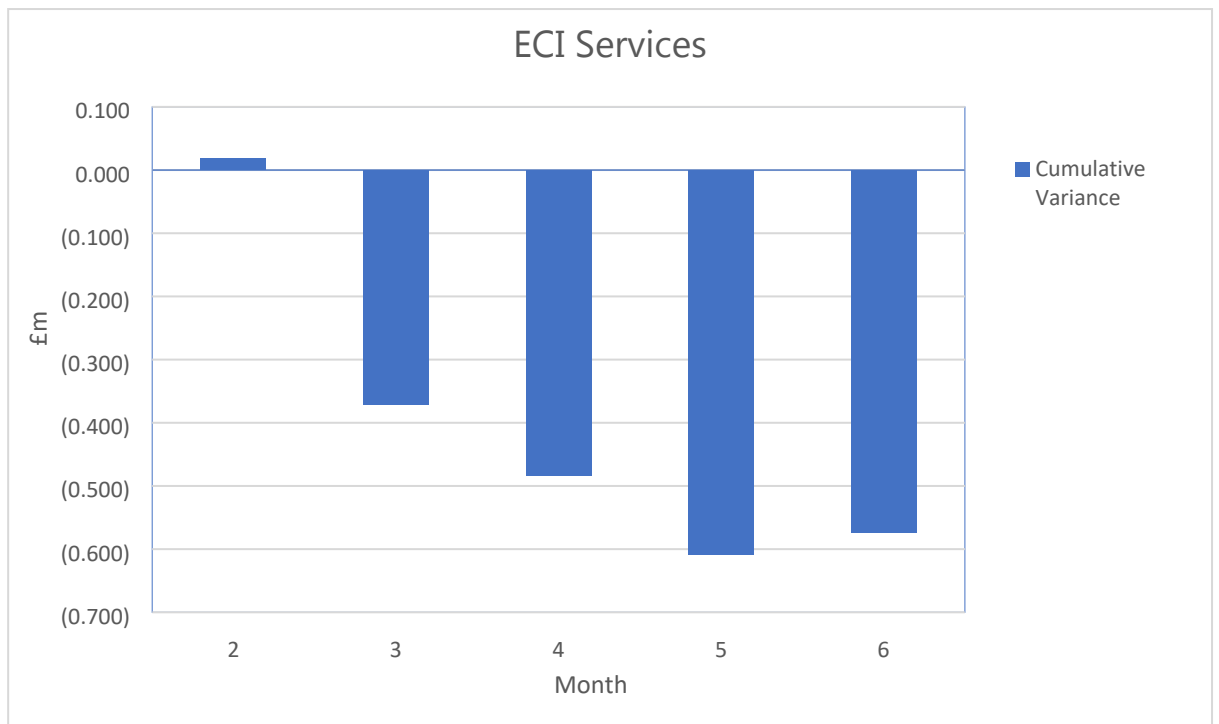
Public Health is projected to be on budget. This variance is net of an estimated £0.567m to be transferred to the Public Health Earmarked Reserve. This money will be

used to fund Neighbourhoods Transformation in the following years and to provide a degree of future resilience given the uncertainty over long term funding for Public Health.

All savings have been fully achieved for 2019/20.

**5.4. Economic and Community Infrastructure: Net budget £68.738m, -£0.574m projected favourable variance, adverse movement of £0.034m**

**Graph 5 – Economic and Community Infrastructure 2019/20 cumulative variance to budget**



Economic and Community Infrastructure (ECI) are forecasting a favourable variance of £0.574m for 2019/20. The major variations are:

Property Services are projecting a £0.253m favourable variance. This is due to a delay in the sale of properties resulting in rental income for the year being higher than anticipated. The movement of £0.217m from month 5 is as a result of detailed analysis of the service to ensure projections are accurate. Some projections have been increased to reflect the level of spend anticipated. This also includes the £0.012m increase in costs on the activity associated with the Repairs and Maintenance reserve resulting in a reduced surplus that will be requested to be returned to the reserve at the end of the year.

Transporting Somerset are forecasting a £0.012m favourable variance which is a

favourable movement of £0.020m from month 5. This is due to an anticipated underspend on County Ticket based upon early indicative figures. This has been offset in part by an increase in Concessionary Fares projections as a result of fares increases and passenger numbers.

Highways and Transport Commissioning are projecting a £0.371m adverse variance. This is as a result of new urgent technical studies and additional staff to improve service levels in highways development management. The adverse movement of £0.009m from month 5 is due to a number of small over and underspends within the service.

Highways is forecasting a £0.286m adverse variance. This is due to the Term Maintenance Contract rebate being lower than initially anticipated and a shortfall in Highway licence income. The £0.079m favourable movement from month 5 is due to decrease in the projected Rights of Way expenditure, a reduction in tree spend following a review of dead, diseased and dying trees and staff vacancy savings. The highways adverse variance is being closely monitored and a plan is in place to track and reduce this further.

Traffic Management are forecasting a £0.024m favourable variance. The adverse movement of £0.097m to the favourable variance reported in month 5 is a result of additional expenditure for the street works permitting project and Road Safety equipment for roadshows. This in part is offset by increased Traffic Regulation Order income (road closures and diversions) and a £0.019m favourable variance due to updated income projections that will be requested to be transferred to the Parking earmarked reserve at outturn.

Somerset Waste Partnership are forecasting an £1.099m favourable variance, a favourable movement of £0.0297 from month 5. This is down to waste volumes being less than the budgeted 1.5% growth, future months are now forecast on 1% growth in line with household growth. The most significant areas that have seen a reduction are kerbside collections of both residual waste and dry recycling and reduced residual tonnages at the HRWC. Green waste has been higher, but this is the usual trend for this time of year. Volumes continue to be volatile and dependent on outside factors such as the weather.

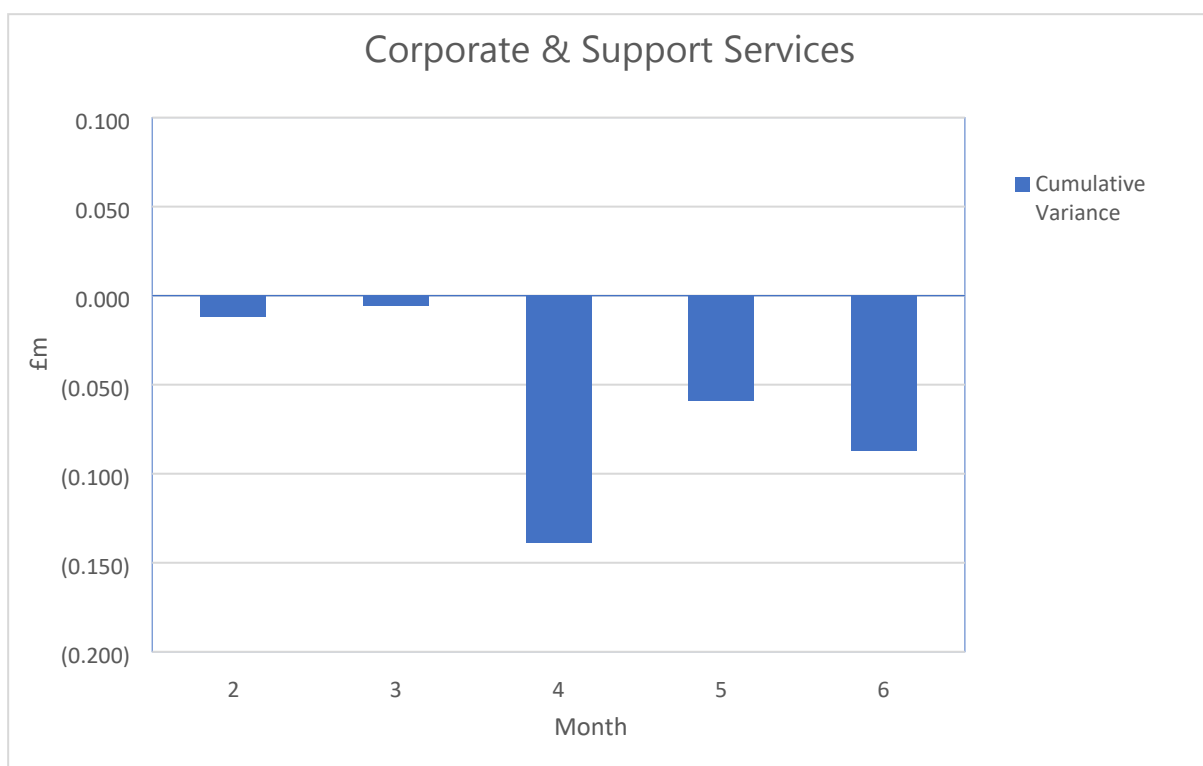
Economic Development are projecting an adverse variance of £0.136m. This adverse movement of £0.103m from month 5 is due to the anticipated costs within Planning Control associated with enforcement appeals and reduced income because of continued staff vacancies in the service.

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

Economic and Community Infrastructure have £3.165m of savings for 2019/20. Of this £2.400m has been achieved and £0.765m is on track to be achieved by the end of the financial year.

**5.5. Corporate and Support Services: Net Budget £21.103m, £0.087m projected favourable variance, favourable movement of £0.028m**

**Graph 6 – Corporate and Support Services 2019/20 cumulative variance to budget**



Corporate and Support Services are forecasting a favourable variance of £0.087m for 2019/20. This is due to the following;

Commercial and Procurement is projecting an adverse variation of £0.032m. The adverse movement from month 5 of £0.073m is due to an increase in staffing costs due to vacancies being filled by temporary staff and the additional cost of audits by external audit. Included in the month 6 position are additional costs of £0.013m associated with the Building Schools for the Future contract and this reduces the anticipated transfer to the earmarked reserve set aside for future contractual costs and will be requested at outturn.

The Finance service is projecting an underspend of £0.075m, this is due to several staff vacancies within the service which are yet to be filled. The service may seek to either spend in the current year or carry forward a further anticipated underspend of



£0.075m to invest in team development.

The ICT favourable variance now stands at £0.038m. This is as a result of underspends in transformation projects and increased income received by the service.

Customers and Communities teams are forecasting a favourable variance of £0.077m. This is due to staff vacancy savings of £0.089m offset in part by a shortfall in income. The favourable movement of £0.020m from month 5 is due to further staff vacancies.

Democratic Services are projecting an adverse variance of £0.040m, 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. The favourable movement of £0.020m from month 5 is as a result of some staff vacancy savings and a £0.012 favourable variance as a result of reduced projected spend on publicity and promotions for the Heart of the South West Joint Committee which will be requested to be transferred to the earmarked reserve at outturn.

Legal Services are forecasting a £0.049m adverse variance, which is an adverse movement of £0.038m from month 5. This adverse variance is due to counsel fees which continues to be a pressure on the legal service budget. This also includes £0.012m of an unachievable saving for changing working practices, this is currently being reviewed through the change control process. These pressures are offset in part by staff vacancy savings.

The communications budget is projecting an £0.018m favourable variance as a result of staff vacancy savings and income projections being higher than anticipated for the year.

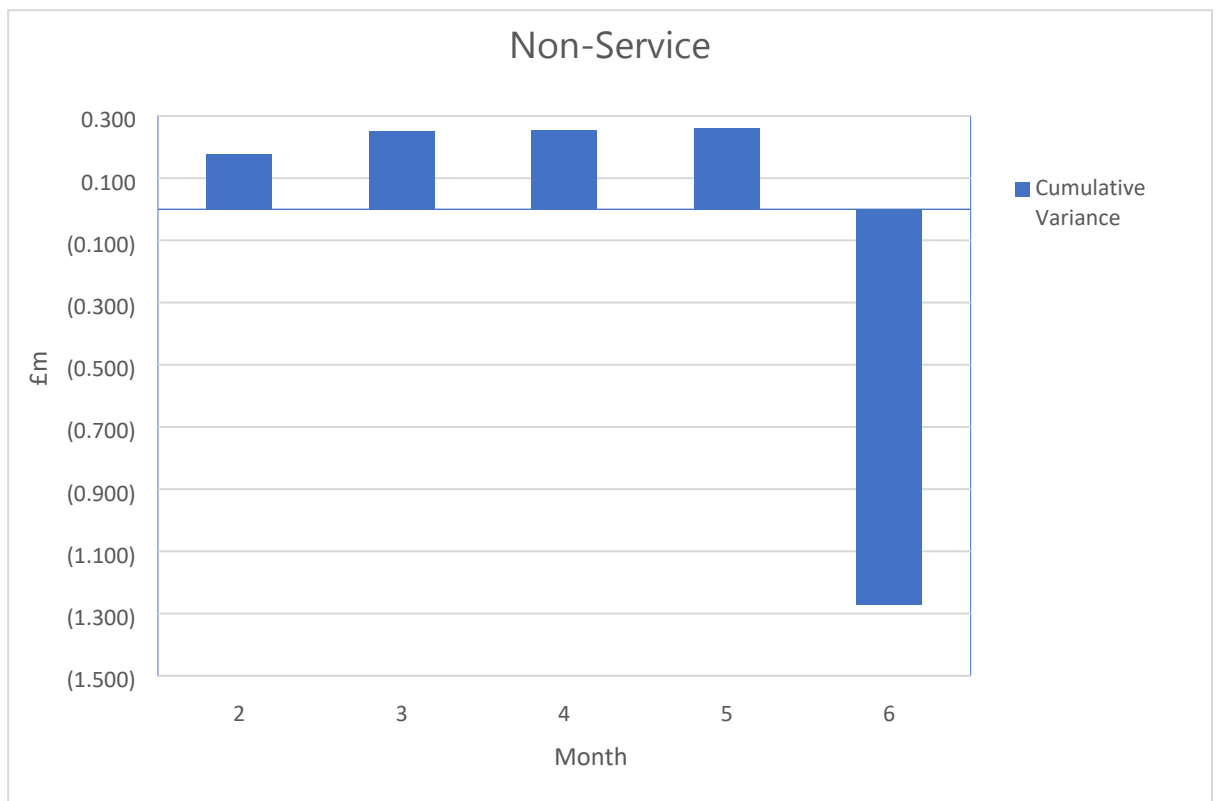
The HR&OD budget is projecting a balanced position as at month 6 however finance and the service are working through a number of in-service adverse and favourable variances in detail to ensure that this remains the case. It is anticipated that any variation to this will be known by month 7.

Corporate & Support Services have £3.574m of savings for 2019/20. Of this £3.207m has been achieved, £0.136m is on track to be achieved and £0.231m is currently unachievable. This is made up of £0.035m of unachievable savings within Democratic Services for income recovery and generation, £0.065m of unachievable savings in IT Services which are subject to change control, 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.

**5.6. Non-Service Net Budget: £21.042m, projected favourable variance: -£1.272m, favourable movement -£1.533m**

**Graph 7 – Non-Service 2019/20 cumulative variance to budget**



**Pension Deficit: favourable -£0.864m, movement; favourable -£0.864m**

Following the allocation of the corporate pension deficit budget and the allocation of charges to services, there is a favourable variance of £0.864m. This is mainly due to maintained schools being charged a more proportionate share of the pensions deficit, funded by their delegated budget share. This has resulted in a reduced pressure on the Council’s budget. This is an ongoing favourable variance and has been included in MTFP assumptions in future years.

**Investment and Debt Income and Expenditure: favourable -£0.603m, movement; favourable -£0.650m**

The cash flow of the Council is being carefully managed so that there is no need for additional external borrowing to fund the Capital Programme during 2019/20. This results in a favourable variance of £0.650m due to no additional interest charges that were assumed when the budget was set.

**5.7. Trading Units: Net budget £0.00m, adverse £0.417m, movement; £nil**

**Dillington House: adverse £0.417m, movement; £nil**

Dillington is currently forecasting a deficit of £0.417m following a deep dive budget/performance review of month 5 accounts and forecasts. The adverse variance 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: trading surplus £0.189m, movement; favourable £0.112m**

SSE Outdoors' favourable variance has increased by £0.041m due to an increase in residential bookings resulting in additional income. The planned refurbishment work is also not expected to be fully completed in this financial year therefore a reduction in project spend has contributed to the change between months 5 and 6.

Somerset Centre for Integrated Learning's (SCIL) favourable variance has increased by £0.072m which is predominantly due to increased income resulting from additional pupil numbers for the year 1 Foundation Degree course. Plus, new programmes within the Apprenticeship Service has also attracted more income. Expenditure across

SCIL has reduced due to the service reviewing their publications and advertising priorities.

**5.8. Contingencies: Net Budget £6.550m, -£0.423m projected notional allocation, favourable movement of £0.382m (£6.127m remaining following notional allocation)**

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 £6.550m 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 £0.423m currently forecast in service areas and Trading Units which is a favourable movement of £0.382m from month 5 (See table 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 £6.127m. If no other pressures materialise during the year the outturn position would be an overall favourable variance of this sum for the Council.

**5.8.1 Table 4 – Corporate Contingencies Movements**

<b>Contingencies</b>	<b>£m</b>
Original Budget	7.226
Virement to Children's (as per month 2)	(0.498)
Virement to ECI (as per month 4)	(0.175)
Overall Adverse Variances at Month 6 (Notional Allocation)	(0.426)
	<b>6.127</b>

**6. Delivery of Savings**

**6.1.** 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.

**6.2.** 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.

**6.3.** The following table (Table 5) shows a summarised breakdown of achievement of savings for 2019/20 as at 30<sup>th</sup> September 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 C.

**6.4. Table 5 – Revenue Savings 2019/20**

Service	Agreed Savings £	Red (at risk) £	Green (on track) £	Blue (delivered) £
Adult Services	5,506,800	-	1,359,100	4,147,700
Children's Services	4,592,800	-	1,172,300	3,420,500
Corporate & Support Services	3,573,500	231,300	135,503	3,206,697
Economic & Community Infrastructure	3,165,300	-	765,400	2,399,900
Non-Service	4,708,800	-	-	4,708,800
<b>Total</b>	<b>21,547,200</b>	<b>231,300</b>	<b>3,432,303</b>	<b>17,883,597</b>
<b>Percentage of Delivery</b>		<b>1.07%</b>	<b>15.93%</b>	<b>83.00%</b>

## 7. Aged Debt Analysis

**7.1.** The overall debt position shows a total gross debt of £7.993m, of which £1.465m (18%) is over 90 days old. This is an improvement on last year, where the figure was 23% at quarter 2. Previous areas where debt has been difficult to collect promptly have improved. A summary of aged debt can be found in Table 6 below.

**7.2.** 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.

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

**7.4. Table 6 – Aged Debt Analysis by Service**

Service	Not Overdue	0-30 Days	31-90 Days	91-365 Days	365+ Days	Total (Gross)	Unassigned Cash	Total (Net)
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Adult Services</b>	0.104	0.700	0.698	0.472	0.291	<b>2.265</b>	<b>(0.109)</b>	<b>2.156</b>
<b>Children's Services</b>	0.267	0.112	0.054	0.136	0.023	<b>0.592</b>	<b>(0.015)</b>	<b>0.577</b>
<b>Public Health</b>	0.000	0.517	0.000	0.000	0.000	<b>0.517</b>	<b>0.000</b>	<b>0.517</b>
<b>Economic &amp; Community Infrastructure</b>	0.871	2.554	0.204	0.314	0.172	<b>4.115</b>	<b>0.000</b>	<b>4.115</b>
<b>Corporate &amp; Support Services</b>	0.020	0.104	0.014	0.037	0.007	<b>0.182</b>	<b>0.000</b>	<b>0.182</b>
<b>Support Services for Education (Trading Units)</b>	0.004	0.291	0.014	0.013	0.000	<b>0.322</b>	<b>(0.015)</b>	<b>0.307</b>
<b>Total (£m)</b>	<b>1.266</b>	<b>4.278</b>	<b>0.984</b>	<b>0.972</b>	<b>0.493</b>	<b>7.993</b>	<b>-0.139</b>	<b>7.854</b>
<b>Total (%)</b>	<b>16%</b>	<b>54%</b>	<b>12%</b>	<b>12%</b>	<b>6%</b>	<b>100%</b>		

**7.5. Adult Services: £2.156m**

Focus continues to be on debts over 90 days old which have reduced from £1.079m reported at Quarter 1 to £0.763m now. Debts in the 30 to 90-day bracket have increased slightly however there are a number of debts owed by Somerset Clinical Commissioning Group in this figure which we anticipate will be paid shortly. All debts are either being actively pursued by the Adults Finance Team or are with Legal for further action.

**7.6. Children's Services: £0.577m**

Of the debts over 30 days, 66% relates to 2 invoices owed by the Somerset Clinical Commissioning Group for agreed contributions to fees of children with complex needs in residential placements. These invoices are part of ongoing discussions to ensure settlement as soon as possible. The remaining debt is for Education Safeguarding penalty notices, paid seats on school transport and recharges for training provided by the Somerset Safeguarding Children Partnership. All debts over 30 days have been referred to legal.

**7.7. Economic & Community Infrastructure: £4.115m**

ECI are reporting a total of £0.486m outstanding debt over 90 days old, which is 11.81% of ECI's total debt. These debts are all being actively chased by services or by legal/debt recovery. The total value of debt is high as usual at this time of year due to a large amount of county ticket invoices having been raised.

## **7.8. Corporate & Support Services: £0.182m**

Corporate and Support Services: £0.182m a reduction of £0.062m from month 5. The total value of debts over 90 days is £0.044m, all debts are being actively chased or have been referred Legal/Debt recovery.

## **7.9. Support Services for Education: £0.307m**

The majority of debt (96%) 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.

## **8. Improving Lives Programme**

**8.1.** We are continuing to mobilise and scope The Improving Lives Programme (ILP) which will redesign the organisation to create a sustainable Council that better manages demand, puts prevention at the heart of its thinking and has a culture that promotes innovation and values our staff.

**8.2.** Over the last three months, we have undertaken a 'deep dive' into each of the four enabling workstreams within the ILP: Digital Customer, Prevention, Commissioning for the Future and Behaviours & Culture. The purpose of these deep dives was to understand the activity being scoped by each workstream, the maturity of their plans and how the outputs and capability being delivered by the themes can change and improve the way we deliver services. This is being used to inform the scope of the ILP programme by prioritising the opportunities identified. We are also reviewing all service led transformation activity to identify whether delivery could be scaled corporately rather than within services, for example, we will look at how technology being utilised to help service users in one service might also support those in another.

**8.3.** Notable achievement across the four enabling workstreams over the last three months includes:

- Digital Customer – good progress is being made with several key enabling pieces of work, including how we use our systems to better capture quality data intelligence that can be used to improve commissioning. The benefits of using of AV1 robots to support students who are long term absent from school to integrate back into the environment is being explored through a test and learn approach. Work is progressing with the delivery of a SEND portal which will support Professionals and the SEND service to submit and receive the correct information accurately and in line with statutory deadlines. The workstream is engaging services to help them understand how digital capability can help them improve service delivery.

- Commissioning – plans for the co-location of commissioning teams to enable more joined up working are being finalised. A new integrated commissioning gateway has been designed in order to facilitate more joint and consistent commissioning and the app that will host it is being built by ICT.
- Culture and Behaviour – a vision for the future workforce has been developed and agreed. This will be used to provide structure and direction to the activities that have been identified to change the culture and behaviours needed to support the new organisation. Staff engagement with the Somerset People Attributes continues through team meetings and via the staff roadshows. Testing is also underway through recruitment and staff development to begin embedding them and capture learning. A knowledge site for sharing and celebrating great work and ideas has been scoped and a project team is now in place to progress this.
- Prevention – a prevention learning programme, designed to embed a prevention ethos, has been developed and launched. This includes Prevention Masterclasses and eLearning modules which are designed to improve general confidence in prevention. These will form part of a wider Prevention training programme which is currently being developed.

**8.4.** Following the Strategic and Service Manager Workshop in June, where staff exhibited examples of where the design principles are being brought to life across SCC, work has been completed to run the exhibition as part of the Staff Roadshows from October to December this year. As well as the opportunity to hear from, and speak with, the Chief Executive and Leader, the roadshows aim to raise the level of general awareness about the ILP programme amongst staff whilst giving them the chance to find out about some of the innovative work going on across the Council. All Councillors have been invited to the Improving Lives Exhibition part of the roadshows and will have the same opportunity as staff to hear about these initiatives and ask questions.

**8.5.** Other programmes:

**8.5.1. Children's Service Transformation Programme** – The objectives of the programme to improve outcomes for children and young people within a sustainable budget, have been aligned to the Improving Lives design principles and aim to deliver improvements in demand management, prevention, digital customer thinking and commissioning for the future. The programme continues to focus on priority 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. The workstreams are progressing well with changes in behavior, practice and improvement in evidence across the Programme, e.g. in the Fostering Service and 16+. The workstreams are enabled by required changes to technology, systems and culture with interventions in place to ensure continued good progress.



- 8.5.2. Adults Service Transformation Programme** – The transformation program continues to focus on how we promote people’s independence. The vision is for ‘people in Somerset to live healthy and independent lives, supported by thriving and connected communities, with timely and easy access to high-quality and efficient support when they need it’ delivered through seven workstreams, Mental Health, Learning Disability, Collaboration, Technology, Community Connect, Accommodation and Investing in Carers.
- 8.5.3.** The ‘Steps to Independence’ model is currently being tested on a small pilot group to better support adults with a learning disability to become more independent. Its focus’ on developing life skills such as preparing for work, cooking, budgeting, going shopping, etc as well as making friends, getting fit or learning to travel independently.
- 8.5.4.** Community Connect is a philosophy and way of working being adopted by community, health and social care organisations to improve wellbeing and keep people living independent lives for as long as possible. A review of how this works for people with more complex needs in Somerset has been completed and development plans will now be created to enhance the model and better enable people to help themselves, identifying local solutions so people can live a good life in their community. Alongside this, our customer access points are also under review to ensure people are accessing the right information when they need it.
- 8.5.5.** Preparation is complete to launch a pilot in Somerset, ‘Brain in Hand’, for how assistive technology can be used to maximise an individual’s independence. It will be used to help people gain independence and remain independent, focusing on prevention and providing person centred care. It will enable the step down of ‘care’ but provides ongoing support when needed. The pilot includes people with we are currently working with who have a mental health need or learning disability.
- 8.5.6.** The Somerset Community Connect website went live this summer and is an online **information and advice guide** and **directory of services** for adult residents in Somerset to find information, advice and services to manage their own health and wellbeing. It also provides a platform to find out about local “events” - groups, activities and services within their community. We are now developing how this can provide information on what help and support is available at home (micro providers) <https://www.somersetcommunityconnect.org.uk/>
- 8.5.7.** Work is underway to replace the case management system with an application called Eclipse. A series of workshops to review the current processes are underway, and we are preparing for a trial migration of data from AIS to Eclipse in October. Ongoing work on reporting, training and testing to plan the approach for implementation March 2020.

- 8.6.** The Prevention fund (£1.000m) continues to attract expressions of interest with 1 Expression recently submitted asking for £0.050m. 4 projects totalling £0.530m have now commenced delivery and benefits are being tracked. The members prevention grant which closes on the 30th November has received 12 successful bids to a total of £0.008m of the £0.110m available. Our third grant of £0.025m designated for the youth parliament implementation in Q4 is being developed. The Prevention theme has now mobilised and has begun to develop and implement a plan to build capability in the organisation for continuous improvement into 2020.
- 8.7.** Robust tracking and delivery of MTFP savings for 2019/20 is continuing as part of the financial imperative process. Delivery of each saving has been profiled throughout the financial year with a clear picture of the actions required to achieve them which is providing the necessary assurance. As at 30th September 2019 £12.945m of the savings agreed by Full Council in February 2019 have been achieved against a target of £15.062m.
- 8.8.** As at 30 September 2019, the estimated cost of additional resources required to facilitate the Improving Lives Programme during 2019/20 is £0.439m.

## **9. Options considered and reasons for rejecting them**

- 9.1** There is no alternative but to undertake effective and thorough budget monitoring to follow through with appropriate actions to address any variances.

## **10. Background Papers**

- 10.4**
- 4<sup>th</sup> November 2019 Scrutiny for Policies and Place Month 5 Revenue Budget Monitoring Report

## Appendix A – Revenue Budget Monitoring (quarter 2, month 6) – Headline Summary Table

Service	Total Revised Budget	Adverse Variances (+)	(Favourable) Variances (-)	Month 6 Net Variance Adverse / (Favourable)		Month 5 Net Variance	Movement from Month 5
	£m	£m	£m	£m	%	£m	£m
Adult Services	126.522	5.270	(5.099)	0.171	0.14%	0.174	(0.003)
Children's Services	83.426	7.491	(5.722)	1.768	2.12%	0.619	1.149
Public Health	0.586	0.000	0.000	0.000	0.00%	0.000	0.000
Economic & Community Infrastructure Services	68.738	2.759	(3.334)	(0.574)	(0.84%)	(0.608)	0.034
<b>Key Services Spending</b>	<b>279.272</b>	<b>15.520</b>	<b>(14.155)</b>	<b>1.365</b>	<b>0.49%</b>	<b>0.185</b>	<b>1.180</b>
Corporate & Support Services	21.103	0.730	(0.818)	(0.087)	(0.41%)	(0.059)	(0.028)
Non-Service Items	21.042	0.698	(1.970)	(1.272)	(6.04%)	0.261	(1.533)
Trading Units	0.000	0.417	0.000	0.417	0.00%	0.417	0.000
<b>Support Services &amp; Corporate Spending</b>	<b>42.145</b>	<b>1.846</b>	<b>(2.788)</b>	<b>(0.942)</b>	<b>(2.24%)</b>	<b>0.619</b>	<b>(1.561)</b>
Corporate Contingencies	6.550	0.000	(0.423)	(0.423)	(6.46%)	(0.805)	0.382
<b>Total SCC Spending</b>	<b>327.967</b>	<b>17.366</b>	<b>(17.366)</b>	<b>(0.000)</b>	<b>(0.00%)</b>	<b>(0.000)</b>	<b>0.000</b>

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