

Audit & Governance Committee

Dorset County Council



Date of Meeting	12 March 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 January projections, produced early in February 2018. A verbal update will be provided at the meeting for the February forecast.</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 January (AP10) 2017-18 2. Forward Together programme savings 2017-18
<p>Background Papers</p>	<p>MFTP reports to Cabinet during 2017-18</p> <p>Previous financial management reports to Audit & Governance Committee</p>

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1. 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 The County Council approved a balanced budget at its meeting on 15th February. This was based on a council tax increase of 5.99% for 2018-19; including 3% as the Social Care Precept, taking this to the 6% that can be levied in the three year period to 31 March 2020. Notwithstanding this increase in council tax and 1.26% growth in council tax base, such is demand and cost pressures that there is still a requirement for more than £18m in savings to tackle the budget gap and base budget overspends being carried into 2018-19.
- 1.3 Whilst a robust process of assurance, review and authorisation has surrounded the budget, it is clearly not without risk and early monitoring of the 2018-19 budget will therefore be critical. 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, (January, AP10), indicates an overspend of £3.152m. An analysis is shown in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	Of which	
				Forward Together	Base budget
				£k	£k
Adult & Community Services	133,511	134,316	(804)	(1,775)	971
Children's Services	62,503	69,192	(6,689)	(700)	(5,989)
Environment & Economy	35,968	35,840	129	(498)	626
Partnerships	20,002	18,894	1,108	0	1,108
Chief Executive's Dept	10,804	10,748	57	(297)	354
Total Service Budgets	262,789	268,989	(6,200)	(3,270)	(2,930)
Central/Corporate Budgets	(261,611)	(264,659)	3,048	0	3,048
Whole Authority	1,178	4,331	(3,152)	(3,270)	117

- 2.2 January's is the eleventh forecasting exercise of the year. An excerpt of this year's forecasting results is set out in the table, below. It is pleasing to see action taken in reducing the predicted overspend since its peak in May.

	May	June	July	August	September	October	November	December	January
	£k	£k	£k	£k	£k	£k	£k	£k	£k
Children's Services	(7,080)	(7,356)	(7,850)	(6,393)	(6,407)	(6,139)	(6,745)	(6,804)	(6,689)
Adult & Community	(2,500)	(2,187)	(1,722)	(1,694)	(1,813)	(1,163)	(1,624)	(1,150)	(804)
Environment & Economy	(486)	(134)	(112)	(200)	(368)	172	169	52	129
Dorset Waste partnership	165	435	616	729	866	992	882	954	1,108
Public Health	0	0	0	0	0	0	0	0	0
Chief Executive's	0	(185)	(150)	(89)	(67)	(32)	(89)	(14)	57
Other/corporate	400	247	1,400	1,400	1,728	2,043	2,744	2,844	3,048
	(9,501)	(9,179)	(7,817)	(6,247)	(6,061)	(4,127)	(4,664)	(4,117)	(3,152)

- 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 CPPI area of SharePoint which is updated with refreshed forecast information in the first week of every month, following the conclusion of the forecasting process.

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- 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

- 2.5 When the Children's Services budget was set, the number of children in care had stabilised at 500 and plans were in place to reduce this number to 400 during 2017-18. At the end of January 2018, there were 450 children in care including children with a disability and unaccompanied asylum seekers. This is the second consecutive month when there has been an increase in LAC numbers, rising from 436 in November, to 444 in December and 450 in January.
- 2.6 This latest increase appears to be in relatively lower-cost placements so despite the increase in numbers, there is only a negligible increase in the forecast overspend. Previous analysis has shown this to be due to the unplanned number of high-cost placements causing pressure, causing a £7.8m overspend. Pressure remains on the legal (£0.3m) and agency budgets although due to the ongoing difficulty in recruiting social workers this budget has seen a reduction in forecast overspend from £0.7m to £0.5m. Plans continue to be developed to identify how £0.3m of income generation targets will be met.
- 2.7 Work continues on the new fostering strategy with the aim of recruiting, training and retaining foster carers to increase capacity of the in-house service and reduce the need to purchase high-cost placements from the Independent Sector.

Dedicated Schools Grant

- 2.8 The pressure continues on the DSG budget which is currently projecting a £4.3m overspend, whilst this appears to be close to last month, there has been a £0.37m reduction on some of the central areas, meaning the High Needs budgets still remain under intense pressure. When added to £4.1m overspend brought forward from 2016-17, this is a very serious concern. The schools' forum will be required to develop a deficit recovery plan but any plan is likely to require several years to recover the position.

Adult & Community Services

- 2.9 The Directorate's budget is forecast to be £804k overspent. The reduction in the overspend since the last report is due in large to the application of one-off reserves. The Service User spend continues to be the main source of pressure in the budget and currently stands at £2.3m.
- 2.10 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. There is slippage in the programme savings of £1.7m 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.

Environment & Economy

- 2.11 The Directorate as a whole is forecasting an underspend of £129k.
- 2.12 The main budget risk for the Directorate continues to be the increased in contractual transport costs above those anticipated in the budget (£100k). Income mainly in IT Services has improved to increase the forecasted underspend position.

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- 2.13 Forward Together programme savings have fallen short by just under £0.5m due to the part-year effect of the savings plans being delivered across the Directorate. These savings will be achieved in full in 2018-19.

Partnerships

- 2.14 Dorset Waste Partnership is forecasting an underspend of nearly £1.7m; DCC's share (64.32%) of this being £1.1m. The main causes of the predicted underspend are lower waste arising volumes and significant diversion from landfill (£938k), better than expected recycle results (£516k – though considerable risk remains around the revenue/costs from recycle), savings on the Operations Budget (£60k) and better than expected revenues from commercial and garden waste (£240k).
- 2.15 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

- 2.16 The overall position is forecasting an underspend of £57k. Most services are forecasting to underspend, mainly relating to vacancies and/or increased income generation. This is offset by shortfalls in both WWW Property Savings (mainly relating to the decision not to sell Monkton Park and slippages in the disposals programme) and County Buildings (unbudgeted activity and higher costs than expected). These have been addressed as part of the 18-19 budget.

Central/Corporate budgets

- 2.17 Central budgets continue to show an underspend due to contingency underspends, net savings on capital financing costs and anticipation of capitalisation of some of our restructuring costs in line with Government-approved, capital receipts flexibilities.

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 £3.3m of this is due to shortfall against Forward Together savings with other measures/savings delivering an offsetting reduction of £117k. 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 deal with the overspend

- 4.1 Efforts continue on measures to reduce in-year spend and tackle base budget issues wherever possible. It is pleasing to see the forecast reducing since its peak in May 2017. 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 at 31st January 2018 was just over £7.5m; an increase of £0.6m since the last report. The table, below, shows the age profile of the debt, with

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comparator figures. This shows that although total debt has increased, 78% of it is still less than 6 months old. However, it is critical that we keep on top of these debts through the regular, corporate performance review sessions and effective credit control methods. Information on specific debtors is also reviewed and will start to be included in these financial monitoring reports in future.

Financial year	< 30 Days £ 000	30 – 180 Days £000	181 – 365 Days £000	> 1 Year £000	Total £000
2016-17 (as at 31/03/2017)	9,565	1,876	626	1,595	13,662
	70%	14%	4%	12%	
2017-18 (as at 31/12/17)	2,042	3,008	861	1,044	6,955
	29%	43.50%	12.50%	15%	
2017-18 (as at 31/01/18)	4,025	1,800	673	1,024	7,522
	54%	24%	9%	14%	

- 5.2 The next table shows the debt position by directorate. There has been a significant increase in current debt (under 30 days old) particularly in A&C Services and Chief Executives. This is due to £990k invoiced to the Dorset NHS and £800k invoiced to Tricuro for rents. A detailed debt report is generated each month and published on SharePoint for inclusion in the CPMI report. Group Finance Managers and their teams are routinely supporting Budget Holders to manage debt and to encourage and support pre-payment whenever possible.

Directorate	< 30 Days £	30 – 180 Days £	181 – 365 Days £	> 1 Year £	Total (31/12/17) £	Previous Total £ (31/08/17)	Variance (-ve is adverse)	Bad Debt Provision £
Adult & Community Services	1,567	1,004	405	903	3,879	3,657	-222	1,307
Children's Services	212	59	90	16	377	387	10	106
Economy & Environment	386	293	37	41	757	658	-99	79
Chief Executives	831	85	14	3	933	164	-769	17
Partnerships	431	5	0	3	440	71	-369	3
Other	598	353	127	58	1,136	2,018	882	185
Total	4,025	1,799	673	1,024	7,522	6,955	-567	1,697

- 5.3 The bad debt provision is now calculated fully in line with our policy, meaning that as a default position, service budgets are charged with a 100% provision for all debts that are over six months old. The balance of the provision at 31 January 2017 was almost £1.7m.

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- 5.4 Up to 31 January 2018, £361k has been written-off, a further £91k since the date of the last report. The majority of which has been historic debt relating to Adult and Community Services. The breakdown is as follows:

Directorate	2016-17 Write Off £ 000	2017-18 Write Off (to 31/01/2018) £ 000	Change from previous report (31/12/17) £ 000
Adult & Community Services	310	282	87
Children's Services	50	22	0
DWP	26	50	3
Environment and the Economy	28	4	0
Chief Executive's Department	57	3	1
Total	471	361	91

- 5.5 A more detailed 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.
- 5.6 Since April 2017, 31 debtors have been pursued through money claims online (MCOL) and have 20 of these debts have now paid or are in the process of being paid, these claims will recover over £52k. The remaining 11 cases are progressing.

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. As mentioned earlier, our savings plan for 2018-19 is ambitious - but it is also essential if we are to move into 2019-20 in a sustainable position. The Medium Term Financial Plan shows £16.5m of savings are currently needed to balance the 19-20 budget after one-off funding from council tax surpluses and capital receipts flexibility.
- 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
February 2018

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Appendix 1 – CPMI January – AP10 2017-18

Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year	January						
		2017-18	November	December	January	Forward Together	Other		
		'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	
Children's Services Directorate									
Childrens Service Budget									
Care & Protection	Vanessa Glenn	33,057	41,612	(8,522)	(8,605)	(8,555)	0	(8,555)	
Design & Development	Patrick Myers	11,671	11,286	323	304	385	(400)	785	
Director's Services	Nick Jarman	2,359	2,469	(104)	(110)	(110)	(150)	40	
Prevention & Partnerships (DCC)	Jay Mercer	13,017	13,825	(841)	(792)	(808)	(150)	(658)	
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)		62,503	69,192	(6,745)	(6,804)	(6,689)	(700)	(5,989)	
Prevention & Partnerships (DSG)	Jay Mercer	44,854	49,157	(4,325)	(4,404)	(4,303)	0	(4,303)	
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	(1,165)	(1,165)	0	0	0	0	0	
Total Children's Services Budgets (DSG)		(1,178)	3,125	(4,325)	(4,404)	(4,303)	0	(4,303)	
DSG Adjustment		0	0	0	0	0	0	0	
Children's Services (DCC + DSG) Total		61,325	72,317	(11,070)	(11,208)	(10,992)	(700)	(10,292)	
Adult & Community Services Directorate									
Adult Care Service User Related	Harry Capron	74,392	76,727	(2,905)	(2,710)	(2,335)	(1,675)	(660)	
Adult Care	Harry Capron	12,304	11,778	474	735	527	0	527	
Commissioning and Safeguarding	Diana Balsom/Sally Wernick	34,252	33,651	436	455	602	0	602	
Early Help & Communities	Paul Leivers	9,200	8,939	232	194	261	(100)	361	
Director's Office	Helen Coombes	3,363	3,222	138	176	141	0	141	
Adult & Community Services total		133,511	134,316	(1,624)	(1,150)	(804)	(1,775)	971	
Environment and the Economy Directorate									
Economy, Planning & Transport	Maxine Bodell	2,341	2,214	71	108	126	0	126	
Dorset Travel	Chris Hook	14,326	14,494	98	(95)	(168)	(190)	22	
Business support Unit	Matthew Piles	356	407	(60)	(48)	(51)	(51)	0	
Coast & Countryside	Phil Sterling	2,483	2,501	(50)	(59)	(18)	(36)	18	
Buildings & Construction	David Roe	131	128	15	(29)	3	0	3	
Pooled R&M	David Roe	137	137	0	0	0	0	0	
Network Management	Simon Gledhill	1,124	958	166	165	166	0	166	
Network Development	Tim Norman	1,040	1,033	4	32	7	0	7	
Network Operations	Martin Hill	4,053	4,047	8	8	7	0	7	
Fleet Services	Sean Adams	(164)	(214)	1	17	50	0	50	
Emergency Planning	Simon Parker	214	213	7	2	1	0	1	
Director's Office	Mike Harries	896	893	5	5	3	0	3	
Streetlighting PFI	Tim Norman	3,862	3,862	0	0	0	0	0	
ICT	Richard Pascoe	5,169	5,167	(95)	(54)	2	(221)	223	
Environment and the Economy Directorate Total		35,968	35,840	169	52	129	(498)	626	

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Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year	January					
		2017-18	November	December	January	Forward Together	Other	
		'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	181	32	32	9	0	9
Communications	Karen Andrews	247	240	0	0	7	0	7
Policy and Research	Karen Andrews	440	443	1	1	(3)	0	(3)
Commercial Services	Karen Andrews	431	376	(1)	0	55	0	55
Governance and Assurance	Mark Taylor	657	633	0	0	25	0	25
Legal & Democratic Services	Jonathan Mair	2,876	2,826	8	4	50	0	50
Financial Services	Richard Bates	2,893	2,860	30	54	33	0	33
County Buildings	Peter Scarlett	(1,454)	(1,353)	(95)	(100)	(101)	0	(101)
WWW Property Savings	Peter Scarlett	(437)	(139)	(164)	(163)	(297)	(297)	(0)
Human Resources	Sheralyn Towner	1,325	1,068	104	153	257	0	257
Cabinet	Richard Bates	3,362	3,336	(1)	7	26	0	26
Chief Executives Total		10,804	10,748	(89)	(14)	57	(297)	354
Partnerships								
Dorset Waste Partnership	Karyn Punchard	19,702	18,594	882	954	1,108	0	1,108
Public Health	David Phillips	300	300	0	0	0	0	0
Partnerships Total		20,002	18,894	882	954	1,108	0	1,108
Central Finance								
General Funding	Richard Bates	(24,651)	(24,651)	0	0	0	0	0
Capital Financing	Richard Bates	24,648	23,101	1,494	1,594	1,548	0	1,548
R&M	Richard Bates	1,287	1,287	0	0	0	0	0
Contingency	Richard Bates	560	(940)	1,250	1,250	1,500	0	1,500
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		(261,611)	(264,659)	2,744	2,844	3,048	0	3,048
Total Above Line Budgets		(0)	7,455	(8,989)	(8,521)	(7,455)	(3,270)	(4,186)
Excluding DSG Budgets		1,178	4,331	(4,664)	(4,117)	(3,152)	(3,270)	117

Appendix 2 – Forward Together Programme savings 2017-18

2017/18		Assessment of Savings achievement			
		Achieved	On course	More Work Needed	Not achievable
Savings measure	£000's	£000's	£000's	£000's	£000's
Adults	7,110	5,208	127	1,775	-
Childrens	4,179	3,018	461	700	-
Env & Economy	3,858	1,156	2,204	498	-
Chief Exec's	1,747	897	553	-	297
Public Health	700	700	-	-	-
Dorset Waste Partnership	700	700	-	-	-
Summary - All Savings 2017/18	18,294	11,679	3,345	2,973	297

