

## Decision Report - Executive Decision

Forward Plan Reference: FP/23/09/10

Decision Date – 15 January 2024

Key Decision – No



### 2023/24 Budget Monitoring Report – Month 7 – End of October 2023

Executive Member(s): Cllr Liz Leyshon - Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Nicola Hix - Director of Finance & Procurement

Author: Nicola Hix - Director of Finance & Procurement

Contact Details: [nicola.hix@somerset.gov.uk](mailto:nicola.hix@somerset.gov.uk)

#### Summary

1. The Council is projecting an overspend of £18.3m for 2023/24, which equates to 3.7% of the net budget for the year. This is a small improvement of £0.4m from the previous forecast of £18.7m in month six.
2. The forecast overspend for year is driven by Adults Services overspend of £14.9m and Children's Services of £13.9m. Together these total £28.8m and mask the fact that the rest of the council is forecast to be £10.5m underspent.

**Table 1: 2023/24 Budget Monitoring Report Overview of Movement in Forecast Outturn Position**

Service Area	Month 6	Month 7	Movement
	Variance	Variance	
	£m	£m	£m
Adult Services	14.9	14.9	0.0
Children, Families & Education Services	12.4	13.9	1.5
Remaining Services	(8.6)	(10.5)	(1.9)
<b>Total Position</b>	<b>18.7</b>	<b>18.3</b>	<b>(0.4)</b>

3. A concerning aspect of the overspends in both Adults and Childrens services is that they are forecast to continue in the next financial year. Therefore, it is unsustainable to fund them using one-off sources, such as reserves. The services are working to reduce these pressures, but as detailed in the Medium Term Financial Plan papers a large amount of savings need to be found across the Council to create a sustainable organisation.

4. As reported last month, we have taken a range of actions to address the in-year budget position, such as establishing a number of daily and weekly control boards: -
  - Establishment & Recruitment Control Board - to assess all workforce requests and changes.
  - Commercial & Procurement Control Board - to review and challenge all new commissions, annual uplifts in contract and contract renewals.
  - Spend Control Board - ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
  - Adult Social Care Panel - to review and challenge placements.
  - Childrens Care Panels - various panels to review and challenge placements.
5. We are looking at how we monitor and assess the financial impact these boards are having on the projected current year outturn and will incorporate more information on this into the month nine report coming to Executive in February.
6. All boards have continued to meet at least three days a week if not meeting daily. Despite not currently being able to quantify the financial impact at present, all board are reporting that they feel they are having a positive impact on challenging the non-essential spend being undertaken across the Council.
7. The Spend Control Board meets daily and is responsible for reinforcing the Purchase Order (PO) corporate policy for all goods, services and works, which have been correctly sourced in line with the Contract Procedure Rules and Standing Orders.
8. From mid-December we have enforced the 'No Purchase Order No Pay Policy' onto our suppliers. This means that unless suppliers have been advised otherwise from within the Council that they are exempt from PO policy and are covered under one of the exemptions, we will be asking for purchase orders numbers to be added to all invoices. Any invoices received without a purchase order, which are not exempt, will be returned to the supplier until a purchase order number can be provided.
9. **Table 2** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of October 2023. This table has been updated to include 'actuals' and 'further forecasts' to calculate the full year projection for the year. This is the first month of reporting this level of detail.

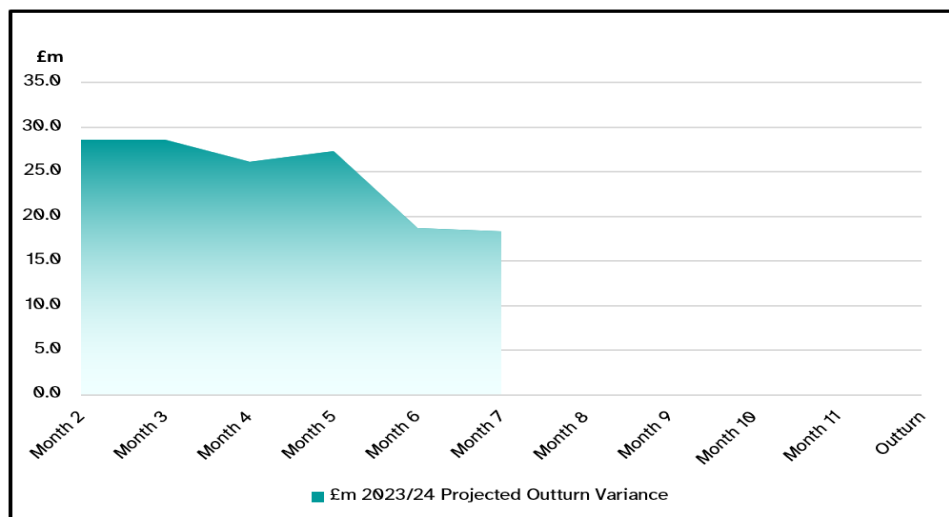
10. In term of the overall full year forecast overspend, further details and mitigations being undertaken by the responsible director are outlined in the appendices of this report. After taking into account all service expenditure and contingencies the projected outturn position is £510.4m against a net budget of £492.1m, resulting in a net forecast overspend of £18.3m.

**Table 2: 2023/24 Budget Monitoring Report as at the end of October 2023 (Month 7)**

Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Adult Services</b>							
Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus	111.9	114.2	119.5	5.3	A	Red	0.0
Adult Social Care Operations - Mental Health	26.5	23.6	24.6	1.0	A	Red	0.0
Adult Social Care Operations - Learning Disabilities	110.4	109.8	117.3	7.5	A	Red	0.0
Commissioning	(62.2)	(62.2)	(61.1)	1.1	A	Red	0.0
<b>Adult Services Total</b>	<b>186.6</b>	<b>185.4</b>	<b>200.3</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Children, Families &amp; Education Services</b>							
Children & Families	81.8	82.1	94.1	12.0	A	Red	1.3
Commissioning and Performance	10.5	10.5	10.4	(0.1)	(F)	Green	0.2
Inclusion	12.6	15.4	17.5	2.1	A	Red	0.4
Education, Partnerships and Skills	17.4	14.1	14.1	0.0	-	Green	(0.3)
Childrens Services	0.7	0.7	0.6	(0.1)	(F)	Green	0.0
<b>Children, Family &amp; Education Services Total</b>	<b>123.0</b>	<b>122.8</b>	<b>136.7</b>	<b>13.9</b>	<b>A</b>	<b>Red</b>	<b>1.5</b>
<b>Community Services</b>							
Housing	5.9	6.1	6.1	0.0	-	Green	0.0
Customer Services	7.0	5.4	5.4	0.0	-	Green	0.0
Cultural Services	9.3	8.5	8.5	0.0	-	Green	(0.4)
Regulatory & Operational Services	12.4	12.4	12.4	0.0	-	Green	(0.0)
<b>Community Services Total</b>	<b>34.6</b>	<b>32.4</b>	<b>32.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(1.3)</b>
<b>Climate &amp; Place</b>							
Climate, Environment & Sustainability	54.6	55.2	55.8	0.6	A	Red	0.0
Infrastructure & Transport	22.5	22.4	23.4	1.0	A	Red	(0.1)
Economy, Employment & Planning	10.6	10.5	10.5	0.0	-	Green	0.0
Accountable Bodies	3.7	3.5	(3.5)	(7.0)	(F)	Green	0.0
<b>Climate &amp; Place Total</b>	<b>91.4</b>	<b>91.6</b>	<b>86.2</b>	<b>(5.4)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Strategy, Workforce &amp; Localities</b>							
Partnership & Localities	0.8	2.8	2.8	0.0	-	Green	0.0
Strategy & Performance	3.2	4.5	4.5	0.0	-	Green	0.0
Workforce	6.0	5.9	5.4	(0.5)	(F)	Green	(0.1)
Governance, Democratic & Legal Services	10.2	9.3	10.7	1.4	A	Red	0.1
<b>Strategy, Workforce &amp; Localities Total</b>	<b>20.2</b>	<b>22.5</b>	<b>23.4</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Resources &amp; Corporate Services</b>							
Finance	11.9	13.2	11.8	(1.4)	(F)	Green	0.0
Strategic Asset Management	(9.2)	(9.5)	(9.4)	0.1	A	Amber	(0.3)
Information Communication Technology	17.8	17.3	15.8	(1.5)	(F)	Green	(0.3)
<b>Resources &amp; Corporate Services Total</b>	<b>20.5</b>	<b>21.0</b>	<b>18.2</b>	<b>(2.8)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.6)</b>
<b>Public Health</b>	<b>1.2</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Non-Service</b>	<b>9.8</b>	<b>9.7</b>	<b>6.2</b>	<b>(3.5)</b>	<b>(F)</b>	<b>Green</b>	<b>0.1</b>
<b>Traded Services</b>							
Dillington	0.0	0	0.3	0.3	A	Red	0.0
<b>Traded Services Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Total Service Position</b>	<b>487.3</b>	<b>486.4</b>	<b>504.7</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
Corporate Contingency	6.0	5.7	5.7	0.0	-	Green	0.0
<b>Total After Contingencies</b>	<b>493.3</b>	<b>492.1</b>	<b>510.4</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
Reserves	(19.9)	(19.6)	(19.6)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.9	0.9	0.0	-	Green	0.0
Council Tax	(345.4)	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
<b>Total Position</b>	<b>0.0</b>	<b>0.0</b>	<b>18.3</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>

**Chart 1** shows how the forecast outturn variance has moved month by month.

**Chart 1: Month on Month Projected Outturn Variance**



11. The Finance team are working closely with directorate management teams to challenge the financial assumptions which are being forecast. Everyone is fully engaged in understanding the reasons behind the assumptions and also working together as a team to mitigate overspends were possible.
12. The next budget monitoring report, month eight (up to the end of November 2023) was scheduled to come to the Executive in February 2024. Given the Christmas holidays and the deadlines for production of the report for publication, we are proposing to not bring the month eight report to you in February, but instead bring month nine (end of December). This will require a much tighter turnaround of budget monitoring by the Finance Team and the services but will mean Members get a much more up to date information.
13. As the new authority evolves work is being completed realign services and ensure budgets are in the most appropriate place. The changes will mainly affect the non-service area. These amendments have been shown in the MTFP Budget Update paper going to January's Executive meeting and will be reflected in the month nine budget monitoring report.

## Recommendations

14. That the Executive:
- a) Notes the forecast overspend of £18.3m (3.7%) for the year and the recovery action being taken and mitigations put in place to address this.
  - b) Notes the next report to be received by the Executive on Revenue Budget Monitoring will be the month nine report in February 2024.

## Reasons for recommendations

15. To ensure that the Council continues to maintain tight financial control over its budget.

## Other options considered

16. No other options were considered as continuing to monitor the budget on a monthly basis is considered best practice.

## Links to Council Plan and Medium-Term Financial Plan

17. The 2023/24 Budget was approved by Council in February 2023 as part of the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan.

## Financial and Risk Implications

18. There are two relevant Strategic Risk which are ORG0070 Budget Overspend in the current financial year and ORG0057 Sustainable Medium Term Financial Plan. For both of these risks the current scores are:

<b>Likelihood</b>	<b>5</b>	<b>Impact</b>	<b>5</b>	<b>Risk Score</b>	<b>25</b>
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19. The financial impact of an overspend of £18.4m in the current financial would result in a reduction in the level of General Reserves from £49.8m to £30.7m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.

20. The variances causing the net overspend are a mixture of on-going and once-off items, and the on-going items will have a financial impact upon 2024/25 if they are not addressed.

### **Legal Implications**

21. There are no specific legal implications arising from this report.

### **HR Implications**

22. There are no specific HR implications arising from this report.

### **Other Implications:**

### **Equalities Implications**

23. There are no specific equalities implications arising from this report.

### **Community Safety Implications**

24. There are no community safety implications arising from this report.

### **Climate Change and Sustainability Implications**

25. There are no climate change and sustainability implications arising from this report.

### **Health and Safety Implications**

26. There are no health and safety implications arising from this report.

### **Health and Wellbeing Implications**

27. There are no health and wellbeing implications arising from this report.

### **Social Value**

28. There are no Social Value implications arising from this report.

## Scrutiny comments/recommendations:

29. This report will be presented to Scrutiny for Corporate & Resources Committee, on 4 January 2024.

## Background

30. The Full Council approved the 2023/24 Budget in February 2023, the first budget for Somerset Council. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports will be presented monthly with a full overview of revenue, capital, and reserves quarterly. This report outlines the forecast year-end position of services against the 2023/24 revised budget of £492.1m as at the end of October 2023.
31. **Table 1** (paragraph four) provides a summary of each service budget, with projections and variances for the year shown against these. Further details and mitigations being taken by the responsible director are outlined in appendices 1-8. The significant variances at month seven are:
- Adult Services has a £14.9m adverse variance against their budget (8% of service budget). This variance is mainly in the Adult Social Care and Learning Disabilities budget areas due to fee levels being high than anticipated.
  - Children's Services have a £13.9m adverse variance against their budget (11.3% of service budget), an unfavourable movement of £1.5m from month six. The overspend and movement mainly relate to the External Placements and Fieldwork (support for Children at Home) budgets.
  - Climate and Place have a favourable variance of £5.4m against their budget. This is a reduction of £0.1m since month six. The underspend mainly relates to income received via Connecting Devon and Somerset. The balance received has been reduced due to overspends in Waste Services, and Highways.
  - Strategy, Workforce and Localities have a £0.9m adverse variance (4% of service budget). The overspend relates to external legal costs where specific expertise is required. This overspend is offset by vacancies and Learning and Development reducing costs by focusing on e-learning, statutory and mandatory training.

- Resources and Corporate have a £2.8m favourable variance (13.3% of service budget). The majority of the favourable variance is seen in Finance and Information Communication Technology Services and relates to the holding of vacant posts and additional grant income.
- Non-Services have a favourable variance of £3.5m due once off in year favourable treasury management activities. Together with careful management of the Council's cashflow, which has at times seen and higher than anticipated cashflow levels.

## **2023/24 Budget & Forecast Outturn Position**

32. The 2023/24 budget was put together using the information from the five predecessor councils before the full officer structure was finalised. Each council recorded things in different ways, therefore there is still some alignment of budgets to take place which will require budget virements. Service Directors are currently developing their service structures which will require further adjustments to the budget in order to reflect the new staffing establishment.
33. After accounting for all service expenditure and contingencies the projected outturn position at month seven is £510.4m against a revised net budget of £492.1m. This gives a £18.3m adverse variance which represents a variance of 3.7%.
34. With the financial challenges outlined in this paper the Council needs to move at pace to deal with the difficult financial situation that the council now faces. Further information for each service is shown in appendices 1 to 8, along with details on movements, actions to be taken, future risks and opportunities.

## **Background Papers**

35. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
36. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
37. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive November 2023



## Appendices

Appendix 1: Adults Services

Appendix 2: Children, Families & Education Services

Appendix 3: Community Services

Appendix 4: Climate and Place (including Accountable Bodies)

Appendix 5: Strategy, Workforce and Localities

Appendix 6: Resources and Corporate Services

Appendix 7: Public Health

Appendix 8: Other service area

## Report Sign-Off

	<b>Officer Name</b>	<b>Date Completed</b>
Legal & Governance Implications	David Clark	22/12/2023
Communications	Peter Elliot	20/12/2023
Finance & Procurement	Nicola Hix	20/12/2023
Workforce	Dawn Bettridge	22/12/2023
Asset Management	Oliver Woodhams	22/12/2023
Executive Director / Senior Manager	Jason Vaughan	20/12/2023
Strategy & Performance	Alyn Jones	20/12/2023
Executive Lead Member	Cllr Liz Leyshon	21/12/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	18/12/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	22/12/2023