

2018/19 Revenue Budget Month 2 Highlight Report

Cabinet Member: Cllr Mandy Chilcott – Cabinet Member for Resources
 Division and Local Member: All
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	Seen by:	Name	Date
Report Sign off	County Solicitor	Honor Clarke	25/06/2018
	Monitoring Officer	Scott Wooldridge	25/06/2018
	Corporate Finance	Lizzie Watkin	25/06/2018
	Human Resources	Chris Squire	25/06/2018
	Property / Procurement / ICT	Richard Williams	25/06/2018
	Senior Manager	Kevin Nacey	25/06/2018
	Local Member(s)	All	25/06/2018
	Cabinet Member	Mandy Chilcott	25/06/2018
	Opposition Spokesperson	Liz Leyshon	28/06/2018
	Relevant Scrutiny Chairman	Anna Groskop Leigh Redman Hazel Prior-Sankey	28/06/2018
Forward Plan Reference:	FP/18/05/08		
Summary:	The report provides the first indication of the year regarding the potential Revenue Budget outturn position for the 2018/19 financial year.		
Recommendations:	<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. approve the transfer of £5m from contingency to Children and Families - Operations budget (section 2.4). 2. note the contents of this report and the potential outturn position for the year. 		
Reasons for recommendations	As above.		
Links to Priorities and Impact on Service Plans:	This report indicates how the Council's resources are being used to support the delivery of budgetary decisions. The Medium Term Financial Plan (MTFP) sets the funding for the County Plan and the use of those funds is then monitored throughout the year to ensure delivery of Council objectives and actions.		
Consultations Undertaken:	Information and explanations have been sought from directors on individual aspects of this report and their comments are contained in the report.		

Financial Implications:	A deficit on the Revenue Budget will impact on the Council's General Balances. The Council's financial position will be constantly reviewed to ensure its continued financial health. The report signifies that Cabinet and the Senior Leadership Team will need to take some immediate actions to address the overspend projections. SLT are meeting weekly given the financial imperative to identify additional in year savings.
Legal Implications:	There are no implications arising directly from this paper.
HR Implications:	There is a high probability that additional savings will need to be made in year from existing staffing budgets.
Risk Implications:	<p>Work is underway to reduce the predicted overspend but if that work does not materially change the prediction by the end of quarter 2 (October), there is a risk that the Council may have to take a number of urgent decisions to rectify the financial position. An option that is available to the Council, which is available to all authorities is the issuing of a section 114 notice which imposes severe spending restrictions on the authority and brings into effect an emergency budget.</p> <p>The availability and use of reserves is critical in being able to manage spikes in demand and costs incurred. Our corporate risk register recognises this and we will put mitigating actions in place to reduce the level of overspends wherever possible.</p>
Other Implications	There are no other implications arising directly from this paper. However, as services take remedial action, including any formal decisions required to address the in-year overspend, then appropriate consideration will need to be given to the legal, HR and equalities issues, as necessary.
Scrutiny Recommendation	Not Applicable

1. Background

- 1.1** Last year, 2017/18, there was a small year-end overspend of £2.018m - around 0.7% of the revenue budget. Within this position there were some significant pressures and overspends within services. The main service area of overspend were in Children's services. The demands upon these services have not reduced in the early part of this financial year and are not likely to over the course of the year. The transformational work under way to improve demand management and simultaneously improve outcomes for vulnerable children is well under way but will not reduce cost sufficiently quickly to ensure budgets are balanced by year end.
- 1.2** The Chief Executive has therefore confirmed that the primary focus of the authority is to find mitigating actions to deliver underspends across the whole Council as well as in those core care services to off-set the overspend while transformation takes place.
- 1.3** In February 2018 the MTFP budget reports highlighted that a reset of Children's services budgets was required. Until we know the level at which the budget for Children's Services is realistic and will still provide safe and improving services, overspends will remain. The mitigation proposed at the time of setting the budget was through the use of contingency and we are proposing releasing £5m of the current contingency (£7.3m) to increase the Children's operational budget effective immediately. Forecast expenditure in Children's services for 2018/19 is even higher than last year with placement costs and transport costs continuing to increase.
- 1.4** We cannot end the year with such a level of overspend and we know from our experiences in recent years that we have the skills and tools to try and deliver underspends elsewhere in the authority's services to assist in delivering a balanced budget. However, a reset is what is required and the LGA is helping to work on this with us, realising this is a national problem.
- 1.5** Since the Corporate Peer Challenge report fed back to the Council that its focus needs to be on finance first and foremost, the leadership team has been meeting weekly to identify ways of reducing our spending, our demand and ultimately therefore the gap between income and expenditure.
- 1.6** There are effectively two tests ahead though to be clear. The first is managing the in-year position and at the same time identifying what we need to be to present a robust and deliverable budget for 2019/20. This approach will be presented to Cabinet in September allowing time for the Interim Director of Finance to influence its strategic direction and to take stock of the in-year progress.

2. Summary Forecast 2018/19 – Revenue Budgets

- 2.1** The Authority's forecast shows a projected net overspend of £12.115m (see Appendix A) when compared to the Revenue Budget. This represents 3.8% of base budget. The majority of the overspend lies in the Children's Services budgets (section 3). For this reason this report goes into this area in some depth to explain the issues involved.
- 2.2** Most other areas of the Council are within reasonable tolerance and so the focus has to be on how we support the area overspent to contain costs given their pressures.
- 2.3** SLT is confident that its intense scrutiny of expenditure will deliver the necessary

reductions but this will require some additional savings to be approved. Some service pressures are being well managed but the market capacity is not there and this is forcing up costs. The largest budget pressure is currently in Children's Services, although this overspend has not yet taken account of the contingency sum pledged to support the service. The additional base level of funding required for this service is not clear at this stage of the year but the service is confident it will be able to manage this level of overspend down within the year. It is requested to transfer £5m of the contingency budget at this early stage of the year to help mitigate the overspend. This transfer will bring the overspend down in Children's Services but it will equally reduce the underspend in the contingency budget in the non-service line, leaving the bottom line figure of overspend unaffected.

3. Children's Services

3.1 Children & Families Operations: (+) £14.300m overspend

The budget for external residential and fostering placements is projecting to spend £18.162m, an overspend of £6.582m. The work of the At Risk of Care and Permanence panels continue to prevent children coming into care, with the number of Children Looked After in Somerset remaining lower than the national and regional average (rates per 10,000 Somerset: 48.5, England: 61.7, South West: 58.9). However, the lack of internal and external fostering placements and capacity to provide Early Help at levels 2 and 3 is having a significant impact on being able to reduce costs in this area. The key priorities set out within the Somerset Sufficiency Statement to address the issues around placements are:

- To recruit 40 new foster carers
- To recruit 9 new Stepping Stones carers to reduce the number of high cost external semi-independent placements for older teenagers
- Review and implement revised joint funding protocol with Clinical Commissioning Group for complex cases
- To trial the provision of emergency accommodation with step down procedures from residential to foster care
- To focus on permanence and stability
- To explore new models with partners and providers utilising national learning and evidence
- To reduce the use of residential care and increase the use of family based solutions
- To bring as many children as possible who have been placed in other local authorities back to Somerset, as appropriate

3.2 We continue to struggle to recruit a permanent workforce with 60 vacancies, some of which are covered by locums at an additional cost of £25k per individual. This is placing increased pressure on salaries budgets within fieldwork resulting in a projected overspend of £1.752m against a budget of £12.664m. The percentage of permanent staff currently stands at 64%, with a target of 75% not yet achieved. Caseloads have been reviewed and at present the establishment is being held at levels below that required to maintain the caseloads agreed within the Children and Young Peoples Plan (CYPP).

3.3 Fees and allowances are projected to cost £7.989m, an overspend of £2.803m. Note however that the spend in this area represents permanent options to provide positive outcomes for our children. The policy for Special Guardianship is currently being reviewed with support from Essex County Council to ensure that it is proportionate to need

3.4 MTFP savings in relation to Business Support are currently only assumed to be achievable in part, with a pressure of £0.355m remaining in addition to the existing pressure of £0.500m in this service area. Further work is to be undertaken to review the Business Support functions across the service.

3.5 Children & Learning Central Commissioning: (+) £5.909m overspend

There is an ongoing pressure of £4.245m across transport budgets as a result of forecast costs of £13.267m against a budget of £9.382m. Home to School

transport is showing a pressure of £2.996m, particularly as a result of the cumulative impact of MTFP budget reductions which require an agreed set of actions to address. It is worth noting that the rural nature of Somerset and its schools places an increasing burden on budgets. Recent national figures show that average spend per pupil for home to school transport in urban areas, is around £9, whereas in rural areas like Somerset it can reach £93. There is an additional pressure of £0.622m relating to the full year implications of the September 2017 retendering of a large number of contracts. A pressure (one off) of £0.266m due to additional calendar days this Year and inflation pressures of approximately £0.247m are also impacting on the service (Schools and Public contracts inflation was 7.3% for some new contracts this Year, but the majority were retendered at the start of the Academic Year at a lower inflation rate).

- 3.6** The ongoing Special Educational Needs (SEN) transport pressure is forecasting a £1.249m overspend against a budget of £3.464m. Pressures include inflation (approximately £0.137m) and additional calendar days this Year (£0.141m), plus the full Year implication of additional route costs (£0.197m) following the opening of Mendip Free School and a continued increase in placements.
- 3.7** Plans to date are in place to achieve £0.250m of the Management MTFP saving of £0.810m and options against the remaining £0.560m are being considered, but are unconfirmed at present.
- 3.8** The MTFP savings of £0.900m across commissioned services to Support Services for Education has been partially achieved with £0.677m remaining as a budget pressure.
- 3.9** The table below summarises the main variances over £1m within the Children's Services.

Service area	Variance
Children & Families - Placements	£6.582m
Children & Families - Fieldwork	£1.752m
Children & Families – Fees and Allowances	£2.803m
Home to School transport	£2.996m
Special Educational Needs transport	£1.249m

3.10 Children & Learning Central Commissioning: (-) £1.570m underspend

There is a planned unallocated element of £2.404m Dedicated Schools Grant (DSG) funding to recover a proportion the overall High Needs deficit of £5.620m within 2018/19.

- 3.11** The Out of County Independent & Non-Maintained Special Schools budget is showing a potential pressure of £0.618m, due to continuing high cost placements. There have been two new placements since April 2018 and five since the budget was based on known placements. There is a potential additional pressure in this area, if more than 2/3rds of the planned 49 leavers at the end of the academic year are extended.
- 3.12** Other pressures within High Needs Top Up total £0.106m, mainly due to increased placements within other Local Authority Special Schools.
- 3.13** There is an overspend of £0.071m in relation to an increased Admissions service costs, due to revised appeals legislation around VA & Foundation School charging. This will be funded from existing DSG reserves.

4. Adult Services including Learning Disabilities

4.1 Adult Social Care Variation: (-) £1.040m underspend

The service continues to manage growth across all client groups which has led to a quarter one reported position similar to that at Outturn (£1.319m u/s).

- 4.2** The Adult Social Care council tax precept for 2018/19 raised £6.587m which has been allocated across the services to fund inflationary increases to providers including those relating to new legislation for sleep ins. These fee increases have been agreed following an independent review and represent a significant

commitment to stabilising the social care market in Somerset.

- 4.3** Use of Better Care Fund and Improved Better Care Fund continue to be vitally important in both achieving the reported position and delivering services that benefit both social care and health. Home First (our hospital discharge service) continues to provide an improved service in a more efficient way.
- 4.4** There continues to be a large number of vacancies within the Operational teams which creates an underspend in line with last year (£1m). This position will be monitored throughout the year but at this stage it is anticipated that the majority of these posts will be vacant until at least October. The remaining vacancies within Adults all fall into the exempt category of the recruitment freeze.
- 4.5** An area where growth has been much less than in previous years is the Learning Disabilities pooled budget. There is a projected increase of £0.140m when compared with 2017/18. The full year effect of placements made during 2017/18 in Residential and Supported Living have been largely offset but the full year effect of savings made through the Reviewing to Improve Lives project.

- 4.6 The overall position against the Learning Disabilities pooled budget assumes that the Clinical Commissioning Group will contribute a further £1.271m this year.
- 4.7 The reported underspend is reliant upon the full achievement of this year's MTFP saving which amounts to £3.1m. The service are going to achieve this through a full scale review project.
- 4.8 The Discovery contract moves into year two and is projecting a small underspend against the budget. This has been used to offset in part the planned movement into the Equalisation Reserve. The amount currently estimated to be moved is £5.114m. As well as this the service requires £2.557m from capital receipts to fund transformation.

5. Economic and Community Infrastructure Services (ECI): (on target)

- 5.1 As stated earlier in the report the budgets managed in ECI are more or less reporting that they will be on target at year end. There are some small overspends in Transporting Somerset but these are mostly offset by a predicted underspend in Waste services. Other services are predicted to be very close to budget at this stage. There is always a risk of costs increasing in areas such as Highways later in the year, dependent on weather. ECI is confident that it can meet all its MTFP saving targets agreed for 2018/2019. The overall net overspend across the £63m budgets is £15k (0.02%) and these are volatile budget areas.

6. Corporate and Support Services: (+) £0.502m overspend

- 6.1 There are some forecast overspends in ICT and Legal services totalling £1.1m. Offsetting these overspends are additional savings within Communications, HR and training budgets totalling £0.585m. There are also some smaller underspends in Finance and Strategic Property. At this stage of the year the projected procurement savings appear to be on track. The forecast funding requirement for the Core Council Programme is £1.689m which will be allocated from capital receipts under the flexibilities regulations.

7. Non-Service Items: (-) £7.571m underspend

- 7.1 The underspend in this area is mainly due to uncommitted contingency budget.

8. Financial, Legal, HR and Risk Implications

- 8.1 Financial implications are dealt with in the body of this report, and where decisions are required. There are no other direct implications arising from this paper.

9. Background papers

- 9.1
- Cabinet Report – 11th June 2018 – Revenue Outturn report – Paper 6

Note:

For sight of individual background papers please contact the report author(s):

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Appendix A – Revenue Budget Monitoring – Headline Summary Table for the Authority

Service	B	C	D	E	F G		H	I		J	K
	Original Base Budget	Budget Movements	Total budget approvals	201 Projection	Gross Variance Under (-) / Overspend		Transfers (to) and from Grant / Earmarked Reserves	SCC Variance Under (-) / Overspend		Planned Use of Capital Receipts Flexibility	Forecast Under (-) / Over Spend
	£m	£m	£m	£m	£m	%	£m	£m	%	£m	£m
Adults and Health - Operations	141.284	(0.080)	141.204	147.835	6.631	4.7	(5.114)	1.517	1.07	(2.557)	(1.040)
Children and Families - Operations	46.279	(0.059)	46.220	60.520	14.300	30.9		14.300	30.9		14.300
Children and Learning - Commissioning Central	19.570	(0.060)	19.689	24.225	4.536	23.0	1.373	5.909	30.0		5.909
Public Health	1.026	(0.003)	1.023	1.023	0	0		0	0		0
ECI Services	62.774	(0.068)	62.706	63.122	0.416	0.7		0.416	0.7	(0.401)	0.015
KEY SERVICES SPENDING	271.112	(0.270)	270.842	296.725	25.883	9.6	(3.741)	22.142	8.2	(2.958)	19.184
Support Services	24.078	0.270	24.348	27.015	2.667	11.0	0.824	3.491	14.3	(2.989)	0.502
Non-service items (inc Debt Charges)	22.692	0	22.692	15.121	(7.571)	(33.4)		(7.571)	(33.4)		(7.571)
Trading Units	0	0	0	0	0	0		0	0		0
SUPPORT SERVICES & CORPORATE SPENDING	46.770	0.270	47.040	42.136	(4.904)	(10.4)	0.824	(4.080)	(8.7)	(2.989)	(7.069)
Individual Schools Budget (ISB) and Early Years Providers	0	0	0	0	0	0	0	0	0		0
SCC TOTAL SPENDING	317.882	0	317.882	338.861	20.979	6.6	(2.917)	18.062	5.7	(5.947)	12.115