

Audit & Governance Committee

Dorset County Council



Date of Meeting	20 September 2016
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Budget monitoring report – August 2016 (period 5)
Executive Summary	This report provides information on the forecast of outturn against the budget for the 2016/17 financial year based on the latest available information from the Directorates. The report also updates Members on progress on measures being developed to achieve a balanced budget for 2016/17 and beyond.
Impact Assessment:	Equalities Impact Assessment: This report does not involve a change in strategy, it is an update on what has happened under current policy.
	Use of Evidence: This report draws on information from the Authority's accounting systems and other financial records and relies on reports and allocations from Government for future funding plans.
	Budget: The report provides information about the Authority's performance against its agreed budget for 2016/17 and a brief update on the budget challenges that lie ahead.
	Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:

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	Current Risk: High Residual Risk: High
	Other Implications:
Recommendation	Members are asked to consider and comment on the forecast position for 2016/17 and actions being taken through the Forward Together 2020 programme and the Budget Strategy Task & Finish Group.
Reason for Recommendation	To understand the anticipated pressures on the budget for 2016/17 and beyond and to assess whether the strategies in place will successfully address the projected performance during the year.
Appendices	<ol style="list-style-type: none">1. CPMI summary August 20162. FT dashboard summary August 2016
Background Papers	8 th June 2016 draft outturn and financial management report to Audit & Governance Committee
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1. Background

- 1.1 Recent changes to Governance arrangements and committee structures mean that the Audit and Governance Committee now receives a consolidated report of the County Council's predicted financial performance for the year.

2. Forecast of outturn – period 5

- 2.1 The table below sets out the forecast of outturn predicted by the County Council's Directors and Heads of Service at the end of August – an overspend of some £7.8m. This forecast is more than £1.1m worse than was predicted to the Committee in June, due to further deterioration in the predicted performance for Children's Services. More detail is provided in the summary CPMI table at Appendix 1 and there is accompanying narrative on each Directorate's forecast performance, below. Appendix 2 also sets out the position on FT2020 programme savings anticipated for the current year.

Directorate	Net Budget £m	Forecast Outturn £m	Forecast Variance £m
Adult & Community Services	120,659	121,599	(940)
Children's Services	56,848	62,867	(6,019)
Environment & Economy	29,975	31,102	(1,127)
Partnerships	20,911	20,288	622
Chief Executive's Dept	19,014	19,371	(357)
Total Service Budgets	247,407	255,227	(7,821)
Central/Corporate Budgets	(255,010)	(254,989)	(21)
Whole Authority	(7,604)	239	(7,842)

Adult & Community Services

- 2.2 The Adult Care budget is forecast to overspend by £1.6m. The underlying overspend in these budget areas continues due to fee increases and demographic pressures. These have, in part, been mitigated by additional money received through the Social Care Precept and base budget adjustments.
- 2.3 The Partnerships & Performance Budget is forecast to be underspent by £75k. Service spend is broadly in line with budget. There have been increases in the estimated costs for properties held by Adult & Community Services and inflationary increases to some of the Service Level Agreements. These have been offset by vacancies within the Administrative teams.
- 2.4 The Early Help & Communities budget is forecast to overspend by £44k. This can be partly attributed to a reduction in the use of Library buildings by Skills & Learning which has resulted in a lower forecast of income from room hire and lower than

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anticipated expenditure on Blue Badge scheme within Early Help. On the plus side, we are due to receive additional external income for work already carried out by Trading Standards. Work continues to identify savings to meet Forward Together targets within the Library Service.

- 2.5 The Director's Office budget is currently forecast to be underspent by £685k. This largely reflects the 'to be allocated budgets' within the overall budget.

Children's Services

- 2.6 The new Care and Protection service came into operation from 5th September following a restructure of the social work function of the County Council to improve service delivery and respond to the recommendations of the Ofsted inspection report.
- 2.7 The number and cost of children who are looked after by the County Council continues to be a significant cost pressure this year. The budget process identified an additional budget of £3m a year to address the growth in the numbers of looked after children from around 340 to 400 - broadly what would be expected of an authority of Dorset's size - and reflects the growth in numbers seen nationally as a result of various social work practice changes. The actual number of looked after children when the budget was set was 467 and it was recognised that this figure would probably peak at around 500 during mid to late 2016 before reducing to the anticipated, longer-term level of 400 by autumn 2017. To recognise this, the County Council set aside additional one-off funding of £4m for 2016/17 and £1m for 2017/18.
- 2.8 At the end of August the number of looked after children (LAC) was 506, slightly higher than the projected peak of 500. However, as part of a Government initiative, a number of unaccompanied asylum seeker children (UASC) have been taken into care by Dorset. These costs are funded by the Government and therefore have limited impact on the budget. The underlying figure therefore stands at 494, and has been at around this level since May, suggesting that numbers might have peaked.
- 2.9 The costs of looking after children within the County Council can be expensive with some secure residential placements costing almost £6k a week. The standard annual cost of looking after a child is a minimum of £30k a year if placed with an in house foster carer or up to £50k a year with an independent foster agency. With such high marginal costs and the critical nature of child protection, predicting the outturn against these budgets is difficult.
- 2.10 The current central forecast, based on the current cohort remaining in their current care setting indicates that the budget will be overspent by £5.3m on these placements, although this will be offset by the £4m of one-off budget that has been set aside, resulting a net overspend of £1.3m. This is partly because the cost of placements has been higher than budgeted, predominately because of a shortage of in-house foster care placements. This has meant that children have been placed in more expensive, independent foster care and other residential placements. If the number of LAC reduces in line with the budget assumptions then there will be an overspend of around £4m, which will be covered by the amount of one off funding set aside.
- 2.11 The legal costs associated with this level of LAC and the court orders required to make children safe has also resulted in a pressure in this area of around £350k.
- 2.12 There is currently a national shortage of social workers and all local authorities are struggling to recruit and retain experienced staff. This means that agency staff have

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to be brought in to cover vacancies and ensure that caseloads are kept at safe levels. Whilst the Directorate has been optimistic that there would be a reduction in the need for agency workers, with a lot of energy been spent on developing recruitment and retention strategies, there continues to be pressure on this budget. There are currently over 40 vacancies that are being filled by around 30 agency workers. It is anticipated that this will remain the case for the remainder of the financial year and whilst alternatives are being considered in terms of the type of agency arrangement, the costs are still likely to be significant, with an overspend in this area projected at around £2m.

- 2.13 The new Prevention and Partnership service also came into effect from September as a result of the departmental reshaping. Within this there are several pressures, specifically in relation to:
- Special Educational Needs and Disabilities (SEND) - the need to accommodate several children in independent, residential placements, which has added pressure of £600k to the Prevention and Partnerships special educational needs budgets. These placement costs are typically shared with Health and Education and these agencies are working together to reduce these costs.
 - Family Partnership Zones – a new structure to support and coordinate early help and prevention commenced on the 5th of September. The new targeted Youth workers are part of these new arrangements along with the Children's Centres and the former locality teams in 7 geographical areas. The budget area related to the youth service review will not fully realise the total savings hoped in this financial year. The review will save £1m a year in total, but the Family Partnership Zones budget will be £200k overspent due to this slippage as more time has been required to allow community groups to be facilitated to take on former DCC buildings.
 - SEND transport – an optimistic savings target of £1.25m was identified in this area as part of the budget process. However, it is unlikely that all of this will be achieved in 2016/17, partially due to an increase in the volume of children who have become eligible for SEND home to school transport and some complications during the retendering of some of the route contracts. Based on the data from Dorset Travel, following the retender and rearrangement of routes for the start of the academic year, it is likely that there will an overspend against the new budget of £900k. It is felt that this is a delay to the savings rather than an ongoing budget issue.
- 2.14 Overall therefore, the Children's Services overspend position for 2016/17 is anticipated to be £6m. This could be reduced by around £2m if the numbers of LAC begin to reduce and the position around agency social workers can be resolved.
- 2.15 The Dedicated Schools Grant budgets are ringfenced to schools, but there have been a number of emerging pressures, specifically in relation to the High Needs element of the funding which is retained and managed by the County Council on behalf of the schools. The Government had recently extended the scope of the High Needs funding, which meant that it had to cover educational costs of children and young people up to the age of 25. This expansion of the age range, coupled by an increase in the number of children who are applying for Education, Health and Care plans is placing unprecedented pressure on both the locally retained budget and schools' own budgets. The pressure in this area is £5m for the financial year.

Environment & Economy

- 2.16 Economy, Planning & Transport – Most budgets are generally on track. For transport projects the time lag experienced between paying for consultants and getting funds reimbursed from the LEP is expected to right itself and balance by year end. However, planning income is down substantially this year. This is due to volatility in the timing and scale of planning applications made and also as a result of long-term sickness in the fee-earning area of monitoring. Year-end out turn predictions have therefore been revised downwards this month which has resulted in an overspend. Savings targets in relation to the transfer of the Regulation 3 planning application service to the district councils and pre application charging for Highway Authority advice to developers will also not be met in full.
- 2.17 Dorset Travel – The savings target of £600k from mainstream transport continues to be a risk. Routes with a current value of £1 million have now been retendered, however, cost increases to these routes have negated efficiency savings elsewhere in mainstream. Savings to public transport have been exceeded with a likely underspend of £118k which is currently offsetting overspends in Fleet Operations. It is anticipated that there will be additional income from new public routes that has not yet been forecast.
- 2.18 Business Support Unit – This budget is now projecting an overspend of £24k due to uncertainty over achieving forward together savings from implementing automated timesheets for highways staff. Where possible, vacancies are being held pending the outcome of the Business Support Unit review.
- 2.19 Coast & Countryside – The forecast overspend for Coast & Countryside at the end of August is £105k, which is a significant decrease from last month. The decrease reflects a forecast saving of c.£90k from reducing spend on road verge maintenance in line with direction from Cabinet. This is tempered by a modest overspend forecast in the budget for Apprentices as the service takes higher numbers this autumn than predicted, in advance of the Government Apprenticeship Levy in 2017. We expect to be able to forecast the outturn for the Environmental Advice Team at the end of September, and it is likely that deficit will start to reduce, further improving the overall picture for the service.
- 2.20 Estates & Assets are forecasting an overspend of £166k; the main components are the residual £75k WWW Property savings still to be identified, together with a £98k overspend within county buildings which relates to loss of 'income' from recharges to grant funded, partnerships and traded services, and prudent forecasting surrounding the potential loss of income from the Courts. The above line accommodation charges are currently being reviewed with a view to reducing this gap. However this will not be easy as DCC currently hosts a smaller number of traded services than anticipated. A review of Facilities Management is being undertaken to achieve further savings and tight cost control measures are being implemented to reduce the deficit. There is an additional income target of £48k Way We Work travel related savings which is on course pending the review of staff parking.
- 2.21 Buildings & Construction is currently forecasting a £77k underspend. Some significant project slippage has been mirrored by staff losses and difficulty in recruiting. A number of vacancies continue to be managed but we are stepping up our recruitment effort as a number of new, significant capital projects are on the horizon. The Repairs and Maintenance team are forecasting a reduction in income on account of:
- a) The current emphasis on 'repair' rather than 'replace'. This approach does impact

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on income however it will result in overall cash savings to the authority.

b) The uncertainties around the future of the estate as youth centres are being transferred to the community, schools are converting to academy status and the core property list is being further developed. In saving programmed R&M capital expenditure, there will be a corresponding reduction in fee income.

- 2.22 Schools Pooled R&M – It is assumed that this service will spend within budget.
- 2.23 Network Management – The forecast overspend relates to Parking Services which is currently projecting income relating to the rollout of Pay and Display across Dorset towns (£100k) along with £50k relating to visitors and residents parking on the County Hall campus. The visitor parking target is not based upon known visitor numbers and there would need to be an investment of capital, estimated to be in the region of £20k, to create a P & D car park within the County Hall campus. Residents parking is less likely as there seems to be very little demand at present. With regard to pay and display across Dorset towns, £100k is the surplus from a good sized town revenue and would be achievable under certain circumstances. The problem is timescale in that the design, consultation, legal order process and installation is likely to be 12 months before any income is realised. Capital would be needed to implement and public objection is also highly likely. The projected overspend has reduced again this month by £45k, having reviewed the level of income received for on-street parking, particularly in the Weymouth area (since the return of the agency arrangement in July 2016).
- 2.24 Network Development – There is a projected underspend of £8k. A review of capitalised staff costs and updated figures for August indicate that the risk of overspend is much reduced. There is one vacancy at present and twice the amount of student placements during the summer as one year's cohort hands over to the 2016 / 2017 intake which are likely contributory factors.
- 2.25 Network Operations is forecast to be overspent by £52k. There is concern however that the plant hire and fuel budget within the Construction delivery cost centre are over budget and these will need to be closely monitored over the coming months. It is evident that within the plant hire budget there also some miscoding, some of which has been allowed for within this forecast, but it will need investigated in more detail. The winter service element of the construction delivery budget is currently projecting a surplus due the leasing costs on winter service vehicle being bought out early with the money for this coming the corporate capital budget.
- 2.26 Fleet Services is currently showing an overspend of £15k. This is largely due to a number of very expensive major repairs to a number of front line vehicles, which resulted in above normal levels of parts expenditure. This level of expenditure is not expected to repeat itself so we are optimistic that the budget will return to a balanced position by the end of Quarter 2.
- 2.27 Director's Office – The forecast overspend of £214k is mostly the second year effects of the Directorate restructure, after allowing for expected and actual vacancy management savings, which are relatively secure.
- 2.28 Street Lighting PFI – This is a 25 year contract with a ring-fenced budget and is managed through a sinking fund.

Partnerships

- 2.29 Dorset Waste Partnership – The budget for 2016/17 has been set at £34,205m, of which the DCC share is 64.32%, resulting in a DCC share of the budget of just over £22m. The forecast is a favourable variance of £971k. The DCC share of this variance would be £625k. The favourable variances arise primarily from reduced prices in relation to a major contract that is being renewed in 2016/17 (£302k), Joint Committee decisions on reduced Household Recycling centre opening hours (£158k), a reassessment of the life of the stock of wheeled containers (£250k) and additional income on trade waste over and above the budget (£200k). Some slippage on capital financing costs relating to infrastructure projects (£40k) and vehicle purchases (£112k) continues to be acknowledged. Early year savings (£131k) are being made on recycle costs, where the price per tonne is currently lower than the budget assumption of £20 / tonne. The Management and Administration budget is expected to underspend by £28k. Adverse variances involve additional disposal costs (£150k), where waste arising cannot now be transferred to a cheaper outlet as quickly as planned, and additional tonnages of waste arising (£100k).

Chief Executive's Dept

- 2.30 The Chief Executives Department is forecasting an overspend of £357k at the end of August. The main factors influencing this are:-
- 2.31 The Chief Executive's Office and Assistant Chief Executive's Office are forecasting underspends due to staff vacancies.
- 2.32 The Policy and Research department is projecting a £77k overspend largely attributable to increased staff costs in respect of increments and an unachievable vacancy factor of £29.4k.
- 2.33 Commercial Services is predicting an overspend of £45k. There are several key pressures on the services including a £50k share of the Directorate-wide savings target and a decrease in planned income due to staff vacancies and a delay in a review of the funding of the NEXUS system.
- 2.34 Legal and Democratic are forecast to overspend by £91k. A proportion of this (£18k) rests around some uncertain income with the balance in the salaries budget where pressures include JE awards and the inability to meet the high vacancy factor.
- 2.35 ICT overall is projecting a £161k overspend. £130k relates to the core ICT budget which despite undertaking significant work to balance the budget is still under pressure. £60k of the Directorate-wide savings have also been allocated here. The planned changes to the WAN/UC budget have not progressed as quickly as planned and this budget is forecasting a shortfall of £207k. Offsetting these overspends are an underspend in the CSU area of £176k and a one-off saving from the Print Strategy cost centre.
- 2.36 The HR and Financial Services areas are currently forecasting a balanced year end position. However the Financial Services area has recently undergone a restructure, which will be implemented from October. As the structure is still moving the forecast may change in the next month or so. Both these areas have taken a share of the Directorate's base budget shortfall.

Central/Corporate Budgets

- 2.37 The combined variance on the Interest payable and receivable budgets is a £21k projected overspend. It is still too early to be clear about the demands on the contingency budget.

3 Forward Together 2020

- 3.1 Work continues on the Authority's transformation programme, FT2020. Each of the Directors has given a formal update of the transformation programme in their own areas to the Budget Strategy Task & Finish Group. A summary of the progress against savings targets is also set out in Appendix 2.
- 3.2 Overall, progress against target savings of £10m for 2016/17 shows that nearly £4m has already been achieved, with a further £3.1m on course. £1.8m needs more work to deliver and around £1.1m has been deemed unachievable – mainly SEN transport savings and slippage from Youth Service reconfiguration in Children's Services and mainstream transport savings in the Environment & Economy Directorate.

4 Budget Strategy Task & Finish Group

- 4.1 The Group continues to meet monthly and as mentioned, has now received full briefings on the transformation work going on in each of the Directorates. The Group has also received savings proposals from Members which are currently being considered for Budget Strategy 2017/18.
- 4.2 The Cabinet is due to receive an update on the MTFP and the Authority's draft efficiency plan in consideration of the four-year budget offer at the 28th September meeting. This will be on the back of a predicted overspend set out in this report which would potentially claim more than half of our general balances and draw us down below the bottom-end of our operating range.
- 4.3 It is therefore absolutely imperative that the actions being taken to bring the budget back towards a balanced position, particularly within Children's Services, are understood and owned throughout the organisation, and robustly owned, monitored and implemented by senior management. If the position cannot be turned in the right direction in the next two months then further action will be necessary across the whole of the council to reduce non-essential spend.

Richard Bates
Chief Financial Officer
September 2016

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Appendix 1

		Year	2016-17	June	July	August
Cost Centre Management	Responsible Officer	'Above Line' Net Budget Only £000's	Forecast £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's
Children's Services Directorate						
Non-Schools Budget						
Family Support	Vanessa Glenn	24,425	32,502	(6,316)	(7,491)	(8,077)
Strategy, Partnerships and Performance	Anne Salter	9,389	9,440	(107)	(97)	(51)
Other Services	Sara Tough	1,809	1,832	(13)	(2)	(23)
Learning and Inclusion services	Jay Mercer	21,225	23,093	(1,840)	(2,066)	(1,868)
Application of Contingency	Richard Bates	0	(4,000)	4,000	4,000	4,000
Children's Services (Non DSG) Total		56,848	62,867	(4,277)	(5,656)	(6,019)
Schools Budget						
Learning and Inclusion - High Needs Block (excluding school balances)	Jay Mercer	23,630	29,034	(2,480)	(3,883)	(5,404)
Learning and Inclusion - Early Years Block	Jay Mercer	13,834	13,708	(81)	(81)	126
Strategy, Partnerships and Performance - Schools Central Budgets	Anne Salter	2,423	1,587	76	140	836
Total Net Central Expenditure		39,886	44,329	(2,485)	(3,823)	(4,442)
Dedicated Schools Grant and other funding (Schools Central)		(170,369)	(173,492)	0	0	3,123
Delegated Schools Budgets (including Special Schools and Learning centres)		138,086	140,705	0	1	(2,618)
Schools Budget Total		7,604	11,542	(2,485)	(3,822)	(3,938)
Children's Services Total (excluding Schools)		64,452	74,409	(6,761)	(9,478)	(9,957)
Adult & Community Services Directorate						
Adults Services	Harry Capron	78,916	80,572	(1,860)	(1,658)	(1,656)
Partnerships and Performance	Alison Waller	37,379	37,304	197	48	75
Early Help & Communities	Paul Leivers	7,720	7,764	(99)	(71)	(44)
Director's Office	Helen Coombes	(3,356)	(4,041)	759	686	685
Adult & Community Services total		120,659	121,599	(1,004)	(996)	(940)
Environment and the Economy Directorate						
Economy, Planning & Transport	Maxine Bodell	2,019	2,059	33	44	(40)
Dorset Travel	Andy Shaw	15,746	16,293	(609)	(570)	(547)
Business support Unit	Jan Hill	620	643	(42)	(44)	(24)
Coast & Countryside	Phil Sterling	2,631	2,736	(156)	(183)	(105)
Estates & Assets	Peter Scarlett	(1,587)	(1,422)	(374)	(166)	(166)
Buildings & Construction	David Roe	54	(23)	36	72	77
Pooled R&M	David Roe	78	78	0	0	0
Network Management	Simon Gledhill	1,279	1,330	(98)	(53)	(51)
Network Development	Tim Norman	928	920	(0)	(22)	8
Network Operations	Martin Hill	4,146	4,198	14	26	(52)
Fleet Services	Sean Adams	(141)	(126)	0	(15)	(15)
Director's Office	Mike Harries	378	592	(263)	(214)	(214)
Streetlighting PFI	Tim Norman	3,824	3,824	0	0	0
Environment and the Economy Directorate Total		29,975	31,102	(1,460)	(1,125)	(1,127)
Chief Executives						
Chief Executives Office	Debbie Ward	358	339	(4)	(3)	19
Partnerships	Patrick Myers	245	262	(15)	(19)	(18)
Communications	Patrick Myers	235	236	0	(1)	(1)
Policy and Research	Patrick Myers	422	499	(35)	(69)	(77)
Commercial Services	Karen Andrews	702	748	0	(45)	(45)
Governance and Assurance	Mark Taylor	642	647	4	(5)	(5)
Assistant Chief Executive	Patrick Ellis	241	205	0	0	36
Legal & Democratic Services	Jonathan Mair	2,649	2,741	(60)	(87)	(91)
Financial Services	Richard Bates	1,717	1,717	0	54	0
ICT	Richard Pascoe	6,605	6,765	(70)	(127)	(161)
Emergency Planning	Simon Parker	202	204	(1)	(2)	(2)
Human Resources	Sheralyn Huntingford	2,037	2,037	0	0	0
Directorate Wide	Patrick Ellis	0	0	(341)	0	0
Cabinet		2,959	2,972	(22)	(13)	(13)
Chief Executives Total		19,014	19,371	(534)	(317)	(357)
Partnerships						
Dorset Waste Partnership	Karyn Punched	20,911	20,288	573	471	622
RIEP		0	0			0
Public Health	David Phillips	0	0	(2)	(2)	0
Partnerships Total		20,911	20,288	571	469	622
Central Finance						
General Funding	Richard Bates	(9,470)	(9,470)	0	0	0
Capital Financing	Richard Bates	25,659	25,680	19	26	(21)
R&M	Richard Bates	1,244	1,244	0	0	0
Contingency	Richard Bates	(8,261)	(8,261)	0	0	0
Precepts/Lewy	Richard Bates	677	677	0	0	0
Central Finance	Richard Bates	(264,860)	(264,860)	0	0	0
Central Finance Total		(255,010)	(254,989)	19	26	(21)
Total Above Line Budgets		0	11,780	(9,169)	(11,421)	(11,780)
Excluding Schools Budgets		(7,604)	239	(6,684)	(7,599)	(7,842)

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Appendix 2

2016/17		Assessment of Savings achievement				at >>>	06-Sep-16											
Savings measure	£000's	Achieved	On course	More Work Needed	Not achievable													
Adults	1602	1,140	359	103	0													
Childrens	3865	1,575	1,190	300	800													
Env & Economy	2346	621	733	722	270													
Chief Exec's	1214.3	624	415	140	35													
Whole Authority	976	0	451	525	0													
Summary - All Savings 2016/17	10,003	3,960	3,148	1,790	1,105													

