



Date of Meeting: 5 November 2019

Lead Member: Cllr Tony Ferrari – Lead Member for finance, commercial and assets

Local Member(s): N/A

Lead Officer: Aidan Dunn

**Executive Summary:**

This report updates the Cabinet on Dorset Council's financial performance, position and forecasts at the end of the second 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. This has deteriorated to £8.2m and £6.5m respectively.

This report provides the context for the movements in the forecast and sets out how the development of the medium-term financial plan (MTFP) is affected.

At Qtr1, Cabinet took the view that the projected overspend could be managed using general reserves without exposing the Council to unnecessary financial risk over the longer term and this continues to be the case. With the position moving on since then, this report gives the Cabinet another opportunity to review the situation, take stock of action in hand to manage in-year pressures and consider strategy and transformation plans needed to address the Council's longer-term sustainability over the MTFP period.

This level of overspend would create financial risk in the medium term. Cabinet should note the work that is in progress:

- a) work on the new staffing structures to achieve the planned savings is concluding in Qtr3;
- b) a finance team led review on the budget is concluding and will feed into the 2020/21 MTFP;
- c) implementation of the Children's Services and Adults' Services improvement plans to improve services whilst reducing costs;
- d) a focus on developing an organisation-wide transformation plan for 2020-24;
- e) focus sessions on better procurement and contract management continue and will have a specific focus on opportunities for 2020/21;
- f) a strategic review of the Council's property assets has commenced;
- g) a transformation fund has been established to invest in transformation which will deliver revenue savings;
- h) a capital budget prioritisation process is also being established and the new capital programme will also focus on spending which has a beneficial impact

on the revenue budget.

**Equalities Impact Assessment:**

This report does not deal with any new strategy or policy issues that would trigger the need for an impact assessment.

**Budget:**

Financial information is set out in this report.

**Risk Assessment:**

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

Current Risk: HIGH

Residual Risk: HIGH

There is still material risk around some of the savings plans incorporated into the 2019/20 budget, especially concerning activities driving spend in Children's Services, Adult Services social care budgets and the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

There is still risk around convergence savings being delivered from reorganisation although an update on work that has concluded and actual savings that have been delivered is provided here.

**Climate implications:**

N/A

**Other Implications:**

**Recommendation:**

Cabinet is asked to:

1. note the Senior Leadership Team's forecast for Dorset Council's position at the end of Qtr2 and the movement since Qtr1;
2. comment on the continuing actions to improve the position during the year;
3. suggest further actions needed to bring down spend during the year;
4. note the impact that any overspend will have on reserves and the general fund;
5. note the update to the MTFP following the Spending Review and the work in progress to develop a sustainable base budget for 2020/21 and beyond.

**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.

#### Appendices:

1. Summary of LAC external placements and foster care placements;
2. Summary of costs of care packages for adults.

#### Background Papers:

Budget paper 2019/20 approved by Shadow Council 20 Feb 2019

Qtr1 Cabinet report

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## 1. Introduction

- 1.1 The Qtr1 report for Cabinet set out details of the context underpinning the setting of the 2019/20 budget. The report highlighted a forecast overspend of £7.1m on the Council's own budgets, plus an estimated overspend on Schools' budgets of £5.5m.
- 1.2 In reviewing the Qtr1 report, the Cabinet confirmed that the council plans to treat 2019/20 as a transitional year of consolidation, to release the savings from bringing the councils together, whilst developing medium and long-term service and financial plans. This work continues and further updates are set out elsewhere in this report and in other reports to the Cabinet covering the corporate plan and transformation priorities.

## 2. Forecast v budget

- 2.1 At the end of Qtr2, the council is forecasting an overall overspend of £8.2m on its own budgets and a further £6.5m on Schools' budgets. These figures compare with predicted overspends of £7.1m and £5.5m respectively at Qtr1.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Qtr 1 forecast	Change v Qtr 1
	£k	£k	£k	%	£k	£k
People - Adults	112,091	117,087	(4,996)	(4.46%)	(2,422)	(2,574)
People - Children's	65,855	74,415	(8,560)	(13.00%)	(6,912)	(1,648)
Place	66,067	66,888	(821)	(1.24%)	(346)	(475)
Corporate Development	29,028	28,653	375	1.29%	(156)	531
Legal & Democratic	7,213	7,349	(137)	(1.89%)	(42)	(95)
Public Health	0	0	0	0.00%	0	0
Total Service Budgets	280,254	294,393	(14,139)	(5.04%)	(9,879)	(4,260)
Central Finance	(281,126)	(287,110)	5,984	(2.13%)	2,775	3,209
Whole Authority	(871)	7,283	(8,155)	(935.79%)	(7,104)	(1,051)

## 3. Analysis by Directorate

### People Services – Adults & Housing

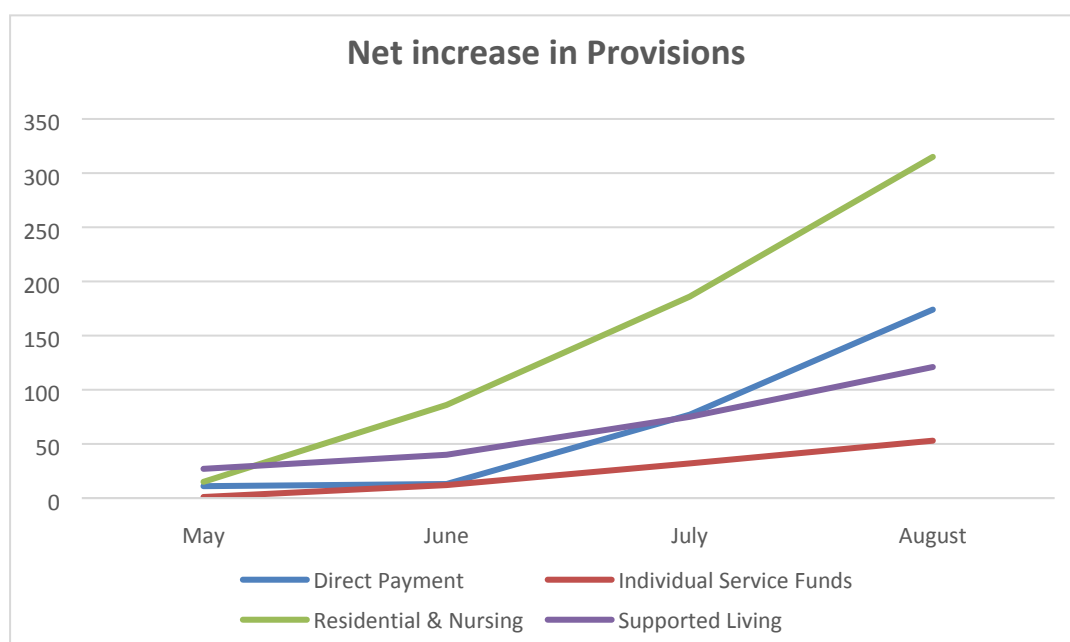
Executive Director Mathew Kendall; Cabinet Members Laura Miller, Graham Carr-Jones

3.1 The People Services - Adults budget is projected to overspend by £5m (4.46%). The Qtr1 forecast was an overspend of £2.4m.

People Services - Adults	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Qtr 1 forecast	Change v Qtr 1
	£k	£k	£k	%	£k	£k
Adult Care Packages	87,773	92,052	(4,279)	(4.87%)	(2,021)	(2,257)
Adult Care	12,743	12,951	(208)	(1.63%)	(208)	0
Commissioning	4,645	5,249	(604)	(12.99%)	(558)	(46)
Director's Office	3,452	3,437	15	0.43%	(15)	30
Housing Services	3,478	3,399	79	2.28%	380	(301)
Total Directorate Budget	112,091	117,087	(4,996)	(4.46%)	(2,422)	(2,574)

3.2 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. Additional in year increases equate to a further £2.4m. Key contributors to this increase are inflation (£1.1m) and increasing service users (£0.7m). To understand specific issues and take relevant action, focused work takes place in the localities to identify areas of pressure in key budget lines. Teams from performance, commissioning and finance work together to ensure there is an understanding of the cost pressures across the whole system.

3.3 The Adult Care Packages budget is forecast to be overspent by £4.3m (4.9%), an increase of £2.3m since Qtr1. The Council is experiencing increasing demand for these services alongside increasing prices and acuity. The table below shows the net increase in individual packages of care, both long and short term, since April:



- 3.4 Appendix 2 has two graphs: one showing forecast spend v current budget by Primary Support Reason (PSR); and the second showing forecast spend v budget by care setting. These show that the largest areas of spend in terms of PSR is for Physical Support (£48.9m) followed by Learning Disability. Those people with Learning Disabilities tend to be of working age (18-64). In terms of setting, most is spent on residential care (£40m+) with the second highest being Domiciliary Care (£18m+). The second graph shows a forecast overspend in nursing reflecting the increased acuity and consequent need for nursing and dementia beds.
- 3.5 The Council is facing continuing demand from self-funders in residential care whose assets fall below £23,350 thus making them eligible for local authority funding. In the majority of these circumstances, individuals have usually agreed a placement cost that is significantly higher than the council expects to pay under its usual contractual arrangements. Ongoing work to manage this is taking place through developing improved advice and guidance for self-funders and by increasing provider sign-up to the Dorset Care Framework which places specific responsibilities upon providers through its contractual terms and conditions.
- 3.6 The Adults Project Management Office and other key partners including Health are working together looking at the flow and demand for services. This will ensure the customer journey is streamlined, reducing handoffs and ensuring people get the right information, advice and support at the earliest point of contact.
- 3.7 The Directorate has introduced a strengths-based approach training programme. A strengths-based in approach improves outcomes for people, enabling them to source solutions that are not council led. It is expected this approach will reduce over time in the demand and volume of packages of care and support. A good example of this is the tech-based offer that will change the support to that of a digital solution instead of traditional care and support services.
- 3.8 Work has begun with Tricuro to redesign the reablement offer for Dorset that enables shorter term interventions promoting greater independence and less reliance on tradition longer term care services.
- 3.9 The Adult Care budget (essentially staffing and joint working) is currently forecast to overspend by £208k, principally on staffing. The process for recruiting social care practitioners has been redesigned to a centralised system and along with some innovative recruitment methods, such as 'try before you apply', this has meant professional positions have been filled more successfully, reducing agency social work spend. There remain some key dedicated roles in place that are expected to end by the end of March 2020.

- 3.10 The Commissioning area is forecast to overspend by £604k, a slight deterioration since Qtr1. The majority of the overspend is driven by the increased projections on the Integrated Community Equipment Service (ICES) pooled budget and the Dorset Accessible Homes Service (DAHS) contract.
- 3.11 Housing Services are forecasting an underspend of £79k. Although this is a deterioration of the reported position, it is principally the result of consolidating the budgets from former districts, rather than anything causing a negative impact on the service. There may be a positive impact on the budget as a result of budgeting for Housing specific grants within the overall revenue budget. This is a change in accounting treatment from that used by predecessor authorities. The full effect will be understood as the detailed budgets are worked through.
- 3.12 The overall savings target for the Directorate for 2019/20 is £5m. The forecast currently assumes that all bar £250k from the Fairer Contributions initiative will be delivered. It is now clear that the £500k assumed for a saving from the Tricuro contract will not now materialise. This is not reflected in the current forecast although it will be from Qtr3.

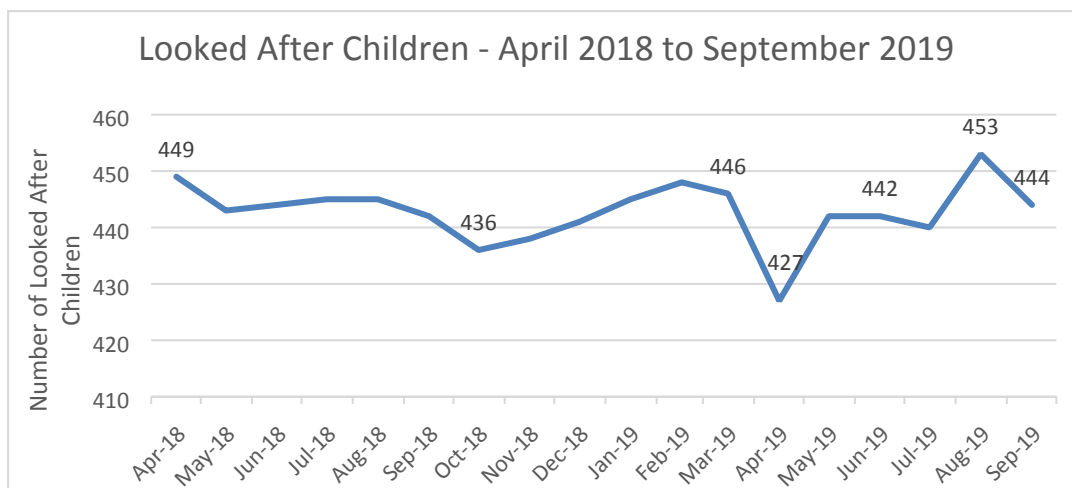
#### People Services – Children

##### Executive Director Sarah Parker; Cabinet Member Andrew Parry

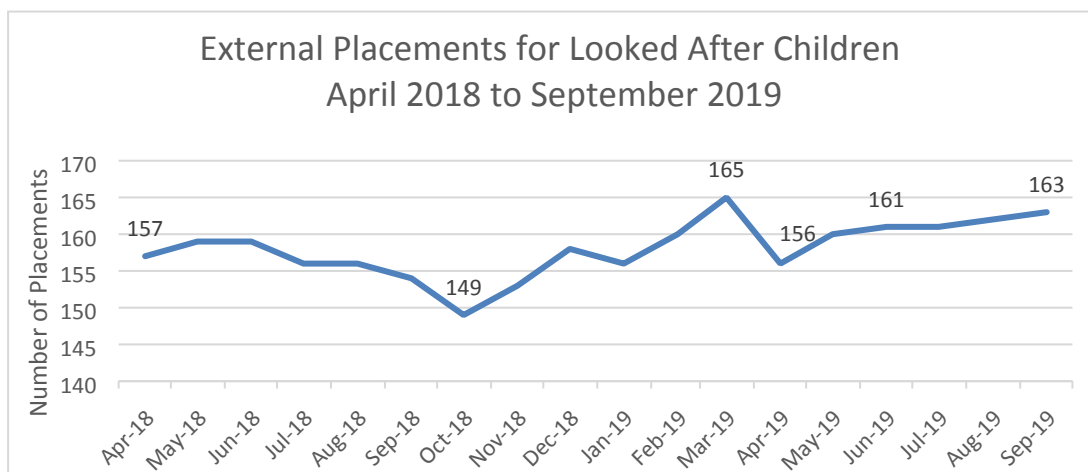
- 3.13 The People – Children’s Services revenue budget is projected to overspend by £8.6m (13.21%). The Qtr1 forecast was an overspend of £6.9m.
- 3.14 The Dedicated Schools Grant (DSG) is forecast to overspend by £6.5m. At Qtr1 the overspend was predicted as £5.5m.

People Services - Children	Net Budget	Forecast	Forecast (Overspend)/		Qtr 1	Change v Qtr 1
	£k	Outturn	Underspend	%	forecast	£k
Care and Protection	39,522	46,681	(7,160)	(18.12%)	(5,545)	(1,614)
Commissioning and Partnerships	9,007	8,767	240	2.67%	101	139
Director's Services	3,538	4,651	(1,113)	(31.47%)	(807)	(306)
Education and Learning	12,731	13,258	(528)	(4.15%)	(661)	134
Total Directorate Budget	64,797	73,357	(8,560)	(13.21%)	(6,912)	(1,648)
Dedicated Schools Grant budgets	871	7,348	(6,476)	(743.21%)	(5,514)	(963)

- 3.15 The Children’s revenue budget was set with an increase of £9.9m on the 2018/19 base budget inherited from Dorset County Council.
- 3.16 The Care and Protection Service is responsible for children’s social care in Dorset. Following the transfer of 33 children to the Bournemouth, Christchurch and Poole Council on 1 April 2019, there were 413 Looked After Children in Dorset at the start of the financial year. At 30 September 2019 there are 444 Looked After Children; a net increase of 31 in the first six months.



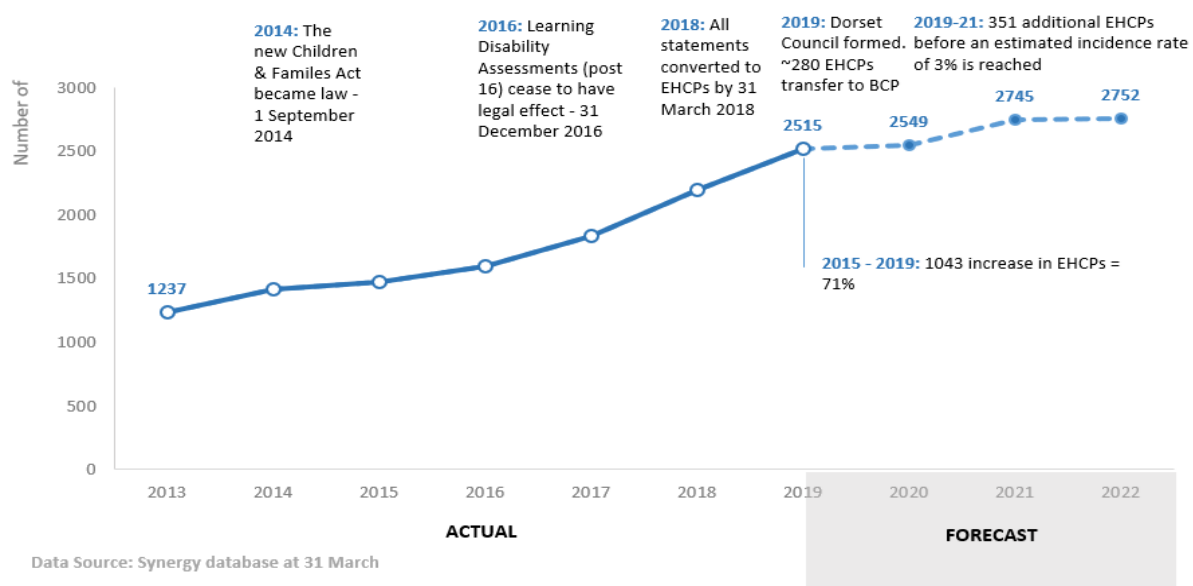
- 3.17 Looked After Children live in a variety of settings sourced internally and externally, for example, residential care, foster care and independent accommodation. In the last 18 months an average of 36% of the Looked After Children placements have been sourced externally.



- 3.18 On 1 April 2019 15 children in external placements were transferred to Bournemouth Christchurch and Poole Council, leaving 150 Dorset children in these placements at the start of the financial year. At 30 September 2019 there are 163 children with external providers; a net increase of 13 in the first six months. The current cohort of 163 children are forecast to overspend the external placements budget by £7.2m.
- 3.19 Residential care placements are mainly required for adolescents that are highly vulnerable or that might present a danger to themselves or others. Gross costs range between £2,800 and £8,000 per week. There has been a net increase of 11 residential placements in the first six months of 2019/20.
- 3.20 There are 198 children placed with in-house foster carers and this is below the budgeted placement level for 2019/20. The recruitment and retention of foster carers continues to be a priority for the service. The forecast underspend on the in-house Fostering budget will offset budget pressures in other areas, for example Community Resource Workers and Independent Living arrangements for Looked After Children.
- 3.21 The Commissioning & Partnerships and Director's Services budgets are forecast to underspend £0.2m.

- 3.22 The Education and Learning service comprises areas funded from Dorset Council revenue budgets and the (DSG). This area provides:
- Educational services to schools including early years and post 16 settings.
  - Traded / trading services including the Dorset Music Service and Governor Support services.
  - Sufficiency and School Organisation including school admissions, SEN Transport and early years funding.
  - SEND (Special Education Needs and Disabilities) Services 0-25 including specialist teaching services, SEN Assessment team and Educational Psychology.
- 3.23 The major issues impacting Education and Learning are:
- Rising numbers of children and young people with SEND requiring an Education, Health and Care Plan (EHCP). This causes pressure on the statutory services that administer EHCPs and the EHCP process – DC revenue funded - plus the demand-led SEN Transport. This also drives demand for services and education provisions, for example high cost placements, funded from the HNB, part of the DSG. The graph shows the increase in EHCPs since the introduction of the Children and Families Act in 2014.
  - School funding decreasing and the increase in academy conversions (>50% of schools will be academies by the end of the 2019-20).

Number of Statements / EHCPs over time



- 3.24 The DSG is forecast to overspend by £6.5m. There is a further £1m of risk. The DSG deficit brought forward is £15.3m, and any overspend from this year will be added to that figure.

- 3.25 £0.476m of the risk is due to a decision to return this amount to maintained schools. This was a transfer from the Schools Block to the High Needs Block as part of the 2019/20 DSG budget setting process.
- 3.26 The remainder of the risk, just short of £1m, concerns EHCP growth being 176 EHCPs over the 351 budgeted increase level. Numbers of EHCPs being processed each month varies dramatically, and therefore even this forecast is subject to change, in addition to which the education provision for the child or young person and the associated cost is also variable. The table below shows recent numbers of requests for EHCPs by month:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
<b>Number of EHCP requests</b>	41	53	54	53	66	56	99	27	32
<b>Number of EHCP requests agreed to be assessed</b>	67	35	64	68	69	67	62	75	31

- 3.27 The Dorset Council budgets within Education and Learning are forecast to overspend by just over £0.5m. This is primarily due to demand pressures on the alternative provision pupils, part of the SEN Transport budget.
- 3.28 In response, Children's Services are currently consulting on the Blueprint for Change strategy. 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.

#### **4. Dedicated Schools Grant consultation**

- 4.1 On 11 October the Department for Education launched a consultation *clarifying the specific grant and ring-fenced status of the Dedicated Schools Grant*. Clearly this is only a consultation at this stage, but if the substance becomes Regulation, it will preclude Councils from supporting the DSG with local taxpayers' funds without the specific approval of the Secretary of State.
- 4.2 This appears to be a welcome move if it does in fact reflect that HM Treasury is acknowledging that many councils are carrying deficit balances from accumulated DSG overspends and in effect financing the overspend themselves – particularly on the High Needs Block (HNB).
- 4.3 The consultation instead requires councils to carry forward any overspend to the future schools' budget and work on a recovery plan, with the Schools' Forum which will enable that deficit to be recovered over time (unspecified period in the consultation). Councils will not be required to fund the overspend themselves.
- 4.4 Whilst on its own this is potentially good news, the fact remains that the DSG will still be in deficit in 2020/21 (and probably beyond). There are no signs yet that the additional funding promised for the HNB in particular or the DSG in general will allow any possibility of repayment of the cumulative overspend in the immediate future.

#### Other budgets

- 4.5 Central/corporate budgets are forecast to be underspent by almost £6m as a relatively heavy contingency budget was set to potentially mitigate issues arising in other areas. This is being released as and when the Council is comfortable that no commitments will arise against it. There are further potentially further uncommitted funds in contingency, but we are unable to state at this stage that they will not be needed.
- 4.6 Convergence savings are held within central budgets until the restructure work is complete. £5.2m is anticipated in the 2019/20 budget and the council is making good progress with this work, having secured £3.9m of savings at

the end of tranche 1. The exact savings total – and calculation of the full-year-equivalent to include in the MTFP - will not be known until the end of tranche 2. An update will be included in the Qtr3 report.

- 4.7 The Council continues to progress savings from bringing together six predecessor authorities. Staff costs savings from tranche1 of the convergence process has secured savings of £3.9m in 2019/20. The full-year impact of this will be £5.6m in 2020/21. Savings from tranche 2 will be reported in the Qtr3 report. Other savings from convergence include insurance premiums, internal and external audit and subscriptions costs.

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

- 5.1 The 2019/20 capital programme has two parts. The capital budget approved by Shadow Council was £65.3m and there was a further £37m carried forward from predecessor councils' capital programme slippage.
- 5.2 The finance team is currently working through the inherited projects to reforecast their likely impact on the current year. It is extremely unlikely that the full programme will be completed in-year. The Capital Strategy and Asset Management Group is also reviewing the current programme alongside the revised criteria being applied to 2020/21 capital programme bids to ensure all the work is still within the scope of the emerging corporate plan priorities.
- 5.3 There was no reliance on *new* capital receipts to finance the capital programme. Predecessor councils carried forward nearly £13.5m of capital receipts in reserves. £6.1m of this is supporting the inherited programme and £7.4m is being used flexibly to support the costs of transformation. Transformation costs above this figure will be funded from the current year's capital receipts or reserves.

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

- 6.1 Work to develop the MTFP is progressing and a version of this was shared with Councillors at a corporate plan consultation session early in September. The plan has also been updated in light of the Chancellor's Spending Review announcement.
- 6.2 In summary, the Spending Review contained broadly positive news for the Council at headline level, with additional funding coming through in the form of social care grant and an extension to the social care precept. The technical consultation has been launched and whilst it provides a little more detail than the spending review, we still await final details which will be set out in the draft local government finance settlement in December. We also know that the implementation of further business rates retention and the fair funding review have been delayed until at least 2021/22.
- 6.3 Further work on the MTFP continues to inform the budget setting process.

## **7. Transformation and savings**

- 7.1 Part of the process of bringing the Councils together was to review reserves, as reported in the Qtr1 paper. One outcome of this review was to enable £5m of funding to be released from reserves and establish this as a transformation fund.
- 7.2 The first draft of the MTFP will be reviewed by SLT at the end of October. In the meantime, a bidding process for transformation funds has been established with criteria including the need for all investment in transformation to have a significant, lasting and positive impact on the revenue budget.
- 7.3 Bids are currently being compiled and these will be reviewed by Councillors meeting as the Transformation Board in November. Successful bids will receive funding and will also have future budgets updated in the MTFP. Any residual budget gap at the end of the bidding process will still need to be closed through a more traditional and/or tactical approach to generating savings. Whatever the process involves, the Council is required to balance its budget.

## **8. Continuing risks**

- 8.1 There are clearly still risks in the short and longer-term. In 2019/20, despite the movement since Qtr1, the Council is still sufficiently resilient to mitigate and manage these risks, through a combination of prudent use of reserves, management action and making in-year savings. The Qtr1 report acknowledged the risk to our ongoing, base position and some of that is reflected in the developing MTFP. The 2019/20 budget rebasing exercise is also concluding and will be an essential part of the MTFP.

## **9. Summary/conclusions**

- 9.1 There is no doubt that 2019/20 is a challenging year but 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.

Aidan Dunn

**Executive Director, Corporate Development**

## Appendix 1

### CHILDREN'S SERVICES - ADDITIONAL INFORMATION FOR MONTH 6 MONITORING External Placements Budget Set 2019-20 and Placements Position as at 30 September 2019

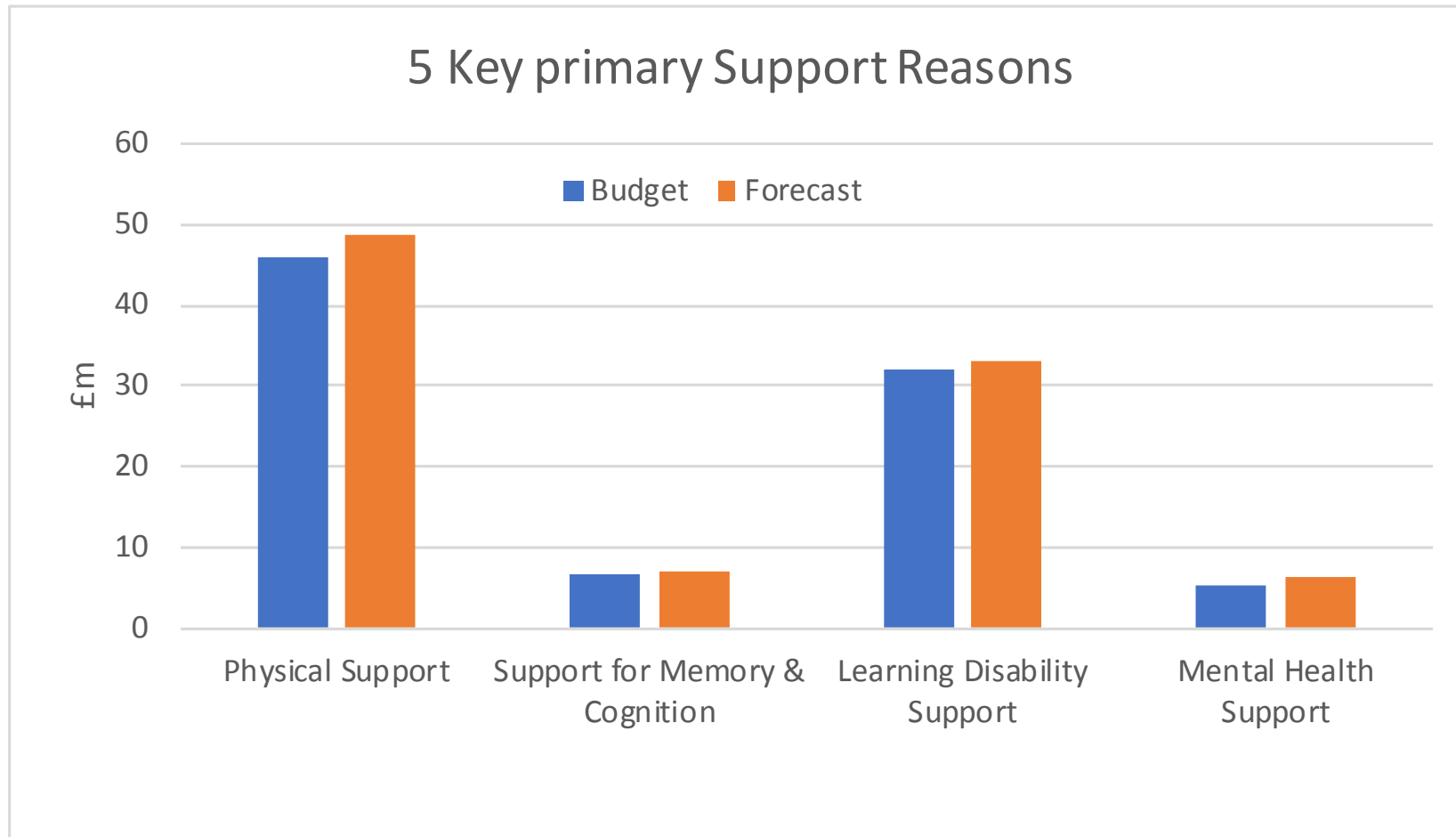
	Placement Numbers for Budget Set 2019/20			Placement Numbers as at 30 September 2019				
	Number of Placements	Budget 2019/20	Average Weekly Cost	Number of Placements	Forecast Position	Forecast Under/ (Overspend)	Average Weekly Cost	Current Weekly Cost
Independent Fostering Agencies	81	3,272,200	775	90	4,490,178	(1,217,978)	957	
Parent & Child (placement average 20 weeks)	3	100,000	1,667	2	77,769	22,231	>>>>	1,495/1,696
Residential Care	37	5,860,400	3,038	53	8,914,942	(3,054,542)	3,226	
Secure Accommodation	1	272,900	5,234	2	424,758	(151,858)	4,073	
High Cost Supported Accommodation	6	800,000	2,557	13	1,684,165	(884,165)	2,485	
Alternative Placements	0	0		3	1,901,380	(1,901,380)	12,156	
<b>All Children</b>	<b>128</b>	<b>10,305,500</b>		<b>163</b>	<b>17,493,192</b>	<b>(7,187,692)</b>		

### Independent Fostering and Inhouse Fostering Budget Position as at 30 September 2019

	Placement Numbers for Budget Set 2019/20			Placement Numbers as at 30 September 2019			
	Number of Placements	Budget	Average Weekly Cost	Number of Placements	Forecast Position	Forecast Under/ (Overspend)	Average Weekly Cost
Independent Fostering Agencies	81	3,272,200	775	90	4,490,178	(1,217,978)	957
In-house fostering	231	5,126,900	426	198	4,159,265	967,635	403
<b>All Placements</b>	<b>312</b>	<b>8,399,100</b>		<b>288</b>	<b>8,649,443</b>	<b>(250,343)</b>	

Appendix 2 (1)

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



Appendix 2 (2)

Adult Social Care Current Budget v Forecast by Care Setting

