

Audit & Governance Committee

Dorset County Council



Date of Meeting	13 March 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Budget monitoring report – January 2017 (period 10)
Executive Summary	This report provides an update on the forecast of outturn against the budget for 2016/17 based on the latest available information from the Directorates.
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.
	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: Current Risk: High Residual Risk: High

Budget Monitoring Report – January 2017 (period 10)

	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 programme and the Budget Strategy Task & Finish Group.
Reason for Recommendation	To understand the 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. Members are also asked to consider, at this early stage, what impact the forecast 2016/17 position might have on the recently approved budget for 2017/18.
Appendices	<ol style="list-style-type: none"> 1. CPMI summary January 2017 2. FT dashboard summary as at 24th February 2017
Background Papers	Previous quarterly forecast reports and MTFP updates to Cabinet (most recently 18 th January 2017).
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1. Background

- 1.1 Current 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 10

- 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 January, an overspend of £7.6m. This forecast is £2m better than previously predicted to the committee. Each Directorate has delivered a modest reduction in their previously predicted positions, and a further £750k has been released from the contingency budget as we draw near to the end of the financial year and have been able to firm up on its commitments. Pressure still continues in the Adult and Community Services and Children's areas. 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 Forward Together programme savings anticipated for the current year.

Directorate	Net Budget	Forecast Outturn	Forecast Variance
	£m	£m	£m
Adult & Community Services	124,533	128,885	(4,352)
Children's Services	64,744	71,642	(6,898)
Environment & Economy	36,079	36,385	(306)
Partnerships	20,715	18,288	2,427
Chief Executive's Dept.	9,675	9,660	15
Total Service Budgets	255,746	264,860	(9,114)
Central/Corporate Budgets	(255,746)	(257,207)	1,461
Whole Authority	0	7,653	(7,653)

Adult & Community Services

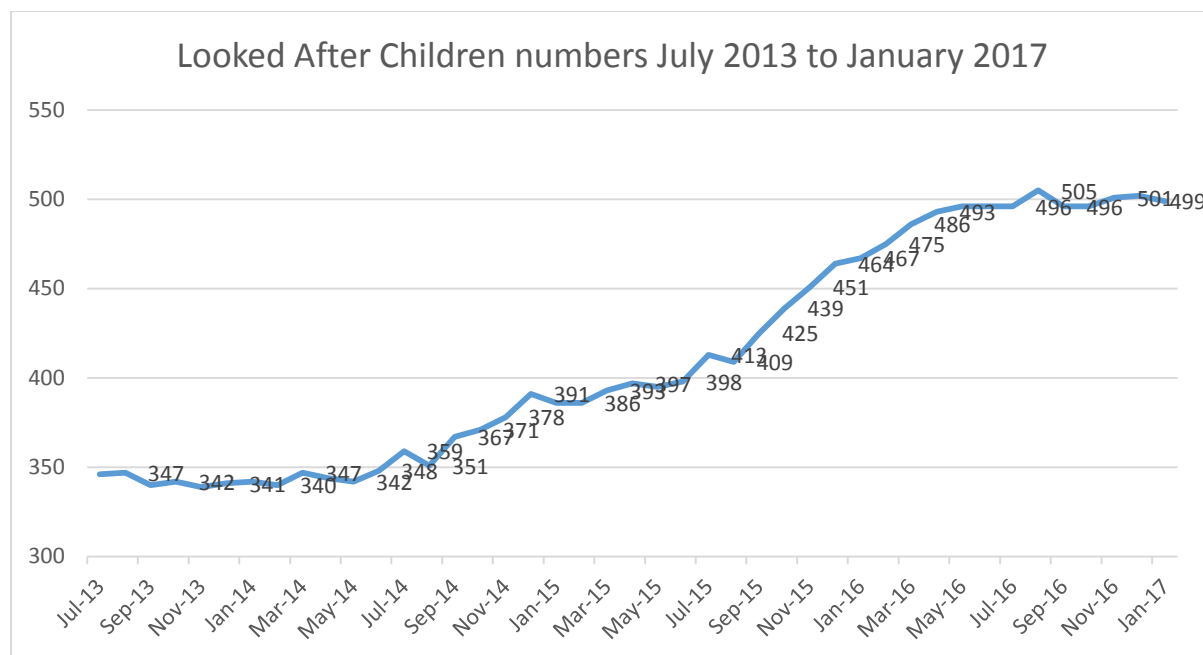
- 2.2 The Adult & Community Services Directorate budget is forecast to be overspent by £4.3m. Within this total, the Adult Social Care (ASC) budget is predicting an overspend of £5.1m. The Service User related element continues to rise and currently stands at an overspend of £6.1m. Due to the application of one-off monies this is suppressing a base budget issue in the region of £7.8m. The overspend is offset in part by underspends in pay and other budgets of £951k.
- 2.3 Key factors in the overspend are:
- increase costs of care through increasing off framework purchasing and lack of market management
 - CHC pick-up totalling around £1.7m
 - service users' capital falling below the threshold and the County Council paying
 - inability to "review-down" the cost of care for those currently in receipt of a service to offset the increases

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- increased acuity of packages.
- 2.4 The Commissioning & Performance Budget is forecast to be underspent by £420k. The underspend is due primarily to long-term vacancies across the Safeguarding and Business Development Teams.
- 2.5 The Early Help & Communities budget is forecast to be underspent by £52k due to a number of small variances and the Director's Office budget is currently forecast to be underspent by £325k. This largely reflects budgets being actively held back in light of the overall overspend.

Children's Services

- 2.6 The number and cost of children who are looked after by the County Council continues to be a significant cost pressure. The 2016-17 budget process identified additional budget of £3m a year to address the growth in the numbers and costs 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.
- 2.7 A significant amount of work has been undertaken by Children's Services to make an assessment of the best, middle and worst-case scenarios of looked after children. The budget was set based on reducing the number of children in care (net of unaccompanied asylum seeker children (UASC) who are funded by central government grant) to 400 by October 2017. Based on these assumptions the numbers in care at the end of January was 493, the actual number was 499, 6 behind the plan. This is within an acceptable tolerance as predicting numbers in care is very difficult but it is also overly simplistic to consider only the total number as the mix of placements is a crucial factor in determining total cost.
- 2.8 A detailed action plan is in place, as part of the Forward Together for Children programme, to reduce LAC numbers and increase in-house fostering capacity. The total number and mix of placements is reviewed in detail, formally by the Children's Services Leadership Team and by the Care and Support Panel.



- 2.9 The forecast for 2016/17, based on the current cohort remaining in their present care setting is that the budget will be overspent by £5.4m. This will be offset by the £4m of one-off budget that has been set aside, resulting a net overspend of £1.4m. 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 the overspend will reduce, although the later in the year this reduction happens the lower the impact on the 2016/17 position will be.
- 2.10 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 £500k.
- 2.11 There is a national shortage of social workers and local authorities are struggling to recruit and retain experienced staff. This means that agency staff have to be brought in to 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 spent developing recruitment and retention strategies, pressure continues on this budget. At the time of writing, there are 51 agency staff covering vacancies, sickness and maternity leave. It is anticipated that this will remain the case for the remainder of the financial year, although 17 new starters have been appointed and should all be in post by the start of the 2017/18 financial year. The recruitment and retention drive continues with the view to reduce agency in line with the report to Cabinet on 10 October 2016. However, costs are still likely to be significant and agency numbers remain high meaning that there will be an overspend in this area of £2.4m.
- 2.12 Within the Prevention and Partnership service 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.

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- 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 £100k 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 be an overspend against the new budget of £2,043k. Work is taking place to fully understand the position and it is still felt that large savings will be made once the main contracts are renewed in 2017/18.
- 2.13 Overall therefore, the Children's Services overspend position for 2016/17 is anticipated to be £6.9m (a reduction of £0.3m since December). At this stage in the year, measures to reduce the overspend will have a low impact. A concerted effort is being made to return children home where it is safe to do so and the looked after children overspend could be reduced by around £750k if the numbers of LAC begin to reduce and the position around agency social workers can be resolved.
- 2.14 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 recently extended the scope of the High Needs Funding, meaning 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 with 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 £5.3m for the financial year. Efforts are continuing to balance the budget for 2017/18 but the current year's deficit will have to be recovered in future years.

Environment & Economy

- 2.15 The total Directorate forecast overspend is £306k on a net budget of £36.1m, with detail relating to individual services as set out in the following paragraphs.
- 2.16 Economy, Planning & Transport – Most budgets are generally on track to balance. Unmet Forward Together saving targets and lower than anticipated planning application income have been met by achieving savings elsewhere.
- 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 re-tendered, however, cost increases for these routes have negated efficiency savings elsewhere in mainstream. Savings in public transport have been exceeded with a likely underspend of £118k which is currently offsetting overspends in Fleet Operations.

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Income from new public routes is forecast to increase the underspend in the public transport budget to £150k.

- 2.18 Business Support Unit – An underspend of £12k is forecast despite uncertainty over realising Forward Together savings from implementing automated timesheets for highways staff. This has been achieved by holding vacancies where possible, pending the outcome of the Business Support Unit review.
- 2.19 Coast & Countryside – is now forecasting an underspend of £5k, which is a significant decrease from the forecast in December of an overspend of £52k. Having achieved this slight underspend in advance of the end of the financial year, and with tight spending restrictions in place, there is now optimism that the underspend will grow. The actual outturn from Arboriculture, in particular, is dependent on the winter weather and there are still two months to cope with any unforeseen expenditure across the service, so the forecast should still be treated with caution.
- 2.20 Estates & Assets – is forecasting an underspend of 13k, a slight decrease on the previous month (22k), due to some backdated pay adjustments. The Way We Work property savings target is falling short by £324k. A separate paper has been presented to the County Leadership Team recently, setting out the background and council-wide reasons for the position. Overall, therefore, the budget is projecting an overspend of £311k.
- 2.21 Buildings & Construction - is currently forecasting a £403k underspend. The underspend results from managed vacancies, exacerbated by staff turnover. We have stepped-up our recruitment effort as several new, significant capital projects are on the horizon and have had success in making architectural appointments; however recruitment of engineers remains problematic. The Repairs and Maintenance team is forecasting a reduction in income on account of the current emphasis on “repair” rather than “replace”, the uncertainties around the future of the estate and investment in resourcing the re-procurement of the repairs, maintenance, minor and smaller capital works framework.
- 2.22 Schools Pooled Repairs & Maintenance – It is forecast that this service will spend within budget.
- 2.23 Network Management – whilst the forecast underspend is now £22k there is still concern in relation to the Parking Service who currently have projected income relating to the rollout of Pay and Display across Dorset Towns (£100k) along with the £50k relating to visitors and residents parking on the County Hall campus.
- 2.24 Network Development – is now forecasting an underspend of £241k, principally due to a reassessment of amounts to be charged to historical development schemes.
- 2.25 Network Operations - are forecast to be underspent by £24k. Although the works element of the budget remains under ‘winter pressure’, most of the other cost centres within the Operations division are predicting positive performance. The network damage budget is likely to overspend but this is countered by expected underspends in other areas. Winter Service activities have increased in the last month, but the service is on course to finish the year with an underspend.
- 2.26 Fleet Services – are forecasting an underspend of £27k, mainly due to continued controls on expenditure, more accurate forecasting in January and improvements in income and works in progress.

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- 2.27 Emergency Planning – A small overspend of £4k is currently predicted, but the service budget is expected to balance by year end.
- 2.28 Director's Office – The forecast overspend of £253k relates mainly to the second year effects of the Directorate restructure, after allowing for limited expected and actual vacancy management savings, that are relatively secure.
- 2.29 Street Lighting PFI – This is a 25 year contract with a ring-fenced budget and is managed through a sinking fund.
- 2.30 ICT and Customer Service Unit - continue to project a £170k overspend with a prudent view being taken of cost recovery from capital projects. The Wide Area Network costs have benefited from a 'one off' credit which aids the overall service position. Vacancy management has continued to decrease the forecast spend on staffing and related costs. The service may also need to convert a proportion of its budget to capital to allow for the cost of the various projects it has to fund at the present.

Partnerships

Dorset Waste Partnership

- 2.31 The budget was set at £34.205m, of which the DCC share is £22m (64%). The forecast of budget variance for 2016/17 at January is a favourable variance of £1.64m. The DCC share of this variance would be £1.05m.

The favourable variances arise primarily from reduced prices in relation to a major contract that has been renewed in 2016 (£302k), Joint Committee decisions on reduced Household Recycling Centre opening hours (£158k) and a reassessment of the life of the stock of wheeled containers (£250k). Income from the Garden Waste and Commercial Waste services is more favourable than the budget (a combined total of £415k). Savings on the year to date (£358k) are being made on recycle costs, where the price per tonne continues to be more favourable than the budget assumption.

Earlier financial reports highlighted adverse costs being incurred on the disposal budget, especially in light of the closure of the Trigon landfill site. Ongoing budget monitoring is favourable, and indicates that those additional costs can be absorbed with the current budget. Favourable prices have been incurred under a pilot scheme for disposal from HRCs under the new contract, however it is unclear, at the time of writing as to how sustainable this is. The forecast now reflects the disposal budget as 'on target' but subject to the costs that will be incurred in the final four months of the year. Some slippage on capital financing costs relating to infrastructure projects (£40k) and vehicle purchases (£112k) also continues to be acknowledged.

Public Health

- 2.32 The MTFP assumes a £700k contribution from Public health in 2017-18. This position has changed slightly and this contribution will effectively be received in 2016/17. The Joint Public Health Board (JPHB) agreed to release £2.3m of accumulated reserve plus a further £200k of in-year savings back to the three constituent local authorities. Dorset County Council will receive 55% - nearly £1.4m. Further savings in 2016/17 and 2017/18 could also be released subject to JPHB approval.

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Chief Executive's Dept

- 2.33 The Chief Executive's Department is forecasting an underspend of £15k; an improvement on the previous forecast of a £91k overspend. The main factors influencing the underspend are set out in the following paragraphs.
- 2.34 The Chief Executive's Office is forecasting an underspend due to staff vacancies arising from the restructure of the Directorate's management team.
- 2.35 The Policy and Research department is projecting a £84k overspend largely attributable to increased staff costs in respect of increments, an unachievable vacancy factor of £29.4k and reduced income levels. The service had been hoping to achieve some one-off income in respect of a new system that has been developed (SWIM project) but this will not accrue this financial year therefore increasing the overspend.
- 2.36 The Commercial Services budget has now been disaggregated, the Procurement office budget is now part of Financial Services leaving behind the Programme Office. This budget is projecting a £7k underspend, however this is dependent on receiving funding from the Environment Directorate for some project work.
- 2.37 The Legal and Democratic budget continues to forecast an overspend of £108k. The main cause of this is in the salaries budget where pressures include JE awards and the inability to meet the high vacancy factor. There has also been a delay in the planned Democratic Services restructure.
- 2.38 The Financial Services budget is projecting a £12k underspend, this now includes the Procurement office budget. As reported previously the service has undergone a restructure which was implemented in October. The service has also absorbed a £90k share of the Directorate's base budget problem as well as £140k share of the Forward Together for Support Services transformation savings target bought forward into this financial year.
- 2.39 The HR budget is forecasting a £121k underspend, an improvement from the last report. This has been achieved through vacancy management and tight control of spend on supplies and services.

Central/Corporate Budgets

- 2.40 The Central Finance area is now forecasting a £1,461k underspend. It has been possible to release £1,265k from the contingency budget due to a firmer idea of the calls required from it in this financial year, and there is a net underspend from interest paid/receivable of £307k due to a reduction in the cost of borrowing. The amount of income expected from the Education Services grant during the year has reduced by £111k due to the conversion of schools to academies.

3 Forward Together

- 3.1 Work continues on the Authority's transformation programme. Each of the Directors has given formal updates of the transformation programme in their areas to the Budget Strategy Task & Finish Group and there was an all-Member briefing by Directors at the session following Cabinet on 1st February.
- 3.2 Overall, progress against target savings of £10m for 2016/17 shows that nearly £4m has already been achieved, with a further £2.6m on course. £1.1m needs more work

to deliver and around £2.3m 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 It is suggested that the Group continues to meet monthly and aligns its work with that of the FT Board and CLT to ensure we are clear, as early as possible, as to any significant risks to the transformation savings targets for 2017/18 and that work on the detail of the programme for 2018/19 and beyond is progressed.
- 4.2 The Cabinet is due to receive an update on the MTFP in June so it is anticipated that by that time, we will understand the outturn for 2016/17 (and the impact on reserves and balances) the early forecast for 2017/18 and the detail of the FT programme across all remaining years of the MTFP.

Richard Bates
Chief Financial Officer
February 2017

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Appendix 1

Cost Centre Management Budget Monitoring Summary	Year	Responsible Officer	2016-17				
			'Above Line' Net Budget Only £000's	Forecast £000's	November Projected Under/(Over) Spend £000's	December Projected Under/(Over) Spend £000's	January Projected Under/(Over) Spend £000's
Children's Services Directorate							
Pre September 16 structure		Sara Tough	6,387	7,305	(1,032)	(872)	(918)
Care & Protection		Vanessa Glenn	21,368	29,358	(7,933)	(8,070)	(7,990)
Design & Development		Patrick Myers	6,251	5,485	437	616	766
Partnerships and Performance		Jay Mercer	21,449	29,307	(7,720)	(7,768)	(7,858)
Directors Office		Sara Tough	1,881	1,832	(67)	50	49
Application of Contingency		Richard Bates	0	(4,000)	4,000	4,000	4,000
DSG Services		Jay Mercer	7,408	7,614	(70)	(198)	(206)
Children's Services Total including DSG			64,744	76,902	(12,385)	(12,240)	(12,158)
DSG Funding (overspend to be carried forward)		Sara Tough	0	(5,260)	5,065	5,072	5,260
Children's Services (Non DSG) Total			64,744	71,642	(7,320)	(7,169)	(6,898)
Adult & Community Services Directorate							
Adult Care Service User Related		Harry Capron	59,206	65,306	(5,602)	(5,941)	(6,100)
Adult Care		Harry Capron	19,405	18,453	906	518	951
Commissioning and Performance		Helen Coombes	36,345	35,925	187	362	420
Early Help & Communities		Paul Leivers	8,485	8,433	21	51	52
Director's Office		Helen Coombes	1,091	767	379	369	325
Adult & Community Services total			124,533	128,885	(4,109)	(4,642)	(4,352)
Environment and the Economy Directorate							
Economy, Planning & Transport		Maxine Bodell	2,019	1,955	32	32	64
Dorset Travel		Andy Shaw	15,741	16,108	(449)	(374)	(367)
Business support Unit		Jan Hill	574	562	16	15	12
Coast & Countryside		Phil Sterling	2,656	2,651	(72)	(52)	5
Estates & Assets		Peter Scarlett	(1,582)	(1,271)	(198)	(302)	(311)
Buildings & Construction		David Roe	95	(308)	455	417	403
Pooled R&M		David Roe	78	78	0	0	
Network Management		Simon Gledhill	1,284	1,262	2	37	22
Network Development		Tim Norman	715	474	5	(0)	241
Network Operations		Martin Hill	4,159	4,135	13	14	24
Fleet Services		Sean Adams	(32)	(59)	22	21	27
Emergency Planning		Simon Parker	212	216	(3)	0	(4)
Director's Office		Mike Harries	414	667	(247)	(246)	(253)
Streetlighting PFI		Tim Norman	3,824	3,824	0	0	0
ICT		Richard Pascoe	5,923	6,093	0	(170)	(170)
Environment and the Economy Directorate Total			36,079	36,385	(423)	(610)	(306)
Chief Executives							
Chief Executives Office		Debbie Ward	366	314	59	59	52
Partnerships		Karen Andrews	245	242	(14)	(14)	3
Communications		Karen Andrews	235	232	7	7	3
Policy and Research		Karen Andrews	422	507	(44)	(66)	(84)
Commercial Services		Karen Andrews	405	398	(26)	(26)	7
Governance and Assurance		Mark Taylor	642	638	5	4	4
Assistant Chief Executive			241	206	35	35	35
Legal & Democratic Services		Jonathan Mair	2,004	2,112	(107)	(108)	(108)
Financial Services		Richard Bates	109	96	(6)	(6)	12
Human Resources		Sheralyn Huntingford	1,537	1,416	49	49	121
Directorate Wide		Richard Bates	0	0	0	0	0
Cabinet		Richard Bates	3,470	3,500	(30)	(25)	(30)
Chief Executives Total			9,675	9,660	(72)	(91)	15
Partnerships							
Dorset Waste Partnership		Karyn Punchedard	20,717	19,665	823	823	1,052
Public Health		David Phillips	(2)	(1,377)	1,375	1,375	1,375
Partnerships Total			20,715	18,288	2,198	2,198	2,427
Central Finance							
General Funding		Richard Bates	(10,011)	(9,900)	0	(111)	(111)
Capital Financing		Richard Bates	25,571	25,265	307	321	307
R&M		Richard Bates	1,244	1,244	0	0	0
Contingency		Richard Bates	(8,368)	(9,633)	500	500	1,265
Precepts/Levy		Richard Bates	677	677	0	0	0
Central Finance		Richard Bates	(264,860)	(264,860)	0	0	0
Central Finance Total			(255,746)	(257,207)	807	711	1,461
Total Above Line Budgets			0	12,913	(13,983)	(14,674)	(12,913)
Excluding DSG Budgets			0	7,653	(8,918)	(9,602)	(7,653)

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Appendix 2

Summary - All FT Savings

2016/17		Assessment of Savings achievement				at >>>	24-Feb-17
Savings measure	£000's	Achieved	On course	More Work Needed	Not achievable		
Adults	1602	1,140	359	103	0		
Childrens	3865	1,525	840	50	1,450		
Env & Economy	2646.5	878	694	275	800		
Chief Exec's	913.8	399	360	110	45		
Whole Authority	976	37	342	552	45		
Summary - All Savings 2016/17	10,003	3,978	2,595	1,090	2,340		

