Cabinet

Dorset County Council

Date of Meeting	18 October 2017
Cabinet Member Tony Ferrari – Cabinet Member for communities and resources Lead Officer Richard Bates – Chief Financial Officer	
Subject of Report	**Medium Term Financial Plan (MTFP) update**
Executive Summary	This report provides the second update of the financial year for Cabinet, on the national and local issues impacting on the County Council's finances. It mentions matters that will need to be taken into account when developing the three-year MTFP from 2018/19 to 2020/21 and highlights work that is already in progress to address the budget gaps identified in the previous MTFP round. The report also summarises financial performance so far in 2017/18 and the impact that some of the budget pressures will have on the development of the budget strategy.
Impact Assessment:	Equalities Impact Assessment: This high level update does not involve a change in strategy. As the strategy for managing within the available budget is developed, the impact of specific proposals on equality groups will be considered.
	Use of Evidence: This report draws on proposals and funding information published by the Government, briefings issued by such bodies as the Society of County Treasurers and the content of Dorset County Council reports and financial monitoring data.
	Budget: The report provides an update on the County Council's budget position for 2018/19 and the following two years. Major risks that influence the development of the financial strategy include: • views taken – and published information - on changes in grant funding, inflation rates, demographic and other pressures and income from the council tax and non-domestic rates;

	• success in delivering the savings anticipated from the *Forward Together* programme and containing other cost pressures arising; • judgement of the appropriate levels for reserves, balances and contingency, to minimise the risk of an unmanageable overspend without tying-up funds unnecessarily • pressures arising so far in 2017/18 that had not been factored into the budget; an early indication of the level of concern over these matters is provided.
	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
	Other Implications: None
Recommendation	The Cabinet is asked to consider the contents of this report and: (i) note the Directors' latest estimates included in the forecast of outturn for the current year and the operational reasons causing us to diverge from the balanced budget agreed by Council in February; (ii) note the latest projections for the current MTFP and budget round including the level and adequacy of reserves and balances on the general fund; (iii) note the latest, savings expectations from the Forward Together programme; (iv) put forward any other issues it wishes to be taken into account in the development of the MTFP and budget; (v) understand the risks associated with and impacting upon the financial performance for the current and future financial years.
Reason for Recommendation	To enable work to continue on refining and managing the County Council's budget plan for 2018/19 and the overall three-year MTFP period.
Appendices	1. CPMI for September (period 6) 2. Summary forward together position for 2017/18
Background Papers	Society of County Treasurers' briefing papers MFTP reports for budget 2016/17 and 2017/18 Spending review 2016 Final local government finance settlement

Officer Contact	Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk

1. Background

1.1 The Cabinet considers a report at this time of year in order to progress the rolling forward of the financial plan during the rest of the financial year, culminating in agreeing the budget and the rate of council tax at the February meeting of the County Council.

1.2 The first two years of the new MTFP are the last two covered by the current, four-year funding agreement with Government, so we have a reasonable degree of certainty around allocations that have been made to us for general funding, specific grants and business rates etc. Despite the benefits of increased certainty that a fixed-funding deal brings, there are considerable financial challenges in managing the organisation’s operations within an ever-decreasing budget.

1.3 Beyond 2019/20, there is additional complexity and uncertainty as the funding agreement will have ended and we will be trying to establish plans and projections for areas such as business rates, Revenue Support Grant (RSG) and the Social Care Precept without clear central policy or guidance.

1.4 Estimates of the outturn for 2017/18 and savings from the Forward Together programme are as accurate as they can be at this early stage of the year and it is worth noting the positive progress that has been made in reducing the anticipated overspend in some key parts of the business as this year has progressed.

2. Forecast of outturn for 2017/18

2.1 The latest forecast of outturn for the Authority, (September, period 6), indicates an overspend of just over £6m; a breakdown is shown in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	Of which Forward Together	Of which Base budget
	£k	£k	£k	£k	£k
Adult & Community Services	132,926	134,739	(1,813)	(1,504)	(309)
Children’s Services	62,493	68,899	(6,407)	(700)	(5,707)
Environment & Economy	34,479	35,009	(530)	(489)	(41)
Partnerships	19,002	18,136	866	0	866
Chief Executive’s Dept	10,978	10,883	95	0	95
Total Service Budgets	259,878	267,666	(7,788)	(2,693)	(5,095)
Central/Corporate Budgets	(258,599)	(260,326)	1,728	0	1,728
Whole Authority	1,279	7,340	(6,061)	(2,693)	(3,368)

2.2 September’s is the seventh forecasting exercise of the year so we are well-versed in the anticipated financial performance and the reasons underpinning our projected overspend. Earlier iterations of the forecast highlighted concerns around the budget which prompted significant work across the Authority to review budgets closely and develop turnaround strategies – not only to deal with the overspend in the current year but also to ensure the base position was affordable as a basis on which to roll out the MTFP process from 2018/19 onwards.

2.3 It is therefore pleasing to see the predicted overspend reducing in more recent months for some key parts of the business. The changes in the forecast are analysed in the table, below. Although risks remain – and indeed, some have increased this month and are reflected in the forecast - we remain confident that the financial performance for most parts of the organisation will be very close to budget this year.

	AP0	April	May	June	July	August	September
	£k	£k	£k	£k	£k	£k	£k
Children's Services	(4,000)	(5,750)	(7,080)	(7,356)	(7,850)	(6,393)	(6,407)
Adult & Community	(2,100)	(2,100)	(2,500)	(2,187)	(1,722)	(1,694)	(1,813)
Environment & Economy	(1,570)	(720)	(486)	(261)	(221)	(361)	(530)
Dorset Waste partnership	23	170	165	435	616	729	866
Public Health	0	0	0	0	0	0	0
Chief Executive's	0	0	0	(58)	(40)	72	95
Other/corporate	0	0	400	247	1,400	1,400	1,728
	(7,647)	(8,400)	(9,501)	(9,179)	(7,817)	(6,247)	(6,061)

2.4 The main areas of variance from budget are set out below, alongside further detail of the strategies and tactics being deployed by managers to address the situation. Unless otherwise noted, and with caveats around risks associated with future savings plans, we are comfortable to assume there is nothing in these numbers that impacts negatively on the base budget position as the basis for our planning for 2018/19 and beyond.

<u>Children's Services</u>

2.5 Children's Services are now projecting an overspend of £6.4m for 2017/18. Although a reduction from £7.8m reported in July there still remains a number of pressures on this budget.

2.6 Whilst the overall numbers of children in care continue to reduce, down to 441 (429 excluding unaccompanied asylum seekers) in September they will not reach the "best case" anticipated number of 400 by the end of the year.

2.7 Analysis of the make-up of children in care is showing that lower cost placements have been replaced by higher cost placements with Independent Sector Fostering Agencies and Independent Sector Residential Care Providers, and it is estimated that the cost of this cohort of children will overspend the budget by £7.3M in 2017/18. These placements are under review and alternative (lower cost) placement options or price reductions are being sort.

2.8 Cabinet approved a revised fostering strategy in September 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. The positive impact of this will not start to show until the end of 2017/18.

2.9 The use of agency staff continues to put pressure on the Care & Protection budget with an overspend of £677k forecast.

2.10 SEN Transport is currently forecast to overspend by £1.0m. A major retender took place in the summer, the results of which are currently being analysed. However, with demand still growing the challenge will be to maintain spending at current levels whilst transporting more children.

2.11 Actions have been taken within the Directorate to offset the continued increase in spending within the placement budgets, and reduce spending in other areas. Vacancies have been held or extended when able, and one off funds or grants have been released wherever possible.

2.12 The medium term financial plan (MTFP) had already recognized that the Children in care budget would require one off funding of £1.0m in 2017/18 to manage the transition down to 400 children in care.

2.13 A further £1.4m of one-off funding has been identified and allocated against the Children's Services budget area to mitigate the continuing overspend. This has been the main contributing factor to the reduction in overspend to £6.4m at the end of September.

Dedicated Schools Grant

2.14 There are huge pressures on the DSG budget which is currently projecting a £3.2m overspend. The HNB overspent by £5.8m overspend in 2016-17, with specific pressure points being:

- Number of children with an EHCP/statement continuing to grow (April 2016 = 1,594 April 2017 = 1,846; July 2017 = 1,913).
- Change in legislation and guidance in Children and Families Act 2014.
- Revised needs category of social, emotional and mental health.
- All post-16s in FE colleges now require EHCPs to be funded for the first time via HNB.
- New pressure through to 25.

2.15 These pressures are contributing to overspends against certain budget areas, including specialist, post-16 institutes, LAC educational placement contributions, special and mainstream school top ups.

2.16 New funding mechanisms are currently being calculated to balance various budgets within the HNB and placement reviews are also in progress. However, it is very difficult to move children once a placement has been arranged. New process arrangements should control the number of independent, non-maintained school placements. Plans will need to be developed, with schools, to find new ways of operating within available funding in addition to clawing back the deficit incurred.

2.17 In September the Schools Forum agreed a new system for the payments of mainstream top ups for pupils with Statements or EHCPs. It was agreed to move from a TA hour's system to a banding based system. The new banding system has been built within the cash limits of the mainstream top budget which totals £2.186k in 2017/18.

2.18 As referred to earlier, Cabinet has approved a modernising fostering strategy which should have a positive impact on the overspend going forward. The report also highlighted an ongoing base budget issue around external residential placements and children with a disability (CWAD) budgets.

2.19 Officers reviewed the current placement numbers and identified and agreed a long-term, sustainable base that should be achievable if the in-house provisions can be strengthened. This is illustrated in the table below. This revised number now reflects the unaccompanied asylum seeking children where the majority of costs are funded from a central government grant and a more realistic number of external placements in particular for those children with a disability. Based on average costs of placements the increase in base from 400 to 440 is expected to cost £3.2m per annum. This is an ongoing pressure on the care & support budget which will need to be given consideration in the MTFP.

Table 1: Current placement budget, actual number of placements and revised proposed base

Placements Budget 2017/2018	Budget	Actual August	Proposed Base	Increase
In House Foster Carer - Care & Support (C&S)	294	205	294	0
In House Foster Carer - Children with a disability (CWAD)	17	18	17	0
In House residential (C&S)	8	4	8	0
In House residential (CWAD)	5	5	5	0
External residential (C&S)	9	26	15	6
External residential (CWAD)	2	11	15	13
External secure placement	1	1	1	0
External Independent Fostering Agency (C&S)	37	92	37	0
External Independent Fostering Agency (CWAD)	4	9	10	6
External Parent/Child placement	0	3	3	3
High Cost Supported Accommodation	0	8	0	0
Low Cost Supported Accommodation	16	17	16	0
LAC with parent – minimal cost	7	37	7	0
Unaccompanied Asylum seeking children (UASC)	0	11	12	12
Total LAC	**400**	**447**	**440**	**40**

Adult & Community Services

2.20 The Adult and Community Services budget (£132.9m) is forecast to overspend by £1.8m (1.4%) at the end of 2017/18.

2.21 The Adult Social Care Service User budget (£69.2m) is currently forecast to be overspent by £2.4m (3.5%). £1.5m of this is due to a current shortfall in the Directorate's Forward Together savings. However, the remaining £900k is due to continuing pressure in this budget particularly in the demand for residential and domiciliary care and the cost of residential care for service users with a Learning Disability.

2.22 Other areas of the Directorate, are forecast to underspend. These underspends are generally due to difficulties in recruiting to social work staff and specialist posts.

2.23 The overall FT savings target for the Directorate for 2017/18 is £7.1m, of which £3.8m has been achieved and plans are in place for a further £1.8m. This leaves a further £1.5m to be identified. Turnaround plans are being worked through and include various options ranging from the use of one-off reserves, stretching the existing savings targets where possible, working with the Clinical Commissioning Group (CCG) to clarify and expedite Continuing Health Care (CHC) decisions and using underspent resources within the improved Better Care Fund (iBCF).

2.24 The achievement of savings within Adult Care Social Care does come with a degree of uncertainty and risk due to the nature of how savings might be achieved. The complexity of cases means that delays are likely and savings may not be achieved as predicted. The Directorate is though committed to coming in on budget.

Environment & Economy

2.25 The Directorate is now forecasting an over spend of £530k, although there is a commitment to bring this back to zero by the end of the financial year if at all possible.

2.26 Comments are restricted to significant factors only and these are highlighted below.

2.27 Dorset Travel are forecasting an over spend of £233k based on, amongst other things, additional costs of routes that have had to continue. There are also outstanding risks associated with contracts retendered which are still in the process of being quantified to be able to give further assurance.

2.28 The Business Support Unit phase 1 review has proceeded as quickly as practically possible but there is an over spend of £80k due to timing and part year effects.

2.29 The Coast and Countryside Service is forecasting an over spend of £59k but progress on a number of service initiatives continues to be made in reducing this figure still further.

2.30 The Estates and Assets service is forecasting an overspend of £200k which includes £164k of ‘whole authority’ property savings that are not able to be achieved due to changing service needs and Cabinet decisions to retain property that was previously considered surplus to requirements.

2.31 The ICT service, having previously reported a modest underspend, is now forecasting an over spend of £169k due a recognition that income from capital projects is now less than first forecast (a variance of around £250k). This is an increasing issue that is likely to have a larger impact in 2018/19.

2.32 There a number of small underspends on other services within the Directorate which provides some limited offset to the major adverse variations detailed above.

Chief Executive’s Department

2.33 An underspend of £95k is currently being forecast for the department, mainly due to underspends in Financial Services, Cabinet budgets and Partnership budgets.

Partnerships

2.34 Dorset Waste Partnership is forecasted to underspend by £1.347m of which the County Council’s share (64.32%) would be £866k. the main variances contributing to the total of £1.347m are i) Inflation in excess of budget (£189k) is likely to have an adverse impact on Waste Disposal Contracts. ii) Favourable waste disposal tonnages, including the beneficial effects of additional tonnages to New Earth Solutions, result in an overall saving (£602k). iii) Recyclate costs – an updated calculation based on average prices over a period of time has again shown a favourable forecast of expenditure per tonne, whereas the budget was set at a higher figure. This results in a potential saving of £659k including glass and non DMR materials. However, this is linked to the commodities market and therefore carries a high degree of risk and cannot be called a 'certain' saving at this stage. iv) Additional temporary resources, varying from budget by £22k, are required to support enforcement cases including fly tipping and abandoned vehicles. v) Performance of both the Commercial waste service and the Garden Waste service is favourable against the budgeted position. vi) There are some initial concerns, based on limited data, that container income may not achieve the budgeted amount, giving an adverse variance of £50k and vii) vacancies in the transport section and a potential underspend on hire of vehicles are likely to result in an underspend of £51k.

2.35 The Public Health budget is predicted to be on target.

Central/corporate budgets

2.36 Central budgets are currently forecast to be underspent by £1.7m due to lower than budgets net interest costs and release of some contingency budget due to flexible use of capital receipts (see below). An underspend on corporate R&M is also emerging as the year progresses, which will reduce the net overspend further still.

Review of reserves and balances

2.37 The Finance Team leads two reviews of the County Council's reserves each year. The first as part of the process to close down and publish the financial statements and the other during budget setting. The most recent review has just concluded and was carried out slightly earlier than usual in order to inform the budget setting process for 2018/19.

2.38 It is good practice to review reserves regularly to ensure that they are still required for reasons that caused their initial setting aside. Our most recent review has enabled £1.7m to be released from reserves into the general fund (balances) which now amounts to £14.1m, comfortably above the lower end of our operating range of £10m. Whilst this will not reduce our in-year overspend it does give the general fund additional capacity.

Capital receipts flexibility

2.39 Members are reminded of the arrangements in place for the three financial years 2016-17 to 2018-19 in which flexibility around capital receipts has been granted. This means that any receipts generated in this period can be used to fund revenue costs of transformation. Cabinet has approved a ceiling of £5m to be used this way. £1.4m was applied in 206-17 and further receipts will be applied this way in the current year subject to costs qualifying to be funded this way.

Turnaround strategies

2.40 These actions, along with the turnaround strategies being implemented across directorates should see further downward movement on the forecast in coming months. However, risk remains and the position is never static as new demands continue to present themselves as the year progresses.

3 Starting position for MTFP 2018/19

3.1 Our last MTFP round attempted to do something we had never attempted before; balancing the budget over two years, 2017/18 and 2018/19. Whilst there are clearly issues in 2017/18 which are being evaluated in terms of the ongoing impact on the base budget, we can start to review the 2018/19 position and see what changes have happened since February 2017 and how these impact on the first year of our new budget strategy.

3.2 Budget 2018/19 was balanced through the use of £0.8m of one-off funding from the collection fund surplus and a further £1m flexible use of capital receipts, as per the strategy approved by Cabinet. The development of the budget is not covered further here, but previous Cabinet MTFP papers are available for reference. The table below shows our starting point, rolled forward from last year and the paragraphs that follow detail the issues that now impact upon the MTFP and actions in place to move us towards a balanced budget.

Provisional budget summaries for 2018/19 to 2019/20

Assumed council tax increase			*4.99%*	*1.99%*
Band D equivalent tax			*£1,393.11*	*£1,420.83*
			2018/19	2019/20
			£M	£M
Previous year's budget			264.1	266.2
Move in specific grants applied as general funding			4.5	5.1
Commitments provided for:				
- Resource Allocation Model			2.6	3.2
- Other central commitments			6.3	7.4
- Collection Fund surplus				
Total budget requirement before savings			**277.5**	**281.9**
Estimated budget available			**266.2**	**265.8**
Savings required	2-year total:	-27.4	-11.4	-16.0
Savings found by:				
- Forward Together programme			-9.5	
- Use of Collection Fund/Balances (One Off)			-0.8	-0.5
- Use of Capital Receipts (One Off)			-1.0	
- Remainder still to be found to avoid scaling			0.0	-15.5

4 Issues, risks and other matters affecting development of the MTFP

Pay inflation

4.1 Our current model assumes pay inflation of 1% in each of the first two years of the new MTFP. There has been significant speculation around the possibility of an easing of the cap on public sector pay in recent months and we therefore need to be alert to anything that increases these costs. The County Council's staff costs budget in 2017/18 is just over £116m, so each 1% will cost us nearly £1.2m in 2018/19.

4.2 Notwithstanding years one and two, we need to consider increasing the pay inflation assumptions in 2020/21 above 1%. As time moves on and we are better informed, we may also need to revisit the 1% assumption in 2019/20.

4.3 Whilst considering pay inflation, it is also pertinent to mention the potential costs of increments payable to staff during the course of the year. In 2017/18 the budget strategy was based on Directorates covering the cost of their own increments. This is likely to prove to be the case again in 2018/19 and beyond. Consideration will also need to be given to any further savings that can be achieved through a general (or specific) vacancy factor which is generally built into base budgets across the Authority.

General price inflation

4.4 General (non-pay) inflation is provided for at 1.5% in 2018/19 and at 2.25% in each of the following years. Although CPI is currently stable at 2.6% for June and July, it is too early to assume inflation has peaked and we will therefore need to give further consideration to building higher inflation assumptions into our financial model.

Coroner's Service

4.5 There are currently discussions taking place between the newly appointed Coroner, Bournemouth Borough Council (the host authority for the county's Coroner and Mortuary Service) and Dorset County Council. The purpose of the discussions is to gain a shared understanding of any difference between shorter term budgets, to enable the senior coroner to deal with the number of inquests needing to be done which she has inherited and future more steady state budgets.

4.6 The Coroner's current view is that, to date, the area has carried out a lower number of inquests on average, than number of deaths when compared with other areas. The implication is that the cost of the service and therefore, Dorset County Council's contribution, may need to increase. Indicative estimates of the increase could be in the region of £75k-£100k.

Dorset Waste Partnership

4.7 The DWP currently has increased budget provision built into the next two years of the County Council's MTFP. Given the underspend in 2016/17, the likelihood of this repeating itself in 2017/18, it is likely that the DWP can take a less prudent view of its likely performance in 2018/19 and start to allow recyclate prices to improve further in its planning assumptions. The DWP also has a £1m equalisation reserve which would help shield against significant adverse movements during the year.

4.8 As well as taking a less prudent approach to its budget setting, it is also likely that members will want to challenge the DWP to contribute towards the overall savings targets that will be common to all participating Councils in Dorset, not just the County Council. It is suggested that the DWP could be asked to consider how it could deliver savings targets of up to £1.5m (the County Council's share of this would be £1m) across the next two financial years. This would present the DWP with a similar challenge to that being experienced by other service managers across the partner authorities which DWP has previously been protected from.

100% Business Rates Retention

4.9 In 2015, the Government made the commitment to local government retaining 100% of its business rates by the end of the Parliament (which at that stage was 2020/21). However, despite assurance that work is continuing on this area, there is concern that the failure to include a Local Government Finance Bill in the Queen's Speech means that these changes may be problematic. We are unclear at present, what the impact of this work either proceeding or being cancelled will be. Whilst guidance is being sought and business rates work stream activity continues, there is doubt whether this work will now be delivered.

4.10 Our general assumptions about business rates growth across the MTFP are in line with Govt assessments via our formula spending share and then 3% in 2020/21.

Academies

4.11 The number of schools requesting to convert to academy has slowed. Five schools converted during 2016/17, bringing the total number to 59. Ten further schools have notified of their intention to convert during 2017/18.

4.12 There are 116 maintained schools under County Council control. The overall surpluses of these schools is £5.567m, made up of 20 schools who have deficits of £1.626m and 96 schools with surpluses of £7.193m. Overall, net surpluses have reduced from £7.9m at the start of the year, of which the deficit amount was £1.466m. There are risks associated with schools with deficits, which have poor Ofsted inspections and which are required to convert to academy under sponsorship. In this situation any school with a deficit that converts to a sponsored academy leaves their deficit with the County Council. There is a provision that has been set aside for this that has been risk-adjusted. There are currently two schools - with combined deficits of £126k - that are in the process of converting under sponsorship. These schools are unlikely to have reduced their deficits between now and their expected conversion dates and both have been issued with notices of financial concern. Officers continue to work proactively with them to reduce the deficit by as much as possible prior to conversion.

4.13 There are clear funding pressures within schools and this, coupled with the current OFSTED inspection regime increases the risk of more sponsored academy conversions of schools with deficits. We must therefore give careful consideration to the size of the provision and whether it is adequate to protect the organisation from the risks of sponsored conversions.

Better Care Fund and Improved BCF

4.14 Previous iterations of the MTFP only included small amount of BCF monies as the rules and conditions were unclear at that stage. It is now appropriate to release the additional funding for the County Council across the MTFP. This means £2.3m in 2018/19 and a further £1.9m in 2019/20.

Improved Better Care Fund Allocations

	2017/18	**2018/19**	**2019/20**
	£m	**£m**	**£m**
Old		4.289	9.022
New	7.432	5.479	2.728
Total	**7.432**	**9.768**	**11.75**
Increase		2.336	1.982

4.15 However, this isn't new money and will be required to support the key aims of the Better Care Fund including:

- meeting adult social care needs
- reducing pressures on the NHS, including supporting people to be discharged from hospital when they are ready
- ensuring the local care market is well supported.

4.16 The Delayed Transfers of Care (DToC) targets associated with the new funding have been agreed with the CCG and submitted to NHS England. They are stretching targets. Added to this, the iBCF Planning Guidance states that the Government will consider a review, in November, of 2018-19 allocations of the social care funding provided at Spring Budget 2017 for areas that are poorly performing. This funding will all remain with local government, to be used for adult social care. This should be noted as a risk when considering the funding available for 2018/19.

Local Govt Pension Scheme (LGPS)

4.17 Previous MTFP iterations have incorporated additional funding for rising costs of the LGPS. Given the actuary's most recent report and the rates advised up to the end of 2021/22, it is likely that we will need to provide further funding to cover these pressures. The employer's combined, current and past service deficit recovery rate for 2017/18 is 21.5% but over the next four years this will increase to 25%. As part of staff costs budgeting (being advanced into September this year to give earlier assurance around affordability) consideration will be given to potential, additional funding requirements.

Flexible use of capital receipts

4.18 As noted earlier, In the Autumn Statement 2015, the Chancellor announced changes to the rules for the use of capital receipts. For a three-year period from 1 April 2016, authorities are able to spend receipts from selling fixed assets to fund the revenue costs of improvements to services. Cabinet has approved up to £5m to be used this way, £1.4m of which has already been applied.

4.19 The present assumption in the MTFP is for a further £1m to be used in 2018/19 (as noted above, the flexibility is not available beyond that). There is still some headroom within the potential £5m total and the £3.4 spent/projected in our current assumptions.

RSG/general funding

4.20 Our assumptions around the general level of funding around RSG in recent years have been well documented. Whilst transitional funding has been given in 2018/19 to offset £2m or negative grant, no such provision has been made for the negative £10.2m currently scheduled for 2019/20. This is what gives us the majority of the budget gap in that year.

4.21 As noted elsewhere, we are concerned that the formula review and/or business rates retention agenda will not be sufficiently well-formed to allow us to plan with any real certainty other than to assume a further, significant level of savings must be delivered. We are also unable to make assumptions which are more informed about the likely levels of funding for 2020/21; we have therefore assumed a further £8m reduction is required, taking or total negative RSG to over £18m.

Underlying budget assumptions review

4.22 A review of underpinning budget assumptions is a fundamental part of every MTFP process and 2018/19 will be no exception. Areas where we must revisit assumptions around funding or spending include the following examples:

- our capital financing requirements and their impact on the revenue budget

- review of the use of the social care precept and other adult social care funding alongside provision through existing Resource Allocation Model (RAM) factors
- inclusion and use of improved better care fud monies and the extent to which it might provide for pressures already factored into the MTFP
- pay, prices, inflation and demographic factors
- availability and application of flexible capital receipts
- likely rate of growth in the council tax base and surpluses on collection funds
- the requirement to address legitimate volume pressures in LAC numbers highlighted earlier in this paper.

5 Forward Together

5.1 The FT programme continues to be monitored by the FT Board and the financial implications of the programme are also reported through CPMI.

5.2 The latest Board report indicates that of the £18.3m savings targeted for delivery in 2017/18, the following progress is being made. Savings assessed as not achievable or more work needed are included in the forecast overspend £2,693k in total.

5.3 At present, the 2018/19 figures are still work in progress as the details are being considered by Overview and Scrutiny Committees and/or being finalised by DLTs and CLT and subject to agreement from Cabinet. Given the potential for some savings not to be progressed and the risk that some may under-deliver, it would seem prudent to pursue a higher level savings than is need to balance the budget. This also allows scope to deal with in-year budget pressures as they arise.

Summary - All FT Savings and 2017/18 BAU pressures

2017/18			Assessment of Savings achievement			
Savings measure			Achieved	On course	More Work Needed	Not achievable
	£000's		£000's	£000's	£000's	£000's
Adults	7,110		3,752	1,854	1,504	-
Childrens	4,179		3,018	461	700	-
Env & Economy	4,473		1,156	2,828	325	164
Chief Exec's	1,132		897	235	-	-
Public Health	700		700	-	-	-
Dorset Waste Partnership	700		700	-	-	-
Summary - All Savings 2017/18	**18,294**		**10,223**	**5,378**	**2,529**	**164**

6 Summary

6.1 Substantial challenges still lie ahead of us. While it is encouraging that the overall forecast of outturn for the current year continues to move in the right direction, there is still a significant amount of work to be done, across a sustained period of time, to deliver a balanced budget.

6.2 Four years are now at risk; 17/18 where we continue to work hard to bring the overspend down; 18/19 for which we are in the process of firming up the FT plan and 19/20 and 20/21 which both have significant savings targets caused primarily by our negative RSG and the potential for this not to be resolved satisfactorily due to uncertainty around business rates.

Page 15 – Medium Term Financial Plan update

Richard Bates
Chief Financial Officer
October 2017

Appendix 1

Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year 2017-18 'Above Line' Net Budget Only £000's	Forecast £000's	July Projected Under/(Over) Spend £000's	August Projected Under/(Over) Spend £000's	September Projected Under/(Over) Spend £000's	Forward Together Projected Under/(Over) Spend £000's	Other Projected Under/(Over) Spend £000's
Children's Services Directorate								
Childrens Service Budget								
Care & Protection	Vanessa Glenn	33,191	41,186	(7,635)	(7,829)	(7,995)	0	(7,995)
Design & Development	Patrick Myers	11,634	11,368	192	196	266	(400)	666
Director's Services	Sara Tough	2,202	2,302	(130)	(140)	(99)	(150)	51
Prevention & Partnerships (DCC)	Jay Mercer	13,066	14,044	(1,277)	(1,019)	(977)	(150)	(827)
Application of Contingency/Control Node	Richard Bates	2,399	0	1,000	2,399	2,399	0	2,399
Total Children's Services Budgets (DCC)		62,493	68,899	(7,850)	(6,393)	(6,407)	(700)	(5,707)
Prevention & Partnerships (DSG)	Jay Mercer	44,854	48,075	(2,944)	(3,368)	(3,221)	0	(3,221)
P&P DSG Funding	Jay Mercer	(44,867)	(44,867)	113	0	0	0	0
Directors Services (DSG)	Sara Tough	400	400	(10)	2	0	0	0
Directors Services DSG Services	Sara Tough	(400)	(400)	0	0	0	0	0
DSG Services	Jay Mercer	(1,266)	(1,266)	(26)	(26)	0	0	0
Total Children's Services Budgets (DSG)		(1,279)	1,942	(2,867)	(3,392)	(3,221)	0	(3,221)
DSG Adjustment		0	0	0	0	0	0	0
Children's Services (DCC + DSG) Total		61,214	70,841	(10,717)	(9,784)	(9,628)	(700)	(8,928)
Adult & Community Services Directorate								
Adult Care Service User Related	Harry Capron	69,194	71,606	(1,480)	(2,088)	(2,412)	(1,504)	(908)
Adult Care	Harry Capron	14,746	14,380	(197)	242	366	0	366
Commissioning and Safeguarding	Diana Balsom/Sally Wernick	32,565	32,417	79	84	149	0	149
Early Help & Communities	Paul Leivers	9,105	9,154	(92)	(62)	(49)	0	(49)
Director's Office	Helen Coombes	7,316	7,182	(31)	129	133	0	133
Adult & Community Services total		132,926	134,739	(1,722)	(1,694)	(1,813)	(1,504)	(309)
Environment and the Economy Directorate								
Economy, Planning & Transport	Maxine Bodell	2,312	2,218	64	59	93	0	93
Dorset Travel	Chris Hook	14,282	14,514	(40)	(233)	(233)	(190)	(43)
Business support Unit	Jan Hill	333	414	(130)	(79)	(80)	(61)	(19)
Coast & Countryside	Phil Sterling	2,745	2,804	(86)	(85)	(59)	(36)	(23)
Estates & Assets	Peter Scarlett	(1,447)	(1,247)	(147)	(199)	(200)	(164)	(36)
Buildings & Construction	David Roe	138	132	(211)	3	6	0	6
Pooled R&M	David Roe	137	137	0	0	0	0	0
Network Management	Simon Gledhill	1,108	1,039	171	111	69	0	69
Network Development	Tim Norman	1,040	1,041	34	9	(1)	0	(1)
Network Operations	Martin Hill	4,019	4,014	(4)	(0)	5	0	5
Fleet Services	Sean Adams	(143)	(168)	(6)	5	25	0	25
Emergency Planning	Simon Parker	214	207	6	6	7	0	7
Director's Office	Mike Harries	828	821	60	(7)	7	0	7
Streetlighting PFI	Tim Norman	3,862	3,862	0	0	0	0	0
ICT	Richard Pascoe	5,051	5,220	66	49	(169)	(38)	(132)
Environment and the Economy Directorate Total		34,479	35,009	(221)	(361)	(530)	(489)	(41)

Page 17 – Medium Term Financial Plan update

Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year 2017-18 'Above Line' Net Budget Only £000's	Forecast £000's	July Projected Under/(Over) Spend £000's	August Projected Under/(Over) Spend £000's	September Projected Under/(Over) Spend £000's	Forward Together Projected Under/(Over) Spend £000's	Other Projected Under/(Over) Spend £000's
Chief Executives								
Chief Executives Office	Debbie Ward	275	278	(4)	(5)	(4)	0	(4)
Partnerships	Karen Andrews	189	164	17	23	26	0	26
Communications	Karen Andrews	247	247	(3)	0	0	0	0
Policy and Research	Karen Andrews	440	440	2	0	0	0	0
Commercial Services	Karen Andrews	388	388	(0)	(1)	0	0	0
Governance and Assurance	Mark Taylor	657	658	(3)	(3)	(1)	0	(1)
Legal & Democratic Services	Jonathan Mair	2,802	2,809	(3)	(10)	(7)	0	(7)
Financial Services	Richard Bates	1,929	1,884	40	22	46	0	46
Human Resources	Sheralyn Huntingford	1,281	1,281	0	0	0	0	0
Cabinet	Richard Bates	2,769	2,734	(86)	45	36	0	36
Chief Executives Total		10,978	10,883	(40)	72	95	0	95
Partnerships								
Dorset Waste Partnership	Karyn Punchard	19,702	18,836	616	729	866	0	866
Public Health	David Phillips	(700)	(700)	0	0	0	0	0
Partnerships Total		19,002	18,136	616	729	866	0	866
Central Finance								
General Funding	Richard Bates	(22,649)	(22,649)	0	0	0	0	0
Capital Financing	Richard Bates	24,617	24,140	400	400	478	0	478
R&M	Richard Bates	1,287	1,287	0	0	0	0	0
Contingency	Richard Bates	1,601	351	1,000	1,000	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
Control Node	Richard Bates	0	0	0			0	0
Central Finance Total		(258,599)	(260,326)	1,400	1,400	1,728	0	1,728
Total Above Line Budgets		**0**	**9,282**	**(10,684)**	**(9,639)**	**(9,282)**	**(2,693)**	**(6,589)**
Excluding DSG Budgets		**1,279**	**7,340**	**(7,817)**	**(6,247)**	**(6,061)**	**(2,693)**	**(3,368)**

Appendix 2

Summary - All FT Savings and 2017/18 BAU pressures

Savings measure	2017/18		Assessment of Savings achievement: Achieved	On course	More Work Needed	Not achievable
	£000's		£000's	£000's	£000's	£000's
Adults	7,110		3,752	1,854	1,504	-
Childrens	4,179		3,018	461	700	-
Env & Economy	4,473		1,156	2,828	325	164
Chief Exec's	1,132		897	235	-	-
Public Health	700		700	-	-	-
Dorset Waste Partnership	700		700	-	-	-
Summary - All Savings 2017/18	**18,294**		**10,223**	**5,378**	**2,529**	**164**