

Audit & Governance Committee

Dorset County Council



Date of Meeting	19 January 2018
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Financial management report
Executive Summary	<p>This report provides members of the Audit & Governance Committee with an update on the anticipated outturn for 2017/18.</p> <p>The information contained in the report is based on the December projections (produced early in January 2018). This is the tenth forecasting exercise of the year, so there is also brief analysis of the movements in the forecast during the year.</p> <p>This report also includes debt management information.</p>
Impact Assessment:	<p>Equalities Impact Assessment: This high-level update does not involve a change in strategy, however, the information produced as a result of the forecasting process may trigger a review of policy and/or strategy for managing within the available budget. If this happens, the impact of specific proposals on equality groups will be considered.</p>
	<p>Use of Evidence: This report draws on information from the Authority’s accounting systems and other financial records. It also relies on datasets maintained within the County Council’s services which are used to predict possible future demand for and costs of services.</p>
	<p>Budget: The report provides an update on the County Council’s financial performance and projections for 2017/18. It also considers how this is impacting on the budget for 2018/19 and the following years of the MTFP.</p>

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	<p>Risk Assessment:</p> <p>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:</p> <p>Current Risk: HIGH</p> <p>Residual Risk HIGH</p>
	<p>Other Implications:</p>
<p>Recommendation</p>	<p>The Committee is asked to consider the contents of this report and:</p> <ul style="list-style-type: none"> (i) note the Directors' latest estimates included in the forecast of outturn and the reasons causing us to forecast an overall overspend; (ii) note the latest projections for savings from the Forward Together programme; (iii) comment on the strategies, policies and tactics set out in this report that are intended to tackle the in-year overspend and establish a firm planning position from which to develop the base budget strategy for 2018/19 and beyond; (iv) put forward any other plans it wishes to be taken into account in addressing the current year's performance; (v) understand the risks and impact of the current forecast on the County Council's general fund and on the development of the MTFP; and (vi) note the continuing challenges - and progress - on the debt position since the last report.
<p>Reason for Recommendation</p>	<p>It is important for Members to understand the causes underpinning the forecast overspend and consider the adequacy of the responses. Delivery of Forward Together savings is critical to the financial position of the County Council but there are pressures in the current year's forecast which mean additional measures on top of the original programme are being explored.</p> <p>Dealing with the current year's forecast overspend is critical to the understanding of the base position upon which we will be developing the budget strategy for 2018/19 and the MTFP for ensuing years.</p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. CPMI summary December 2017/18 2. Forward Together programme savings 2017/18
<p>Background Papers</p>	<p>MFTP reports to Cabinet during 2017/18</p>

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Background

- 1.1 Audit & Governance Committee is the County Council's principal body for overview and scrutiny of financial arrangements. This paper is coming to the Committee so that Members can review the County Council's performance for the year to date and understand the forecast position and the impact this might have on the budget process for 2018/19 and beyond.
- 1.2 Work is well in hand on financial planning for 2018/19 and beyond and a briefing note was sent to Members on 8th January, following the provisional local government finance settlement. While it is pleasing to be close to a balanced budget for 2018/19, there are still significant financial risks associated with the financial savings from the Forward Together programme and continuing pressures on services. Early monitoring of the 2018/19 budget will therefore be critical and the Finance Team is well advanced in its plans to deliver this early view. Members will be kept informed of our work.

2. Forecast of outturn for 2017/18

- 2.1 The latest forecast of outturn for the Authority, (December, AP9), indicates an overspend of £4.1m. An analysis is shown in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	Of which	
				Forward Together	Base budget
	£k	£k	£k	£k	£k
Adult & Community Services	133,169	134,319	(1,150)	(2,003)	853
Children's Services	62,486	69,290	(6,804)	(700)	(6,104)
Environment & Economy	35,934	35,881	52	(312)	364
Partnerships	20,002	19,048	954	0	954
Chief Executive's Dept	10,757	10,771	(14)	(164)	150
Total Service Budgets	262,348	269,309	(6,961)	(3,179)	(3,783)
Central/Corporate Budgets	(260,978)	(263,822)	2,844	0	2,844
Whole Authority	1,370	5,487	(4,117)	(3,179)	(938)

- 2.2 December's is the tenth forecasting exercise of the year. A brief history of this year's forecasting exercises is set out in the table, below. It is pleasing to see that action being taken is bringing the budget back towards balance.

	AP0	April	May	June	July	August	September	October	November	December
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
Children's Services	(4,000)	(5,750)	(7,080)	(7,356)	(7,850)	(6,393)	(6,407)	(6,139)	(6,745)	(6,804)
Adult & Community	(2,100)	(2,100)	(2,500)	(2,187)	(1,722)	(1,694)	(1,813)	(1,163)	(1,624)	(1,150)
Environment & Economy	(1,370)	(720)	(486)	(134)	(112)	(200)	(368)	172	169	52
Dorset Waste partnership	23	170	165	435	616	729	866	992	882	954
Public Health	0	0	0	0	0	0	0	0	0	0
Chief Executive's	0	0	0	(185)	(150)	(89)	(67)	(32)	(89)	(14)
Other/corporate	0	0	400	247	1,400	1,400	1,728	2,043	2,744	2,844
	(7,447)	(8,400)	(9,501)	(9,179)	(7,817)	(6,247)	(6,061)	(4,127)	(4,664)	(4,117)

- 2.3 The principal cost pressures continue to be in relation to looked-after children, SEN transport and user-driven adult social care costs. Further information can be also found in the CPMI area of SharePoint which is updated with refreshed forecast

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information in the first week of every month, following the conclusion of the forecasting process.

- 2.4 The following paragraphs set out the main reasons for variances from budget being predicted along with action being taken in Directorates to manage the financial performance.

Children's Services

Children in Care

- 2.5 The budget for Children's Services was based on a plan to reduce the number of children in care to around 400 by the end of 2017. At the time of the plan, the number of children in care had stabilised at 500 and was expected to steadily decrease due to slowed growth in children entering care and favourable demographics. As at the end of December there were 444 children in care including children with a disability.
- 2.6 Although Looked after Children numbers continue to reduce on a monthly basis the pace of reduction has slowed. Analysis shows that lower cost placements have been replaced by higher cost placements (in Independent Sector Fostering Agencies and Independent Sector Residential Care Providers), meaning that whilst absolute numbers have reduced, average and total costs have increased. At the end of December there were 199 children in these placements (against a budgeted level of 53) and it is estimated that the cost of this cohort of children will overspend the budget by £7.8m in 2017/18.

Work is ongoing on the new fostering strategy with the aim of recruiting, retaining and training foster carers to increase capacity of the in-house service and reduce the need to purchase high cost placements from the Independent Sector.

Agency Social Work

- 2.7 The use of agency staff continues to put pressure on the Care & Protection budget with an overspend of £0.7m currently being forecast. During December there were 26 agency workers employed, 16 covering vacancies, 7 covering maternity/sickness and 3 dealing with demand pressures within the 0-12 and fostering teams. Recruitment of new social workers is on-going. These agency numbers are following the planned reduction in agency outlined earlier in the year.

SEN Transport

- 2.8 SEN Transport is forecast to overspend by £0.7m, a reduction of £0.3m since the last report in August. The results of work to transfer management of transport to special schools, a review of routes and the major retendering exercise look positive, reducing costs and increasing vehicle occupancy. Work on gatekeeping is in place to manage year on year increased demand. The challenge will be to maintain spending at current levels with more children each year eligible for free travel.

Dedicated Schools Grant

- 2.9 The pressure continues on the DSG budget which is currently projecting a £4.4m overspend. The HNB overspent by £5.8m in 2016-17, carrying a net £4m deficit into 2017-18. If current predictions remain then a deficit of £8.4m will be carried forward into 2018-19.
- 2.10 The number of children identified by schools with statements or EHCP's continues to increase, growth of just over 40% has been since March 2014. The increase in EHCP's is having a direct impact on the demand and consequently spending in top up, independent school places and post-16 budget areas.

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- 2.11 Changes to the SEN code of practise in 2014 meant that the local authority became responsible for the education of young people with SEN up to the age of 25 rather than 19, and is having a significant impact on post 16 budgets as the cohort of children continues to increase each year.
- 2.12 Work is currently ongoing to build a five-year budget. This will include a deficit recovery plan.

Adult & Community Services

- 2.13 £1.15m forecast overspend, a welcome improvement since the last report. The reduction in the overspend is due to vacant posts and in-year delays in recruiting to additional posts arising from the application of £1m for additional Social Care staff from the improved Better Care Fund. There are £5.6m of savings attributable to the Adult Care Service User budgets. £4.2m relates to reviews of packages of care, the letting of the Dorset Care contract and improving brokerage function, £1m additional income and £400k relating to improved use of technology.
- 2.14 There is slippage in the programme savings of £2m due to the complexity of some of the cases being reviewed. There is also further risk around the assumed savings from Dorset Care contract, that came into force in December 2017 and how much impact that can have on the cost of care for the remainder of this year. It is for these reasons that it is still prudent to assume a high level of risk associated with savings going forward.

Environment & Economy

- 2.15 The Directorate as a whole is forecasting an underspend of £52k. None of the individual service line variances are particularly material but it is worth highlighting the headline change in the forecast since the last report, which is mainly due to the Estates and Assets Service moving to the Chief Executives Directorate (£199k).
- 2.16 The main budget risk for the Directorate is increased contractual costs for transport than was originally anticipated (£100k). Staff vacancy savings have helped to reduce an under-recovery in planning fees and overall the Directorate has increased income recovery to move into a forecasted underspend position.
- 2.17 Forward Together programme savings have fallen short by just over £300k due to the part-year effect of the savings plans being delivered across the Directorate. These savings will be achieved in full in 18/19.

Partnerships

- 2.18 Dorset Waste Partnership is forecasting an underspend of nearly £1.5m; DCC's share (64.32%) of this being £954k. The main causes of the predicted underspend are lower waste arising volumes and significant diversion from landfill (£532k), better than expected recycle results (£343k – though considerable risk remains around the revenue/costs from recycle), significant savings on haulage costs (£186k) and better than expected revenues from commercial waste and garden waste (£237k).
- 2.19 Public Health – The Public Health grant was reduced by 2.5% for 2017/18 and currently stands at £34.288m across Dorset. The service is predicted to spend to budget in 2017/18.

Chief Executive's

- 2.20 There are minor variances across a number of services which total a forecast overspend of £14k. The most significant underspend is in HR where positive income (especially from Academies) is coming through along with proactive vacancy management. There is a shortfall against the WWW property savings target due mainly to the decision not to sell Monkton Park and an overspend against the county buildings cost centre which has been addressed as part of the 18/19 budget round.

Central/Corporate budgets

2.21 Central budgets continue to show an underspend due to net savings on capital financing costs and anticipation of capitalisation of some of our restructuring costs in line with Govt capitalisation flexibilities for 2016 to 2019.

3 Forward Together

3.1 The FT programme continues to be monitored by the FT Board and the financial implications of the programme are also reported through CPMI. CPMI includes overspends (and underspends) against the agreed base budget as well as the impact of Forward Together shortfalls and this is analysed in the graphs, below, and in the CPMI summary at Appendix 1.

3.2 Of the current overspend being forecast, around £3.2m of this is due to shortfall against Forward Together savings; the remainder is attributable to other, core budget pressures which Directors are dealing with. The total savings target from the Forward Together programme for 2017/18 is £18.3m. The charts in Appendix 2 set out the latest forecasts around these savings.

3.3 Delivering the Forward Together savings is critical to the financial performance for the year and to our future viability. The 2016/17 overspend left the balance on the general fund at £12.3m – above the lower end of our operating range (£10m) but without capacity to absorb an overspend of the magnitude currently being forecast.

4 Actions to dealing with the overspend

4.1 Since the September report to Committee, efforts have continued on turnaround strategies and other plans to reduce in-year spend and tackle base budget issues. It is pleasing to see the forecast having reduced by nearly £2m since that time. However, it has also become clear that additional funding was needed for Children’s Services in particular and this was reflected in additional funding allocation in the Resource Allocation Model for 2018/19 as well as through additional funding of £1m agreed by Cabinet to support additional social workers to reduce caseloads and deliver savings elsewhere through more effective, earlier interventions.

4.2 As well as these specific measures, officers continue to review other financial policies, principles and procedures. The organisation has retained much of the tighter discipline it adopted in 2016/17 around areas such as vacancy management.

5 Debt information

5.1 The overall debt position as at 31st December was £6.955m, which represents an increase of £0.1m since the last report. The table, below, shows the age profile of the debt, with comparator figures.

Financial year	< 30 Days	30 – 180 Days	181 – 365 days	> 1 Year	Total
2016-17	9,565	1,876	626	1,595	13,662
	70%	14%	4%	12%	
2017-18 (as at 31/08)	2,405	2,288	817	1,336	6,846
	35%	33.5%	12%	19.5%	
2017-18 (as at 31/12)	2,042	3,008	861	1,044	6,955
	29%	43.5%	12.5%	15%	

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5.2 The next table shows the debt position by directorate. A detailed version is generated each month and published on SharePoint for inclusion in the CPMI process. Group Finance Managers and their teams are routinely supporting Budget Holders to manage debt and to encourage and support prepayment whenever possible.

Directorate	< 30 Days £ 000	30 – 180 Days £ 000	181 – 365 Days £ 000	> 1 Year £ 000	Total (31/12/17) £ 000	Previous Total (31/08/17)	Variance (-ve is adverse)	Bad Debt Provision £ 000
Adult & Community Services	460	1,625	680	892	3,657	4,425	768	1,572
Children's Services	116	167	86	18	387	911	524	104
Economy & Environment	238	361	16	43	658	652	-6	59
Chief Executives	95	64	3	2	164	200	36	5
Partnerships	51	13	2	5	71	143	72	7
Other	1,082	778	74	84	2,018	515	-1,503	158
Total	2,042	3,008	861	1,044	6,955	6,846	-109	1,905

5.3 After an initial period of transition from the old method, the bad debt provision is now calculated fully in line with our policy. This means service budgets are charged with a 100% provision for all debts that are over six months old. The balance of the provision at 31 December 2017 was therefore £1.9m.

5.4 In the nine months to 31 December 2017, £270k was written-off as follows:

Directorate	2016/17 Write Off £ 000	2017/18 Write Off (to 31/12/2017) £ 000
Adult & Community Services	310	195
Children's Services	50	22
DWP	26	47
Environment and the Economy	28	4
Chief Executive's Department	57	2
Total	471	270

5.5 A fuller analysis of debt written-off in the year will be provided in the outturn report. Monthly, formal reviews of debt continue and we have resource dedicated to debt with the ambition of full recovery whenever possible. Since the last report, 11 debtors have been pursued through money claims online and have paid. We are currently pursuing a further 22 debts through this route.

6 Summary

- 6.1 It is pleasing to see the forecast overspend for the year continue to reduce. However, there is still risk around some of the savings for this year and pressure on some of our services is especially intense at this time of year.
- 6.2 Officers continue to control costs wherever possible and we have attempted to deal with as many pressures as we can during the 2018/19 budget round. A further update on this will come to the next Committee meeting, after the budget and council tax have been approved. Our savings plan for 2018/19 is ambitious but is essential if we are to move into 2019/20 in a sustainable position. The Medium Term Financial Plan shows £15.7m of savings are currently needed to balance the 19-20 budget.
- 6.3 The County Council will be responding to the consultation on the review of fair funding – and there will also be a very welcome opportunity to contribute to the debate around negative Revenue Support Grant (RSG) which will be launched in the Spring.

Richard Bates
Chief Financial Officer
January 2018

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Appendix 1 – CPMI December 2017/18

		Year			October	November	December	Forward Together	Other
Cost Centre Management Budget Monitoring Summary	Responsible Officer	2017-18			Projected Under/(Over) Spend	Projected Under/(Over) Spend	Projected Under/(Over) Spend	Projected Under/(Over) Spend	Projected Under/(Over) Spend
		'Above Line' Net Budget Only	Forecast		£000's	£000's	£000's	£000's	£000's
Children's Services Directorate									
Childrens Service Budget									
Care & Protection	Vanessa Glenn	33,013	41,618		(7,988)	(8,522)	(8,605)	0	(8,605)
Design & Development	Patrick Myers	11,671	11,367		259	323	304	(400)	704
Director's Services	Nick Jarman	2,359	2,469		(102)	(104)	(110)	(150)	40
Prevention & Partnerships (DCC)	Jay Mercer	13,045	13,836		(706)	(841)	(792)	(150)	(642)
Application of Contingency/Control Node	Richard Bates	2,399	0		2,399	2,399	2,399	0	2,399
Total Children's Services Budgets (DCC)		62,486	69,290		(6,139)	(6,745)	(6,804)	(700)	(6,104)
Prevention & Partnerships (DSG)	Jay Mercer	44,854	49,258		(3,773)	(4,325)	(4,404)	0	(4,404)
P&P DSG Funding	Jay Mercer	(44,867)	(44,867)		0	0	0	0	0
Directors Services (DSG)	Nick Jarman	400	400		0	0	0	0	0
Directors Services DSG Services	Nick Jarman	(400)	(400)		0	0	0	0	0
DSG Services	Jay Mercer	(1,357)	(1,357)		0	0	0	0	0
Total Children's Services Budgets (DSG)		(1,370)	3,034		(3,773)	(4,325)	(4,404)	0	(4,404)
DSG Adjustment		0	0		0	0	0	0	0
Children's Services (DCC + DSG) Total		61,116	72,324		(9,912)	(11,070)	(11,208)	(700)	(10,508)
Adult & Community Services Directorate									
Adult Care Service User Related	Harry Capron	73,960	76,670		(2,284)	(2,905)	(2,710)	(1,903)	(807)
Adult Care	Harry Capron	12,304	11,569		455	474	735	0	735
Commissioning and Safeguarding	Diana Balsom/Sally Wernick	34,252	33,798		496	436	455	0	455
Early Help & Communities	Paul Leivers	9,270	9,075		37	232	194	(100)	294
Director's Office	Helen Coombes	3,383	3,207		134	138	176	0	176
Adult & Community Services total		133,169	134,319		(1,163)	(1,624)	(1,150)	(2,003)	853
Environment and the Economy Directorate									
Economy, Planning & Transport	Maxine Bodell	2,312	2,203		93	71	108	0	108
Dorset Travel	Chris Hook	14,329	14,423		110	98	(95)	(190)	95
Business support Unit	Matthew Piles	359	407		(58)	(60)	(48)	(48)	0
Coast & Countryside	Phil Sterling	2,504	2,563		(59)	(50)	(59)	(36)	(23)
Buildings & Construction	David Roe	138	167		23	15	(29)	0	(29)
Pooled R&M	David Roe	137	137		0	0	0	0	0
Network Management	Simon Gledhill	1,128	962		127	166	165	0	165
Network Development	Tim Norman	1,040	1,008		5	4	32	0	32
Network Operations	Martin Hill	4,075	4,067		5	8	8	0	8
Fleet Services	Sean Adams	(163)	(180)		27	1	17	0	17
Emergency Planning	Simon Parker	214	212		7	7	2	0	2
Director's Office	Mike Harries	828	823		6	5	5	0	5
Streetlighting PFI	Tim Norman	3,862	3,862		0	0	0	0	0
ICT	Richard Pascoe	5,171	5,225		(115)	(95)	(54)	(38)	(16)
Environment and the Economy Directorate Total		35,934	35,881		172	169	52	(312)	364

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Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year			October	November	December	Forward Together	Other
		2017-18	'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	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's
Chief Executives									
Chief Executives Office	Debbie Ward	275	278	(4)	(4)	(4)	0	(4)	
Partnerships	Karen Andrews	189	157	27	32	32	0	32	
Communications	Karen Andrews	247	247	(0)	0	0	0	0	
Policy and Research	Karen Andrews	440	438	0	1	1	0	1	
Commercial Services	Karen Andrews	431	431	(1)	(1)	0	0	0	
Governance and Assurance	Mark Taylor	657	657	(2)	0	0	0	0	
Legal & Democratic Services	Jonathan Mair	2,876	2,872	8	8	4	0	4	
Financial Services	Richard Bates	2,891	2,837	73	30	54	0	54	
County Buildings	Peter Scarlett	(1,469)	(1,370)	(103)	(95)	(100)	0	(100)	
WWW Property Savings	Peter Scarlett	(441)	(278)	(164)	(164)	(163)	(164)	1	
Human Resources	Sheralyn Towner	1,335	1,182	104	104	153	0	153	
Cabinet	Richard Bates	3,325	3,318	30	(1)	7	0	7	
Chief Executives Total		10,757	10,771	(32)	(89)	(14)	(164)	150	
Partnerships									
Dorset Waste Partnership	Karyn Punchard	19,702	18,748	992	882	954	0	954	
Public Health	David Phillips	300	300	0	0	0	0	0	
Partnerships Total		20,002	19,048	992	882	954	0	954	
Central Finance									
General Funding	Richard Bates	(24,009)	(24,009)	0	0	0	0	0	
Capital Financing	Richard Bates	24,594	22,999	793	1,494	1,594	0	1,594	
R&M	Richard Bates	1,287	1,287	0	0	0	0	0	
Contingency	Richard Bates	606	(644)	1,250	1,250	1,250	0	1,250	
Precepts/Levy	Richard Bates	677	677	0	0	0	0	0	
Central Finance	Richard Bates	(264,132)	(264,132)	0	0	0	0	0	
Central Finance Total		(260,978)	(263,822)	2,043	2,744	2,844	0	2,844	
Total Above Line Budgets		0	8,521	(7,900)	(8,989)	(8,521)	(3,179)	(5,342)	
Excluding DSG Budgets		1,370	5,487	(4,127)	(4,664)	(4,117)	(3,179)	(938)	

Appendix 2 – Forward Together Programme savings 2017/18

Summary - All FT Savings and 2017/18 BAU pressures

Savings measure	2017/18 £000's	Assessment of Savings achievement			
		Achieved £000's	On course £000's	More Work Needed £000's	Not achievable £000's
Adults	7,110	4,513	594	2,003	-
Childrens	4,179	3,018	461	700	-
Env & Economy	3,858	1,156	2,390	312	-
Chief Exec's	1,747	897	686	-	164
Public Health	700	700	-	-	-
Dorset Waste Partnership	700	700	-	-	-
Summary - All Savings 2017/18	18,294	10,984	4,131	3,015	164

