

# Cabinet

## 3 March 2020

### Quarterly finance report

**Portfolio Holder:** Cllr Tony Ferrari

**Local Councillor(s):** N/A

**Executive Director:** Aidan Dunn

Report Author: Jim McManus  
Title: Corporate Director Finance & Commercial  
Tel: 01305 221235  
Email: [jim.mcmanus@dorsetcouncil.gov.uk](mailto:jim.mcmanus@dorsetcouncil.gov.uk)

#### **Report Status:**

Public

#### **Recommendation:**

Cabinet is asked to:

1. note the Senior Leadership Team's forecast for Dorset Council's position at the end of Qtr3 and the movements since Qtr2;
2. comment on the continuing actions to improve the position during the year;
3. suggest any further actions needed;
4. note the impact that any overspend will have on reserves and the general fund.

#### **Reason for Recommendation:**

Cabinet reviews the forecast quarterly to ensure any risks to the in-year position are appropriately addressed and the impact on the MTFP and longer-term position is understood.

#### **1. Executive Summary**

This report updates the Cabinet on Dorset Council's financial performance, position and forecasts at the end of the third quarter of the financial year.

Members will recall the forecast reported at Q1 was an overspend of £7.1m for Council revenue budgets and £5.5m for the schools' budget. At the end of Q2 these figures were £8.2m and £6.5m respectively and at Q3 they stand at £8.1m for Council budgets and £7.8m for schools' budgets.

This report provides the context for the movements in the forecast and sets out how they relate to the medium-term financial plan (MTFP) and budget strategy for 2020/21.

Cabinet has taken the view that the projected overspend can be managed using reserves without exposing the Council to unnecessary financial risk over the longer term, as long as funding in 2020/21 enabled the Council to address any base budget overspends.

## **2. Financial Implications**

As set out in this report.

## **3. Climate implications**

None directly.

## **4. Other Implications**

None directly.

## **5. Risk Assessment**

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: High

Residual Risk: High

An overspend in the year will have to be met from the general fund or from other reserves. Any structural overspend will need to be managed within the overall funding envelope available in the MTFP.

## **6. Equalities Impact Assessment**

**None.**

## **7. Appendices**

- 1 Adult Social Care current budget v forecast by Primary Support Reason
- 2 Adult Social Care Current Budget v Forecast by Care Setting

## **8. Background Papers**

Q1 finance report to Cabinet on 30 July 2019

Q2 finance report to Cabinet on 5 November 2019

Budget strategy paper to Cabinet on 28 January 2020

## **1. Overall forecast v budget**

- 1.1 At the end of Qtr3, the council is forecasting an overall overspend of £8.1m on its own budgets and a further £7.8m on Schools' budgets. These figures compare with predicted overspends of £8.2m and £6.5m respectively at Qtr2.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Qtr 2 forecast	Change v Qtr 2
	£k	£k	£k	%	£k	£k
People - Adults	111,781	120,413	(8,631)	(7.72%)	(4,996)	(3,635)
People - Children's	64,196	73,244	(9,048)	(14.09%)	(8,561)	(487)
Place	67,196	67,729	(533)	(0.79%)	(820)	287
Corporate Development	30,135	29,712	423	1.40%	375	48
Legal & Democratic	7,706	7,749	(44)	(0.57%)	(137)	93
Public Health	108	108	0	0.00%	0	0
Total Service Budgets	281,122	298,956	(17,834)	(6.34%)	(14,139)	(3,695)
Central Finance	(283,324)	(293,044)	9,720	(3.43%)	5,984	3,736
Whole Authority	(2,202)	5,912	(8,114)	(368.55%)	(8,155)	41
Dedicated Schools Grant budgets	2,202	10,010	(7,809)	(354.71%)	(6,476)	(1,332)

## 2. Analysis by Directorate

### People Services – Adults & Housing

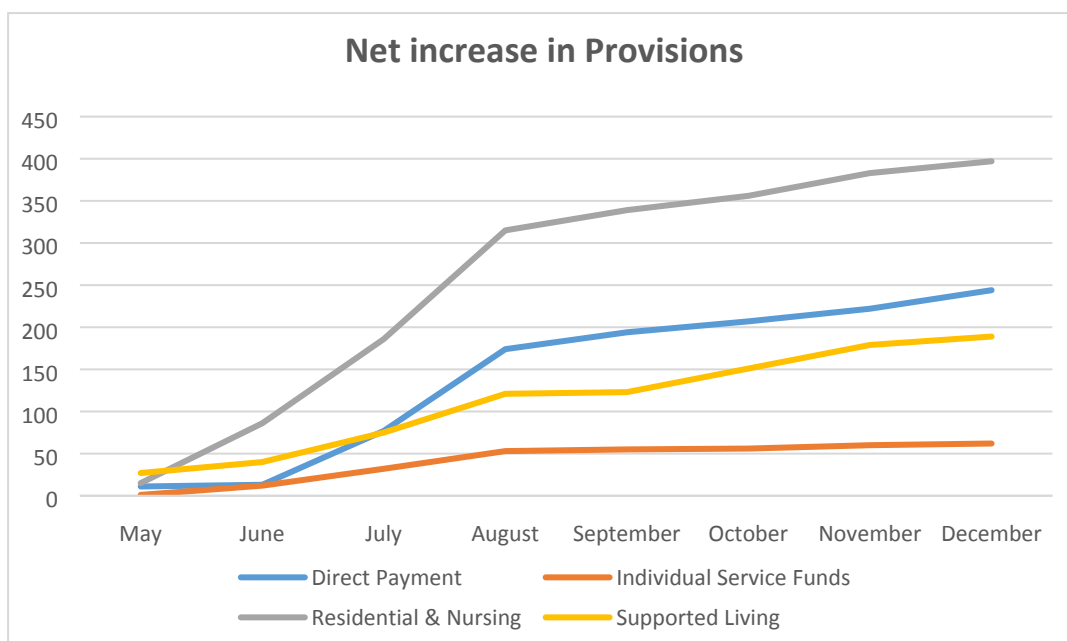
Executive Director Vivienne Broadhurst; Cabinet Members Laura Miller, Graham Carr-Jones

2.1 The People Services - Adults budget is projected to overspend by £8.6m (7.7%). The Qtr2 forecast was an overspend of just under £5m.

People Services - Adults	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Qtr 2 forecast	Change v Qtr 2
	£k	£k	£k	%	£k	£k
Adult Care Packages	88,116	95,497	(7,381)	(8.38%)	(4,279)	(3,102)
Adult Care	12,894	12,987	(92)	(0.72%)	(208)	116
Commissioning	4,645	5,913	(1,268)	(27.30%)	(604)	(665)
Directorate Wide	2,668	2,674	(6)	(0.22%)	15	(21)
Housing & Community Safety	3,458	3,342	116	3.34%	79	36
Total Directorate Budget	111,781	120,413	(8,631)	(7.72%)	(4,996)	(3,635)

2.2 The 19/20 financial year saw the Directorate start from a position of a £1.85m overspend. This was caused by an unaddressed base budget deficit of £0.7m brought forward from 2018/19, £0.8m worth of individual Christchurch cases passed back to Dorset Council and £0.3m loss due to a delay in the implementation of the fairer contribution proposals. In Q2 we saw additional in year increases which equated to £3.1m. Key contributors to this were increases in inflation and service user spend. In Q3 there has been a further increase in forecast spend of £3.6m.

2.3 The Adult Care Packages budget is forecast to be overspent by £7.4m (8.38%), an increase of £3.1m since Qtr2. There has been a continued increase in demand for services. The table below shows the net increase in individual packages of care, both long and short term, since April:



- 2.4 Appendices 1 and 2 show forecast spend v current budget by primary support reason (PSR); and the forecast spend v budget by care setting. Physical support remains the highest area of spend in terms of PSR followed by learning disability with residential spend being the highest type of spend followed by domiciliary care.
- 2.5 The overall savings target for the directorate for 2019/20 is £5m. The Q3 forecast assumes that the £500k savings target from the Tricuro contract will not now materialise along with £549k from OT and CHC savings. There is a possibility that we may benefit from additional savings within Q4 but at this stage we are seeing little sign of this happening therefore it was agreed it would be prudent to remove these. Having analysed the current increase in service user spend month on month £400k was also included in the forecast to cover the likely increase in spend within Q4.
- 2.6 Following a detailed piece of work on expenditure patterns, a number of prior year payments that had not been accounted for were identified during the year to the value of £760k. Processes have now been put in place to identify and include these during the year. There are, now, tighter reporting controls within the system to monitor package input and there are monthly finance and performance meetings taking place with Heads of Service.
- 2.7 The Directorate is continuing to embed strengths-based practice to improve outcomes for individuals and communities, enabling them to source solutions that are not council led. This work includes the Council's enhanced assistive technology offer.
- 2.8 Building Better Lives (BBL) continues to be a major focus for the Directorate in delivering a place-based approach. This recognises the

strengths and assets of Dorset's communities and will support individuals, families and their carers to live as independently as possible within their community and also contribute to the local economy.

- 2.9 The Adult Care budget (essentially staffing and joint working) is currently forecast to overspend by £92k, principally on staffing. This has reduced since Q2 by £116k following the introduction of Establishment Control forms providing a more robust sign off and challenge to recruitment and reviewing agency staff and reducing them where possible.
- 2.10 The Commissioning area is forecast to overspend by £1.2m, a movement from Q2 of £665k. The majority of the overspend is driven by the increased projections on the Integrated Community Equipment Service (ICES) pooled budget, which is currently under review, to look at options for future delivery and a further increase in the Dorset Accessible Homes Service (DAHS) contract of £500k since Q2. Additional seasonal income has not been made available for 2019/20 from central government.
- 2.11 Housing Services are forecast to underspend by £116k. This is an improvement from the last quarter. We are still working closely with Budget Holders to understand the detail as accounting practice has changed from predecessor authorities.

#### People Services – Children

##### Executive Director Theresa Leavy; Cabinet Member Andrew Parry

- 2.12 The People – Children's Services revenue budget is projected to overspend by £9m (14%). The Qtr2 forecast was an overspend of £8.6m.
- 2.13 The Dedicated Schools Grant (DSG) is forecast to overspend by £7.8m. At Qtr2 the overspend was predicted as £6.5m.
- 2.14 The Children's revenue budget was set with an increase of £9.9m on the 2018/19 base budget inherited from Dorset County Council.

People Services - Children	Net Budget	Forecast	Forecast (Overspend)/		Qtr 2	Change v Qtr 2
	£k	Outturn	Underspend	%	forecast	
	£k	£k	£k	%	£k	£k
Care and Protection	39,522	47,390	(7,868)	(19.91%)	(7,160)	(709)
Commissioning and Partnerships	9,063	8,586	477	5.26%	240	236
Director's Services	3,566	4,674	(1,108)	(31.07%)	(1,113)	5
Education and Learning	12,453	13,002	(549)	(4.41%)	(529)	(20)
Total Directorate Budget	64,603	73,651	(9,048)	(14.01%)	(8,561)	(487)
Dedicated Schools Grant budgets	2,202	10,010	(7,809)	(354.71%)	(6,476)	(1,332)

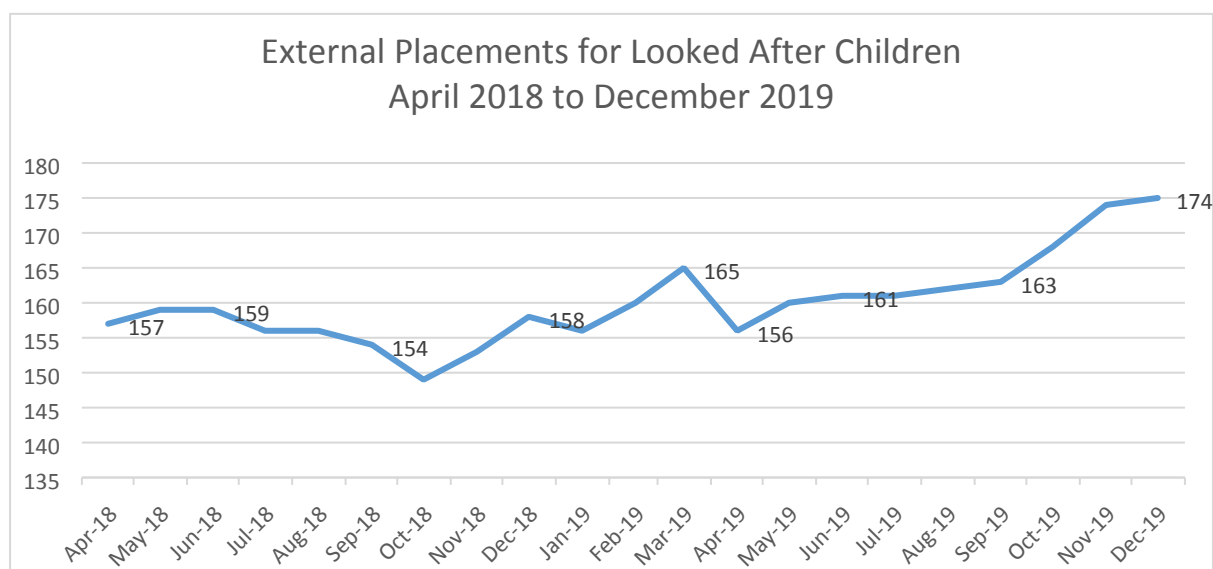
- 2.15 It can be seen in the table above that the majority of the current year overspend relates to the Care & Protection budget. The single largest cost driver in this area is children in care who are put into external placements.

The table below shows the budget for external placements in this year and number of placements as at 31<sup>st</sup> December 2019, together with cost implications.

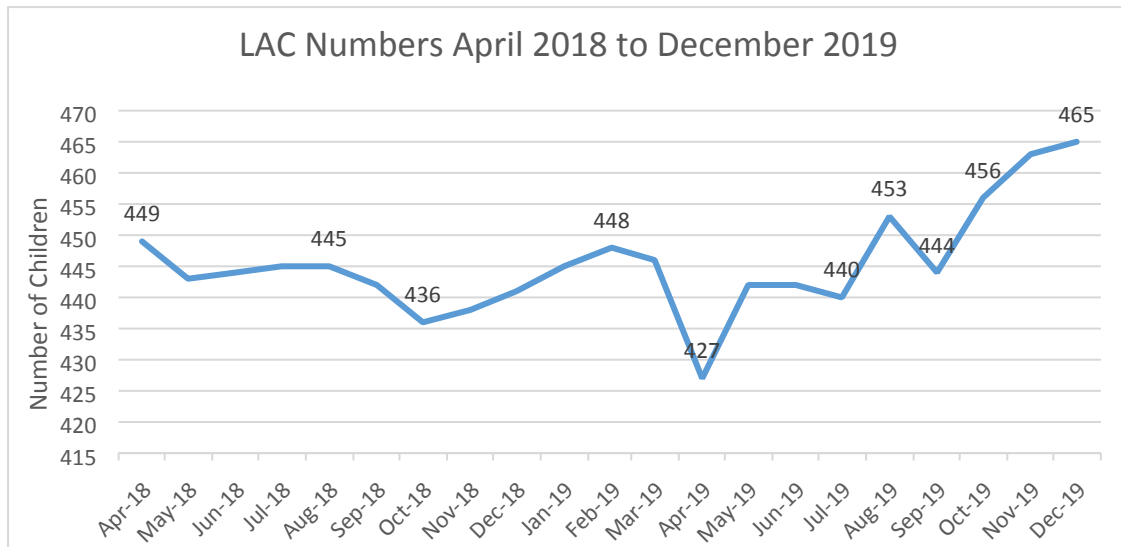
Table 1 - children in external placements - budget 2019/20 vs actual as at 31st December 2019

	Budgeted Number of Placements	Budget 2019/20	Actual Number of Placements	Forecast Position	Forecast Under/ (Overspend)
		£		£	£
Independent Fostering Agencies	81	3,272,200	103	4,782,594	(1,510,394)
Parent & Child (placement average 20 weeks)	3	100,000	3	118,591	(18,591)
Residential Care	37	5,860,400	49	8,953,080	(3,092,680)
Secure Accommodation	1	272,900	0	246,729	26,171
High Cost Supported Accommodation	6	800,000	16	2,044,856	(1,244,856)
Alternative Placements	0	0	3	1,984,684	(1,984,684)
<b>All Children - external placements</b>	<b>128</b>	<b>10,305,500</b>	<b>174</b>	<b>18,130,534</b>	<b>(7,825,034)</b>

It can be seen above that children in external placements account for the majority of the overspend in this area.



2.16 Children in external placements are a sub-set of overall numbers of Looked After Children (LAC). The table below shows the direction of travel in overall LAC numbers since April 2018:



- 2.17 The 2019/20 “savings to be identified” for Commissioning & Partnerships, Schools & Learning and Director’s Services have been consolidated into Director’s Services. These savings to be identified total £1,088k, £775k that were not achieved from the 2018/19 savings programme and £313k are from the 2019/20 budget set. These unachieved savings targets form the majority of the projected overspend in this area.
- 2.18 Lastly, the Education and Learning budgets are forecast to overspend by 549k. This is primarily due to costs arising from increased transport costs for children with SEND (Special Educational Needs and Disabilities).
- 2.19 The DSG is now forecast to overspend by £7.8m, almost entirely around the High Needs Block. This is up from the quarter 2 position, when it was noted that further risk could emerge if numbers of EHCPs (Education, Health and Care Plans) continued on an upward trend unabated. That risk has now materialised.
- 2.20 As noted previously, Children’s Services are currently undertaking a restructure known as the *Blueprint for Change*. There are also a number of initiatives being developed and implemented to control demand and manage costs. These include:
- development of a joint placement decision and review panel across both social care and education which will include reviews of all high cost placements, ensure those with significant health requirements are identified and passed to the CCG for continuing care or joint funding, identify move on plans for vulnerable children and review / challenge any packages of care where costs significantly increase. There will also be a focus on improving practice, ensuring that professional standards are maintained and that all staff receive high quality training and development opportunities.
  - As part of the Blueprint for Change project the directorate will be establishing an Adolescent service with an edge of care team, a residential hub, therapeutic foster carers, new front door

arrangements, detached youth workers, 'pop up' targeted education provision and a multi-disciplinary locality model that promotes an early intervention model that seeks to reduce the numbers of children requiring formal care.

- Development of a business intelligence tool to help us use the power of data and intelligence to target and inform provision by gathering insights to create a holistic understanding to enable us to target the right interventions for the right people at the right time. This will be designed to improve multi agency working within and outside the Council through an information portal and automated case notes. It will also highlight risk indicators that trigger crisis points allowing us to prevent outcomes from happening and intervene early. It will also help us allocate resources effectively across Council Services and achieve savings.
- Children's Services are now fully involved in the Building Better Lives programme and will be using this to identify market shaping opportunities including the development of a residential hub, additional technology enabled general housing provision to enable greater numbers of disabled children to remain in their family home, development of key worker housing to ensure we create a local sustainable care workforce and increased numbers of supported lodgings for care leavers and young people transitioning to adulthood.

3.30 Whilst the actions above will only have a limited impact on the forecast overspend in 2019/20 it will enable the Council to greatly improve services in the future through targeted early interventions and improved service planning, reduce numbers of high cost out of county placements as well as increasing opportunities for effective in-County commissioning.

### **3. Dedicated Schools Grant consultation**

- 3.1 On 11 October the Department for Education launched a consultation *clarifying the specific grant and ring-fenced status of the Dedicated Schools Grant*. The consultation indicated that the Government intended to preclude councils from supporting the DSG with local taxpayers' funds without the specific approval of the Secretary of State.
- 3.2 The consultation closed and as expected, the Government announced its intention to implement the ring-fencing arrangements that were consulted upon. Whilst we await the details and guidance from DfE, MHCLG, CIPFA and the audit profession, at this stage it looks like the Council will not be required – or able, without the express permission of the Secretary of State - to underpin the overspends on the DSG budget.
- 3.3 Despite this clear indication from Government, the detail is yet to emerge so it is prudent at this stage not to make any other commitments against the reserves that were set aside in case required to support the DSG. It is important to remember that no decision has



ever been taken to do this, the reserves were precautionary. The DSG will still be in deficit in 2020/21 and beyond.

### Place Services

Executive Director John Sellgren; Cabinet Members Ray Bryan, David Walsh, Tony Alford, Gary Suttle,

- 3.4 The Place Services directorate is forecast to overspend by £503k. The Q2 forecast was an overspend of £820k.

Place Services	Net Budget	Forecast	Forecast (Overspend)/		Qtr 2	Change v Qtr 2
	£k	Outturn	Underspend	%	forecast	£k
Assets and Property	1,222	2,086	(864)	(70.71%)	(567)	(297)
Highways	4,545	4,552	(7)	(0.15%)	(291)	284
Planning	3,490	3,111	379	10.87%	248	132
Travel	12,955	13,145	(190)	(1.46%)	(290)	100
Business Support	761	681	80	10.53%	100	(20)
Environment and Wellbeing	5,848	5,855	(6)	(0.11%)	(75)	69
Environmental Protection & Public Health	3,871	4,267	(396)	(10.24%)	(351)	(46)
Waste - Commercial & Strategy	12,983	12,693	290	2.24%	260	31
Customer Services	6,955	6,734	221	3.17%	138	83
Economic Growth & Regeneration	654	661	(7)	(1.14%)	10	(17)
Directors Office	872	874	(2)	(0.28%)	(2)	(1)
<b>Total Directorate Budget</b>	<b>54,156</b>	<b>54,659</b>	<b>(503)</b>	<b>(0.93%)</b>	<b>(820)</b>	<b>317</b>

- 3.5 The overall Place Services forecast has continued to improve from quarter 2. Highways has actively managed costs back close to their original budget. Planning income continues to improve each month with Travel reducing cost on transport costs and staffing. Customer Services has mainly made savings through active vacancy management.
- 3.6 Due to the recent slowdown in capital projects while they are reviewed, this has increased the staff costs allocated to the revenue budget. This has caused an overspend in the Assets & Property service. Legacy costs from the Christchurch disaggregation, additional Coroners cost and agency requirements for Building Control have led to overspends in Environment Protection and Public Health.
- 3.7 Although there appears to be an improving forecast position in the Place Service area, there are a number of future risks which are being monitored closely. Waste recycle disposal costs continue to rise and this is likely to have a negative effect on future forecasts, these costs are outside the control of Dorset Council. There is a move to transfer the Outdoor Education service over from Children's Services to Place. This will potentially transfer a budget deficit position to Place, however this would improve the Children's Service position. The teams allocated to capital projects is being monitored but could provide further costs to the revenue budget in future.

### Other budgets

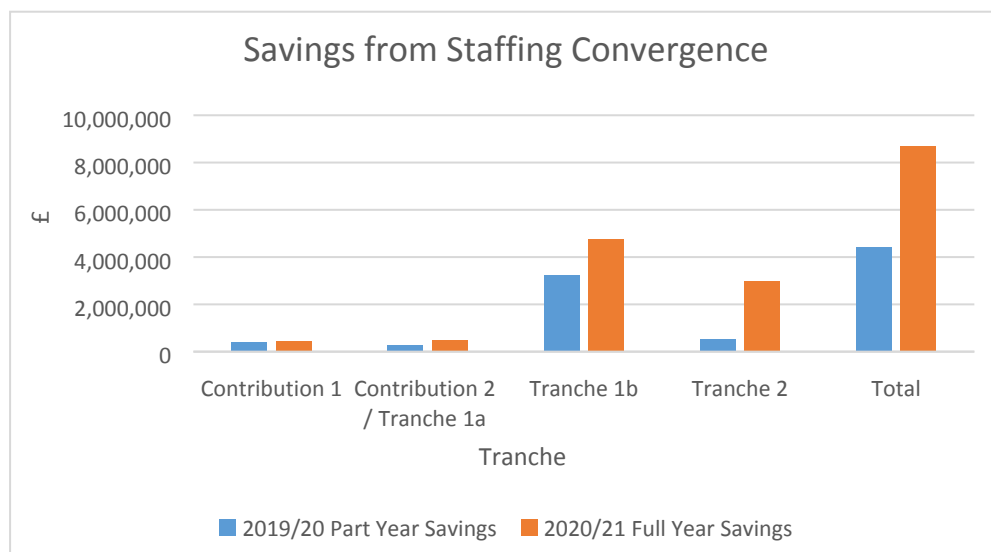
- 3.8 Central/corporate budgets are forecast to be underspent by £9.7m. A prudent contingency budget was set for 2019/20 to mitigate against potential issues arising in other areas during Dorset Council's first year. This is being released as and when the Council is comfortable that no

commitments will arise against it. There are potentially some further uncommitted funds in contingency, but it is not possible to state at this stage that they will not be needed.

- 3.9 During Qtr3, some additional funding has been released from one-off surpluses from the collection funds of the predecessor councils. It is possible that some further surplus will be available in Qtr4 but this is not included in the forecast yet.

#### 4. Savings from reorganisation

- 4.1 Convergence savings for staff reorganisations are held within central budgets and will be allocated to individual services within the Corporate Development directorate once the details have been finalised. The part-year savings for 2019/20 are slightly behind those budgeted due to a more measured approach to the timing of staff rationalisation during the year.
- 4.2 However, it is possible to confirm that savings for a full-year in 2020/21 will be approximately £8m; a summary of those savings is set out in the table below.



- 4.3 In delivering a converged staffing structure, redundancy costs are inevitable. The 2019/20 budget paper set out an estimate of £9m for redundancy costs as part of an overall estimate of £13.5m for reorganisation costs. It is not yet possible to say exactly what the final redundancy cost will be because reorganisation is not quite complete. For example, some redundancies have been deferred in the interests of continuity of vital services, but the latest estimate is £9.5m. Although this is higher than predicted, it is paid back by the higher than budgeted for full-year employee costs savings.
- 4.4 Although the initial work to review support services is close to an end, the Council continues to progress savings from bringing together six

predecessor authorities and there are further rationalisation and efficiency targets in the 2020/21 budget which Councillors have scrutinised.

## **5. Capital programme, strategy and budget**

- 5.1 The capital budget approved by Shadow Council was £65.3m and there was a further £37m carried forward from predecessor councils' capital programme slippage. Work is continuing to review this programme so it informs a clearer picture of what will be carried-forward into 2020/21. More than £5m has already been returned from project budgets that underspent or were not started.
- 5.2 The Capital Strategy and Asset Management Group is reviewing the Council's capital strategy and developing a framework of governance within which bids for capital spend can be prioritised. Cabinet has already made £15m available for next year but 2020/21 must also be a year in which a stronger, more focused capital programme is developed to support the aims of the corporate plan, the outcomes required for our residents and the affordability of our revenue financing envelope.

## **6. Medium Term Financial Plan update**

- 6.1 The medium-term financial plan and budget strategy was approved by Cabinet on 28 January and subsequently approved by Council on 18 February.
- 6.2 Scrutiny of the budget was significant and in particular focused on ensuring that additional resources were redeployed from support services to front-line services in line with the LGR agenda to reduce support costs and protect front line services.
- 6.3 SLT has also revisited the budget alongside the Qtr3 forecasts and is content that it remains robust and achievable.

## **7. Summary/conclusions**

- 7.1 There is no doubt that 2019/20 continues to be a challenging year. These challenges will continue - and part of the Council's continuous review process has involved revisiting the budget assumptions in light of the movements in the Qtr 3 forecast to give assurance around the realism of the budget.
- 7.2 The Council remains confident that it has the resources available to overcome short-term pressures while it continues to refine the vision, strategies and operating model that will deliver the sustainable, dynamic and innovative organisation that Dorset's residents need.

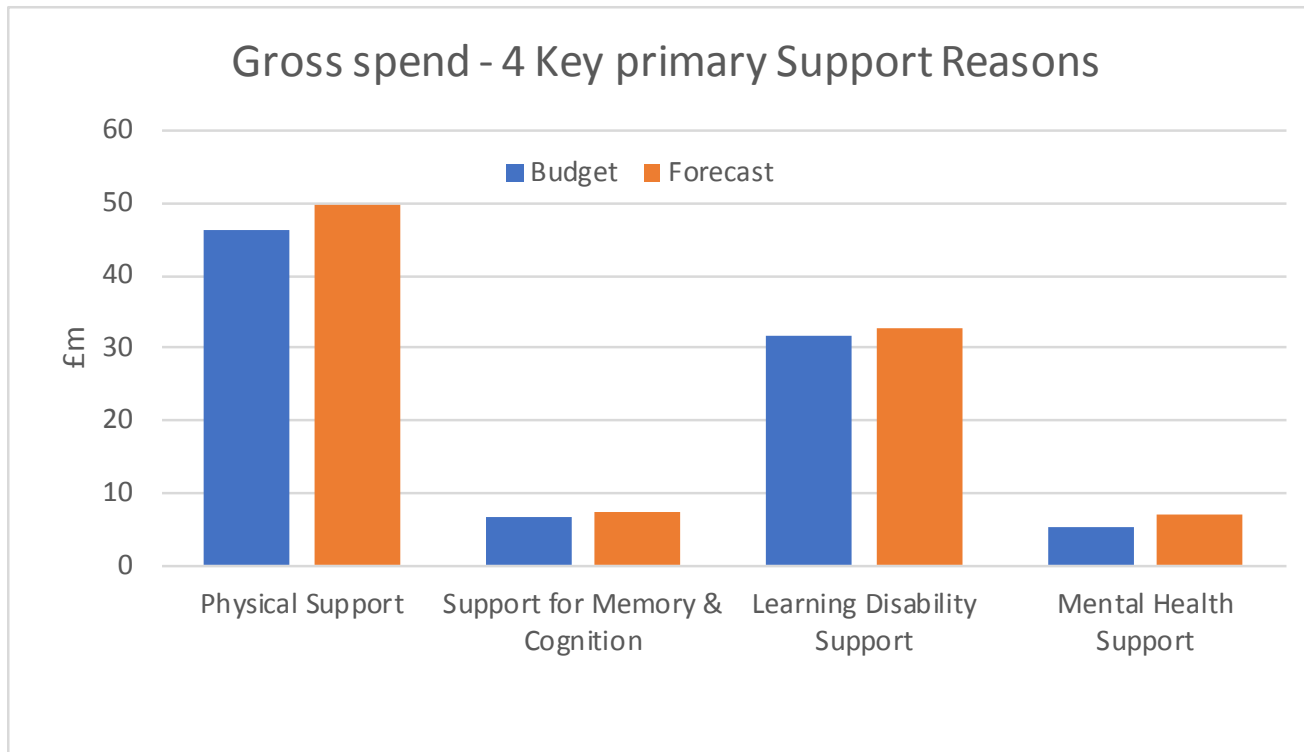
## **Executive Director, Corporate Development**

### **Footnote:**

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1

**Adult Social Care current budget v forecast by Primary Support Reason**



Appendix 2

**Adult Social Care Current Budget v Forecast by Care Setting**

