

Decision Report - Executive Decision  
Forward Plan Reference: FP/23/05/04  
Decision Date - 06 December 2023  
Key Decision - No



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## 2023/24 Budget Monitoring Report Q2 – Month 6 – End of September 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

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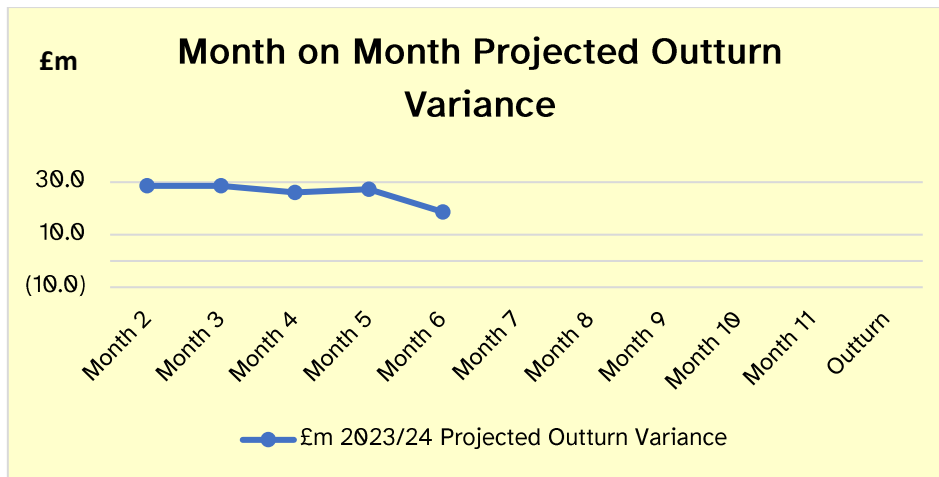
### Summary

1. The Council is projecting an overspend of £18.7m for 2023/24, which equates to 3.8% of the net budget for the year. This is an improvement of £8.6m from the previous forecast of £27.3m in month five.
2. The forecast overspend for year is driven by Adults Services overspend of £14.9m and Children's Services of £12.4m. Together these total £27.3m and mask the fact that the rest of the council is forecast to be £8.6m underspend. The other concerning aspect of the Adults and Childrens Services overspend is that they both impact upon the following financial year as well.
3. We have taken a range of actions to address the in-year budget position, alongside the monthly reporting of the budget monitoring position to Scrutiny and the Executive, we have established 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.
4. **Table 1** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of September with further detail and mitigations being taken by the responsible director outlined in the body of the report. After taking into account all service expenditure and contingencies the projected outturn position is £511.6m against a net budget of £492.9m. It has been particularly challenging to produce budget monitoring for this financial year so far and paragraph 25 provides more detail on this. The format of the table has changed this month to show greater detail down to individual service level and to highlight the areas of concern with a RAG status column. The format of the budget monitoring report will continue to be developed and evolve during the year as we further develop our financial reporting following the introduction of the new finance system budget monitoring tool.

**Table 1: 2023/24 Budget Monitoring Report as at the end of September 2023  
(Month 6)**

Service Area	Original Budget	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m	£m			£m
<b>Adult Services</b>							
Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus	114.2	114.3	119.6	5.3	A	Red	0.0
Adult Social Care Operations - Mental Health	23.5	23.5	24.5	1.0	A	Red	0.0
Adult Social Care Operations - Learning Disabilities	110.5	109.9	117.4	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>186.0</b>	<b>185.5</b>	<b>200.4</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	82.0	92.7	10.7	A	Red	0.6
Commissioning and Performance	11.1	11.2	10.9	(0.3)	(F)	Green	(0.3)
Inclusion	12.6	15.8	17.5	1.7	A	Red	0.0
Education, Partnerships and Skills	17.4	14.1	14.4	0.3	A	Red	0.3
<b>Children &amp; Family Services Total</b>	<b>122.9</b>	<b>123.1</b>	<b>135.5</b>	<b>12.4</b>	<b>A</b>	<b>Red</b>	<b>0.6</b>
<b>Community Services</b>							
Housing	5.9	6.1	6.1	0.0	-	Green	0.0
Customer Services	6.9	6.6	6.6	0.0	-	Green	0.0
Cultural Services	9.1	8.7	9.1	0.4	A	Red	0.4
Regulatory & Operational Services	13.1	12.4	13.3	0.9	A	Red	0.9
<b>Community Services Total</b>	<b>35.0</b>	<b>33.8</b>	<b>35.1</b>	<b>1.3</b>	<b>A</b>	<b>Red</b>	<b>1.3</b>
<b>Climate &amp; Place</b>							
Climate, Environment & Sustainability	55.8	55.5	56.1	0.6	A	Red	(0.2)
Infrastructure & Transport	21.8	22.1	23.2	1.1	A	Red	(0.4)
Economy, Employment & Planning	10.5	10.4	10.4	0.0	-	Green	0.0
Accountable Bodies	3.7	3.7	(3.3)	(7.0)	(F)	Green	(7.0)
<b>Climate &amp; Place Total</b>	<b>91.8</b>	<b>91.7</b>	<b>86.4</b>	<b>(5.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(7.6)</b>
<b>Strategy, Workforce &amp; Localities</b>							
Partnership & Localities	0.8	2.8	2.8	0.0	-	Green	0.0
Strategy & Performance	3.2	3.3	3.3	0.0	-	Green	0.0
Workforce	6.0	5.8	5.4	(0.4)	(F)	Green	(0.2)
Governance, Democratic & Legal Services	9.0	9.3	10.6	1.3	A	Red	(0.2)
<b>Strategy, Workforce &amp; Localities Total</b>	<b>19.0</b>	<b>21.2</b>	<b>22.1</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
<b>Resources &amp; Corporate Services</b>							
Finance	12.6	12.8	11.4	(1.4)	(F)	Green	(1.2)
Strategic Asset Management	(9.2)	(9.6)	(9.2)	0.4	A	Red	0.0
Information Communication Technology	17.7	17.8	16.6	(1.2)	(F)	Green	(1.3)
<b>Resources &amp; Corporate Services Total</b>	<b>21.1</b>	<b>21.0</b>	<b>18.8</b>	<b>(2.2)</b>	<b>(F)</b>	<b>Green</b>	<b>(2.5)</b>
<b>Public Health</b>	<b>1.7</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>9.8</b>	<b>6.2</b>	<b>(3.6)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Traded Services</b>							
Dillington	0.0	0.0	0.3	0.3	A	Red	0.1
<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>0.1</b>
<b>Total Service Position</b>	<b>487.3</b>	<b>487.2</b>	<b>505.9</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>
Corporate Contingency	6.0	5.7	5.7	0.0	-	Green	-
<b>Total After Contingencies</b>	<b>493.3</b>	<b>492.9</b>	<b>511.6</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>
Reserves	(19.9)	(19.9)	(19.9)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.4	0.4	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>18.7</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>



5. 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.

### Recommendations

6. That the Executive:
  - a) Approves that it will continue to receive a monthly update on the financial position and actions being taken to address it.
  - b) Notes the forecast overspend of £18.7m (3.8%) for the year and the recovery action being taken and mitigations put in place to address this.
  - c) Notes that the format of the Budget Monitoring has now changed for month six.

### Reasons for recommendations

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

### Other options considered

8. 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

9. 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

10. 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>	5	<b>Impact</b>	5	<b>Risk Score</b>	25
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11. The financial impact of an overspend of £18.7m in the current financial would result in a reduction in the level of General Reserves from £49.8m to £31.1m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
12. 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

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

## HR Implications

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

## Other Implications:

## Equalities Implications

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

## Community Safety Implications

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

## Climate Change and Sustainability Implications

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

## Health and Safety Implications

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

## Health and Wellbeing Implications

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

## Social Value

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

## Scrutiny comments / recommendations:

21. This report will be presented to Scrutiny for Corporate & Resources Committee, on 5 December 2023.

## Background

22. 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 budget of £492.9m as at the end of September 2023.

23. **Table 1** 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 -10 (including an updated on MTFP savings and the Treasury Management update). The significant variances at month six 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 £12.4m adverse variance against their budget (10.1% of service budget), an unfavourable movement of £0.6m from month five. This increase is mainly due to identification of an under accrual for

22/23 of £0.9m within External Placements which will remain as expenditure in 2023/24.

- Climate and Place have a favourable variance of £5.3m against their budget. This is a reduction of £7.6m since month five. The favourable movement in the main is due to income received via Connecting Devon and Somerset. The balance received has been reduced due to overspends in Waste Services, and Highways.
- Resources and Corporate have a £2.2m favourable variance (10.5% of service budget). The majority of the favourable variance is seen in Finance and Information Communication Technology Services.
- Non-Services have a favourable variance of £3.6m due once off in year favourable treasury management activities, together with carefully management of the Council's cashflow which has at times seen and higher than anticipated cashflow levels.

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

24. The 2023/24 Budget was put together using the information from the five predecessor councils which all recorded things in different ways and also before the full officer structure was finalised. Therefore, there is still some alignment of budgets to take place which will require budget virements. Service Directors are currently developing their service structure which will require further adjustments to the budget in order to reflect the new staffing establishment.

25. It has been particularly challenging to produce budget monitoring for this financial year so far, for a number of reasons such as:

- The implementation of the new Finance System Microsoft Dynamics and Solver in April 2023 meant a whole new system and way of financial transactions going in and out of the Council.
- The amalgamation of the 5 legacy council's budgets done pre vesting day has needed considerable adjustment to since April to fit with the current structure for Somerset Council.
- We have struggled to identify which budgets, if any would need to be moved to form completely new services formed e.g. LCN's

- Errors have been found in budgets that have needed to be corrected, or managed where correction cannot be made. Some legacy Council's did not have budgets for expenditure commitments made. We have also found that income included in the budget to be achieved was never going to be and therefore income budgets are overstated.
  - Additional pressures have been identified to significant areas of spend where we had predicted budgets to be sufficient e.g. the pay award budgeted for at 5% but agreed at £1,925 which is equivalent to 6.1% and approximately £2m to be funded from contingency.
  - Considerable work has been needed to staffing establishment information, as a significant number of posts were not funded, or were allocated to be funded from reserves, but individuals have permanent contracts. This has had to be unpicked and corrected in collaboration with our HR colleagues.
26. After accounting for all service expenditure and contingencies the projected outturn position at month six is £511.6m against a net budget of £492.9m. This gives a £18.7m adverse variance which represents a variance of 3.8%. 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**

27. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
28. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
29. 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 areas, (including Collection Fund)

Appendix 9: MTFP Savings Monitoring

Appendix 10: Treasury Management

## Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	20/11/2023
Communications	Peter Elliot	21/11/2023
Finance & Procurement	Nicola Hix	20/11/2023
Workforce	Dawn Bettridge	20/11/2023
Asset Management	Oliver Woodhams	20/11/2023
Executive Director / Senior Manager	Jason Vaughan	20/11/2023
Strategy & Performance	Alyn Jones	24/11/2023
Executive Lead Member	Cllr Liz Leyshon	20/11/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	20/11/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	20/11/2023