

Decision Report - Executive Decision

Forward Plan Reference: FP/23/05/05

Decision Date – 7 February 2024

Key Decision – No



2023/24 Budget Monitoring Report – Month 9 – End of December 2023 Q3

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

Local Member(s) and Division: All

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Summary

1. This report is the General Fund revenue monitoring report for the end of December 2023, quarter three (month nine). The last report the Executive received was month seven, at the end of October 2023, which forecast a net overspend of £18.3m.
2. The Council is now projecting an overspend of £17.5m for 2023/24, which equates to 3.6% of the net budget for the year. This is a small improvement of £0.8m from the previous forecast overspend of £18.3m.
3. The forecast overspend for year remains driven by Adults Services overspend of £14.9m and Children's Services of £15.3m. Together these total £30.2m and mask the fact that the rest of the council is forecast to be £12.7m underspent.

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

Service Area	Month 3	Month 4	Month 5	Month 6	Month 7	Month 9	Movement
	Variance	Variance	Variance	Variance	Variance	Variance	
	£m	£m	£m	£m	£m	£m	£m
Adult Services	12.1	12.1	14.9	14.9	14.9	14.9	0.0
Children, Families & Education Services	8.8	8.8	11.8	12.4	13.9	15.3	1.4
Remaining Services	7.7	5.2	0.6	(8.6)	(10.5)	(12.7)	(2.2)
Total Position	28.6	26.1	27.3	18.7	18.3	17.5	(0.8)

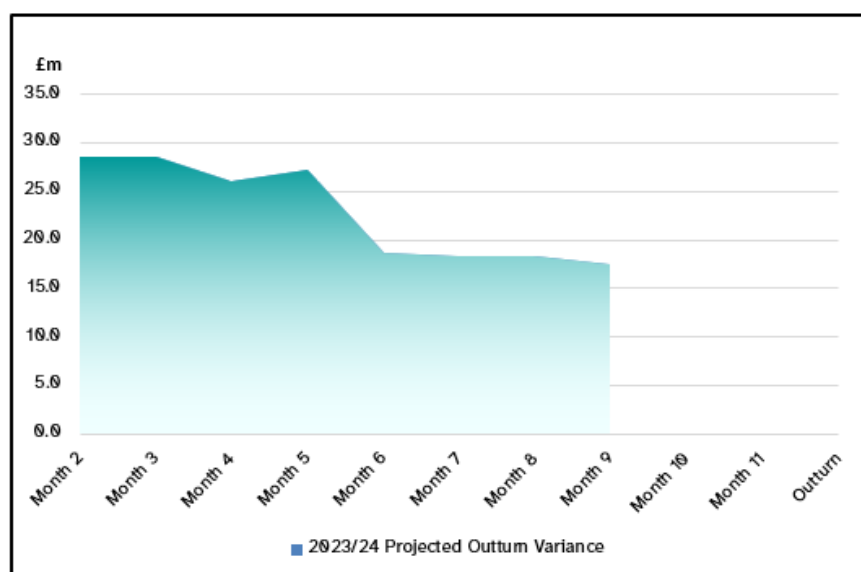
4. In month seven we reported the Children's variance of £13.9m predominantly related to external placements, fieldwork (support for children at home) and special education needs and disabilities (SEND) transport budgets. This remains the case, with the further unfavourable movement due to the unachievable Medium Term Financial Plan (MTFP) saving of step downs from residential to in-house fostering.
5. The adults projected overspend has remained the same as reported in Month 7 due to the mitigations they have in place to reduce it down to this from the £24.2m it could be, as detailed in Appendix 1.
6. The remainder of the Council continues to forecast an underspend, an increase of £2.1m since month seven, taking the forecast outturn to £12.6m now predicted. Although this forecast underspend includes some one-off wins for the Council, such as Treasury Management Income, Connecting Devon and Somerset funding repaid, we are also starting to see the effect of the services responding to the financial emergency and making savings/cutting expenditure as much as possible.
7. The Council continues to have its control boards in place. The main achievement of the boards can be seen in the reduction of the forecast overspend each month. Having these control boards in place have encouraged the whole organisation to think differently, especially knowing that Officers on the boards will challenge and scrutinise from a non-service perspective.
8. **Table 2** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of December 2023. This table has been updated to breakdown the budget into expenditure and income to get the net budget for each service.

**Table 2: 2023/24 Budget Monitoring Report as at the end of December 2023
(Month 9)**

Service Area	Original Budget	Current Expenditure Budget	Current Income Budget	Current Net Budget	Full Year Projection	Month 9 Variance	A/(F)	RAG Status	Movement From Month 7
	£m	£m	£m	£m	£m	£m			£m
Adult Services									
Adult Social Care Operations:									
Physical Disability/Sensory Loss/65 Plus	111.9	140.8	(26.6)	114.2	119.5	5.3	A	Red	0.0
Mental Health	26.5	28.3	(4.6)	23.7	24.7	1.0	A	Red	0.0
Learning Disabilities	110.4	116.7	(6.9)	109.8	117.3	7.5	A	Red	0.0
Adult Social Care Commissioning	(62.2)	6.7	(68.9)	(62.2)	(61.1)	1.1	A	Red	0.0
Adult Services Total	186.6	292.5	(107.0)	185.5	200.4	14.9	A	Red	0.0
Children, Families & Education Services									
Children & Families	81.8	95.3	(13.3)	82.0	95.1	13.1	A	Red	1.1
Commissioning & Performance	10.5	14.1	(3.5)	10.6	10.5	(0.1)	(F)	Green	(0.0)
Inclusion	12.6	79.8	(64.5)	15.3	17.5	2.2	A	Red	0.1
Education, Partnerships & Skills	17.4	29.7	(15.6)	14.1	14.3	0.2	A	Amber	0.2
Childrens Services	0.7	1.1	(0.4)	0.7	0.6	(0.1)	-	Green	0.0
Children, Family & Education Services Total	123.0	220.0	(97.3)	122.7	138.0	15.3	A	Red	1.4
Community Services									
Housing	5.9	10.3	(4.0)	6.3	6.3	0.0	-	Green	0.0
Customer Services	7.0	9.2	(3.2)	6.0	6.0	0.0	-	Green	0.0
Cultural Services	9.3	13.4	(3.9)	9.5	9.2	(0.3)	(F)	Green	(0.3)
Regulatory & Operational Services	12.4	25.8	(11.1)	14.7	14.7	(0.0)	(F)	Green	(0.0)
Community Services Total	34.6	58.7	(22.2)	36.5	36.2	(0.3)	(F)	Green	(0.3)
Climate & Place									
Climate, Environment & Sustainability	54.6	63.6	(8.7)	54.9	55.0	0.1	A	Amber	(0.5)
Infrastructure & Transport	22.5	49.8	(25.3)	24.5	25.1	0.6	A	Red	(0.4)
Economy, Employment & Planning	10.6	19.1	(8.3)	10.8	10.1	(0.7)	(F)	Green	(0.7)
Accountable Bodies	3.7	6.2	(2.8)	3.4	(3.6)	(7.0)	(F)	Green	0.0
Climate & Place Total	91.4	138.7	(45.1)	93.6	86.6	(7.0)	(F)	Green	(1.6)
Strategy, Workforce & Localities									
Partnership & Localities	0.8	3.4	(0.2)	3.2	3.2	(0.0)	(F)	Green	(0.0)
Strategy & Performance	3.2	8.0	(2.2)	5.8	5.2	(0.6)	(F)	Green	(0.6)
Workforce	6.0	10.9	(4.1)	6.8	6.1	(0.7)	(F)	Green	(0.2)
Governance, Democratic & Legal Services	10.2	10.4	(1.5)	8.9	10.3	1.4	A	Red	(0.0)
Strategy, Workforce & Localities Total	20.2	32.7	(8.0)	24.7	24.8	0.1	A	Amber	(0.8)
Resources & Corporate Services									
Finance & Procurement	11.9	118.8	(104.1)	14.7	13.6	(1.1)	(F)	Green	0.3
Strategic Asset Management	(9.2)	19.4	(28.8)	(9.4)	(9.3)	0.1	A	Amber	0.0
Information Communication Technology	17.8	20.9	(2.9)	18.0	16.6	(1.4)	(F)	Green	0.1
Resources & Corporate Services Total	20.5	159.1	(135.8)	23.3	20.9	(2.4)	(F)	Green	0.4
Public Health	1.2	23.6	(22.6)	1.0	1.0	0.0	-	Green	0.0
Corporate Management	0.5	1.3	0.0	1.3	1.3	0.0	-	Green	0.0
Non-Service	9.3	72.0	(74.1)	(2.1)	(5.6)	(3.5)	(F)	Green	0.0
Traded Services Total	0.0	1.8	(1.8)	0.0	0.4	0.4	A	Red	0.1
Total Service Position	487.3	1,000.4	(513.9)	486.5	504.0	17.5	A	Red	(0.8)
Corporate Contingency	6.0	5.7	0.0	5.7	5.7	0.0	-	Green	0.0
Total After Contingencies	493.3	1,006.1	(513.9)	492.2	509.7	17.5	A	Red	(0.8)
Reserves	(19.9)	0.3	(19.9)	(19.6)	(19.6)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.8	0.0	0.8	0.8	0.0	-	Green	0.0
Council Tax	(345.4)	0.0	(345.4)	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	0.0	(116.1)	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	0.0	(7.9)	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	0.0	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
Total Position	0.0	1,007.2	(1,007.2)	0.0	17.5	17.5	A	Red	(0.8)

9. 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.

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



Recommendations

10. That the Executive:

- a) Notes the forecast overspend of £17.5m (3.6%) for the year and the recovery action being taken and mitigations put in place to address this.

Reasons for recommendations

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

Other options considered

12. 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

13. 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

14. 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:

Likelihood	5	Impact	5	Risk Score	25
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15. The financial impact of an overspend of £17.6m in the current financial would result in a reduction in the level of General Reserves from £49.8m to £32.2m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
16. The variances causing the net overspend are a mixture of on-going and once-off items. The on-going items will have a financial impact upon 2024/25 if they are not addressed.

Legal Implications

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

HR Implications

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

Other Implications:

Equalities Implications

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

Community Safety Implications

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

Climate Change and Sustainability Implications

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

Health and Safety Implications

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

Health and Wellbeing Implications

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

Social Value

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

Scrutiny comments/recommendations:

25. This report will be presented to Scrutiny for Corporate & Resources Committee, on 1 February 2024.

Background

26. 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 £492.2m as at the end of December 2023.

27. **Table 2** (paragraph eight) 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 to 8. The significant variances at month nine are:

- Adult Services have 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 an increase in fee levels for both care home placements and delivery of home care.
- Children's Services have a £15.3m adverse variance against their budget (12.5% of service budget), an unfavourable movement of £1.4m from month seven. The overall variance predominantly relates to external placements, fieldwork (support for children at home), and SEND transport budgets, whilst

the unfavourable movement is due to the unachievable MTFP saving of step downs from residential to in-house fostering.

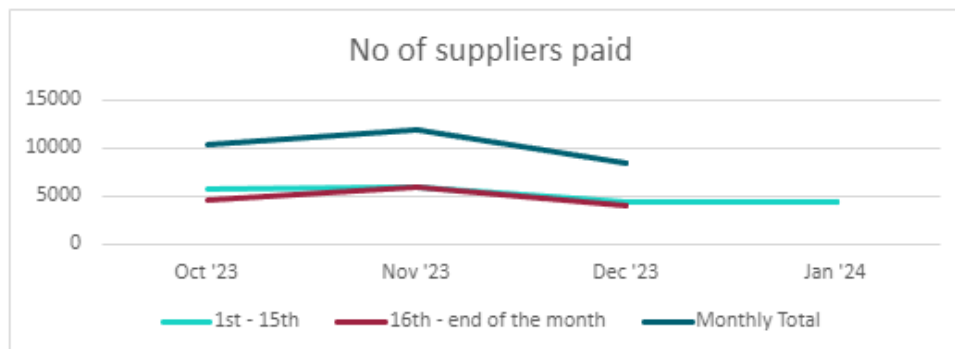
- Community Services have a £0.3m favourable variance against a budget of £36.5m (0.8% of Service budget). The underspend is in relation to the Theatres budget which is due to additional income from ticket sales and underspends on premises budgets.
- Climate & Place (including Accountable Bodies) has a favourable variance of £7.0m against their budget of £93.6m (7.5% of service budget). This is a reduction of £1.6m since month seven. The underspend mainly relates to income received via Connecting Devon and Somerset.
- Strategy, Workforce & Localities have a £0.1m adverse variance (0.4% of service budget) which is a favourable movement of £0.8m from month seven. The overspend relates to external legal costs where specific expertise is required. This overspend is offset by vacancies and reducing Learning and Development costs by focusing on e-learning, statutory and mandatory training.
- Resources & Corporate Services have a £2.4m favourable variance (10.3% of service budget). Most of the favourable variance is seen in Finance & Procurement and Information Communication Technology Services and relates to the holding of vacant posts and additional grant income.
- Non-Service has a favourable variance of £3.5m due to once-off, in-year favourable treasury management activities, together with careful management of the Council's cashflow, which has at times seen higher than anticipated cashflow levels.

Spend Board

28. The Finance team are still working on reviewing its payment values to see the true effect the spend board is having. Although early indications were the spend was going down, this can be distorted when a large payment is made in relation to a capital project, and depending on suppliers invoicing on time, this can distort the figures too. This method of reviewing the impact does not also pick up the activity that never reached spend board in the first place as it was stopped at the service level.

29. In relation to the payment of suppliers, we have seen the number of suppliers paid reduced as shown in Chart 2 below. 10,450 suppliers were paid in October, rising in November to 12,057 before reducing again to 8,443 in December.

Chart 2 – Number of suppliers paid October to December 2023



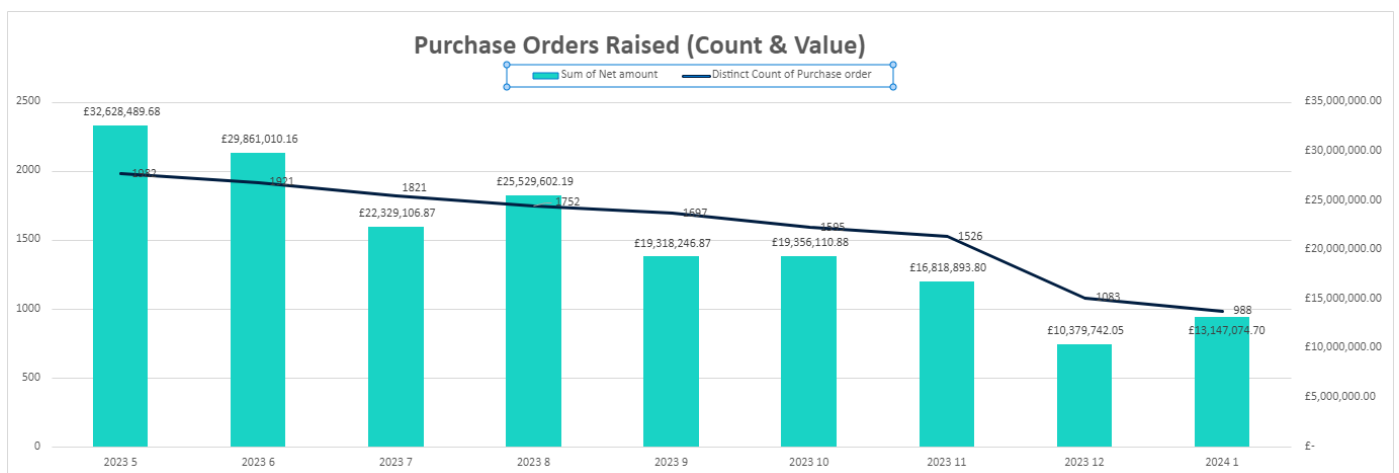
30. The Council has now enforced its' 'No purchase order no pay Policy'. The exchequer team have so far rejected approximately 300 supplier invoices as the invoice received for the goods or services in question were not on our exemption list and they failed to quote a live purchase order number. Communication was made to all suppliers on our system (approx. 22,000) ahead of the Council enforcing this policy, so it should not be unexpected if their invoice gets returned for not quoting a purchase order number.

31. Finance continues to work with the services to ensure they are following the policy and ensuring they issue an order number ahead of an invoice being received as not to cause any delay to the supplier payment. The Council will always pay for goods and services it has received. Enforcing this policy is not about withholding payment to suppliers, it's about ensuring services following the correct procedure for procuring goods and services, and the Council knows its commitments for budgeting and forecasting purposes.

32. Since the control boards have been in place, we have seen a high number of retrospective orders being processed through our finance system. This meant that the control boards were unable to stop expenditure which they may have challenged on whether it was essential or statutory in this financial emergency. The board had to automatically let it through to ensure we paid for the goods or services we had received. With the order policy being enforced we should see these reduce now as the invoice won't get through our systems to be processed. Services know they to provide order numbers for everything purchased outside our goods and services purchase number exemption list.

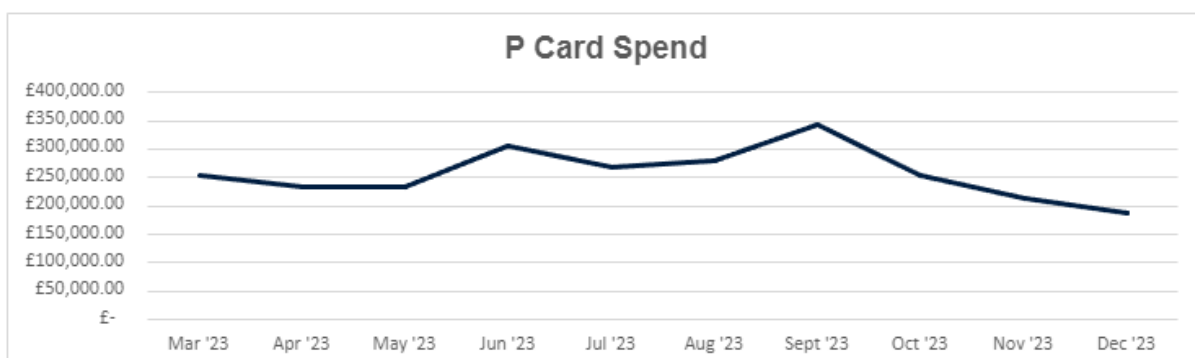
33. **Chart 3** shows the change in number of purchase orders raised and values attributable to these from May 23 to January 24. With the enforcement of the ‘No purchase order no pay Policy’ we would expect to see the number of purchase orders raised increase. However, with the control boards in place, and declared financial emergency the chart shows a decline, especially last month. As the implementation of the policy was only from December 2023 we will continue to monitor as we work with services.

Chart 3 – Number of purchase orders raised and financial values May 2023 to January 2024



34. At the time the control boards were implemented, a review of the number and use of procurement cards was also undertaken. In October 2023 there were 393 active cards which have been reduced to 227 for those services where justification could be made for them being retained. **Chart 4** shows the change in spend now we have fewer active cards in use. We should see this lower spend remain or reduce further into 2024.

Chart 4 – Procurement card spend pattern March 2023 to December 2023



2023/24 Budget & Forecast Outturn Position

35. 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.
36. After accounting for all service expenditure and contingencies the projected outturn position at month nine is £509.7m against a net current budget of £492.2m. This gives a £17.5m adverse variance which represents a variance of 3.6%.
37. 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

38. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
39. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
40. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive November 2023
41. 2024/25 General Fund Revenue Budget & Capital Programme update report to Corporate & Resources Scrutiny & Executive
42. 2024/25 General Fund Revenue Budget update report to Executive January 2024

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	24/01/2024
Communications	Peter Elliot	24/01/2024
Finance & Procurement	Nicola Hix	24/01/2024
Workforce	Dawn Bettridge	24/01/2024
Asset Management	Oliver Woodhams	23/01/2024
Executive Director / Senior Manager	Jason Vaughan	24/01/2024
Strategy & Performance	Alyn Jones	24/01/2024
Executive Lead Member	Cllr Liz Leyshon	24/01/2024
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	24/01/2024
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	24/01/2024