Somerset County Council

Cabinet
– 10 July 2017

2017/18 Revenue Budget Quarter 1 Highlight Report

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Report Sign off	County Solicitor	Honor Clarke	26/06/17
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	Cabinet Member	David Hall	26/06/17
Forward Plan Reference:	FP17/05/08		
Summary:	The report provides the first indication of the year regarding the potential Revenue Budget outturn position for the 2017/18 financial year.		
Recommendations:	**To note the contents of this report and the potential outturn position for the year.**		
Reasons for recommendations	As above.		
Links to Priorities and Impact on Service Plans:	The Outturn report indicates how the Council's resources have been used to support the delivery of budgetary decisions. The Medium Term Financial Plan (MTFP) sets the funding for the County Plan and the use of those funds is then monitored throughout the year to ensure delivery of Council objectives and actions.		
Consultations Undertaken:	Information and explanations have been sought from directors on individual aspects of this report and their comments are contained in the report.		

Financial Implications:	A deficit on the Revenue Budget will impact on the Council's General Balances. The Council's financial position will be constantly reviewed to ensure its continued financial health. The report signifies that Cabinet and the Senior Leadership Team will need to take some immediate actions to address the overspend projections.
Legal Implications:	There are no implications arising directly from this paper.
HR Implications:	There are no implications arising directly from this paper.
Risk Implications:	If the overspend were to be at the same level by year end, this would deplete the Council's General Balances below the recommended range given the size of the budget and taking into account the annual financial risk assessment. Therefore, the management and Administration will do what is required to manage these projections to avoid that. As per last year, these are testing and unprecedented times for local councils. We have to face up to the increasing demand and devise better ways of managing the increases while continuing to provide statutory services. The availability and use of reserves is critical in being able to manage spikes in demand and costs incurred. Our corporate risk register recognises this and we will put mitigating actions in place to reduce the level of overspends wherever possible.
Other Implications	There are no other implications arising directly from this paper. However, as services take remedial action, including any formal decisions required to address the in-year overspend, then appropriate consideration will need to be given to the legal, HR and equalities issues, as necessary.
Scrutiny Recommendation	Not Applicable

1. Background

1.1 Last year, 2016/17, there was a year end overspend of £7.049m, with the main areas of overspend in Adults and Children's services. Not surprisingly, the demands upon these services have not reduced in the early part of this financial year and are not likely to over the course of the year. The transformational work under way to improve demand management and simultaneously improve outcomes for vulnerable children and adults is well under way but will not reduce cost sufficiently quickly to ensure budgets are balanced.

1.2 SCC is therefore in a similar position to last year in trying to find mitigating actions across the whole Council as well as in those core care services to off-set the overspend while transformation takes place in line with our MTFP themes as trailed in budget papers throughout last financial year.

2. Summary Forecast 2017/18 – Revenue Budgets

2.1 The Authority's forecast shows a projected net overspend of £8.692m (see Appendix A) when compared to the Revenue Budget. This represents 2.8% of base budget. The majority of the overspend lies in the Children's Services budgets (section 3) and in the Adult Social Care budgets (section 4). For this reason this report goes into those two areas in some depth to explain the issues involved.

2.2 Most other areas of the Council are within reasonable tolerance although some corporate and support budgets are under pressure (as covered in section 5).

2.3 The implication of this early forecast is that Cabinet and the Senior Leadership Team will need to take some immediate actions to address the overspend projections. Given last year's position, there are already 5 high priority projects under way to identify ways of reducing spend and managing demand. These are having some success in reducing overspend and delivering MTFP savings but are projects that in some cases span last year, this year and next before coming to fruition.

2.4 SLT is confident that with these projects, together with the MTFP themes, we can mitigate the pressures faced. Some service pressures are being well managed but the market capacity is not there and this is forcing up costs. The largest budget pressure is currently in Children's Services, although this overspend has not yet taken account of the contingency sum pledged to support the service in the CYPP calculations. This figure of £3.5m would therefore bring their overspend down but would also reduce the underspend in contingency in the non-service line, leaving the bottom line figure of overspend unaffected.

2.5 Adult Social Care has had a £7m injection from Government via the Improved Better Care Fund which has helped considerably. Learning Disabilities is overspending but this is in part as per the plan associated with the Discovery contract and is being treated via a smoothing reserve in the accounts. This effectively confirms what was stated when awarding the contract that there would be up front additional cost which would be saved later in the contract life and therefore over a 6 year period, we will be managing the over / under expenditure in an equalisation reserve.

3. Children's Services

3.1 Children & Families Operations: (+) £11.244m overspend

The increase in the number of children and young people being helped by the service has increased by 30% during the past financial year (from 1774 to 2300). This is placing increased pressure on salaries budgets both within Fieldwork and other areas, especially as this increase in most instances is covered by locum staff. As a result we are projecting salary pressures of £3.300m in Fieldwork with a further £1.632m in Fostering, Adoption, Leaving Care, and Disabilities.

3.2 Whilst the gate-keeping provided by the At Risk of Care and Permanence panels has enabled us to keep the actual number of Children Looked After reasonably stable, there remains a pressure of £3.171m in external residential and fostering placements. The saturation of the external market has seen our average placement costs increase by 3.6% with Independent Fostering Agencies and 7.6% with external residential providers. This is not necessarily the result of individual providers putting up their own costs but the availability of placements with those providers whose costs are relatively cheaper in comparison with the market. Transport costs primarily associated with school and contact visits account for a further £0.248m of pressure.

3.3 There is a continuing dialogue with Health with regard to contributions for children with complex needs, where a contribution has been agreed at the multi-agency complex cases panel. Actions are now being put in place to engage legal services support in securing this income.

3.4 Some of the financial pressures are positive actions for the longer term such as the increase in the number of families taking advantage of the Direct Payments scheme within the Disabilities service, which has meant that this is projecting a pressure of £0.447m, and also the increase in Special Guardianship orders has created a pressure of £0.854m. Smaller pressures of £0.386m in Fostering Allowances, £0.189m in Leaving Care allowances, and £0.110m in Adoption Allowances has led to an overall pressure against Fees and Allowances of £2.006m.

3.5 Business Support projects a £0.461m pressure as costs rise to keep pace with case load for social workers.

3.6 Children & Learning Central Commissioning: (+) £2.236m overspend

There is a pressure of £1.859m across transport budgets against a budget of £9.521m. Home to School transport is showing a pressure of £1.018m. Inflation pressures of £0.238m are also impacting on the service, but these have been mainly offset via managed savings. There is further pressure in this area due to the impact of Hinkley Point recruitment, causing contractual/wage issues in relation to driver turnover.

3.7 The Special Educational Needs (SEN) transport pressure is forecast at £0.778m against a budget of £3.391m, due to the ongoing issue of an increased number of placements. Inflation pressures of £0.130m are being offset by reduced school calendar days this Year (£0.155m). The full Year implication of additional route costs (£0.197m) following the opening of the new Mendip Free School, plus the delayed notification of placements to Transporting Somerset colleagues, although improving, is still resulting in additional transport requirements.

3.8 There is a managed saving of £0.423m forecast within getset, relating to the planned underspend as detailed within the Early Help business case. The original estimate was £0.205m, but there has been an increase in part due to the carry forward from 2016/17 and the in-year grant supporting the service. The service has requested that this is all earmarked as a carry forward to 2018/19 given reductions in the Troubled Families Grant and the need to carry out further costings required, pending potential staffing restructure and building usage reviews.

3.9 The planned invest to save costs relating to posts within Children's Commissioning is forecast to be £0.290m, slightly less than the full year estimate of £0.340m, due to staff changes, a secondment and delayed appointments. This will be carried forward as a deficit budget as part of the agreed business case.

3.10 The SEP programme Year 2 was due to be funded through the use of reserves within School Improvement but this is now forecast as a pressure, due to reserves being fully utilised in 2016/17. This has resulted in an overall pressure of £0.591m. This comprises £0.169m in relation to Team around the School posts, £0.382m for School Education Partners (SEPs) and £0.040m related to Thinking Leadership costs. Year 2 bids for match funding against Raising Achievement Plans (RAPs) for Primary and Secondary phases have not been agreed, but are being considered and could lead to additional pressures in this area.

3.11 Minor variations, mainly due to vacancy savings, make up the balance of £0.081m.

Schools Budget

3.12 **<u>Children & Learning Central Commissioning: (+) £0.783m overspend</u>**

The Out of County Independent & Non Maintained Special Schools budget is showing a pressure of £0.510m, due to continuing high cost placements. There have been 17 new placements since January 2017, but these have only been partially offset by leavers. There is a potential additional pressure in this area, if planned leavers at the end of the Academic Year are extended above the budgeted percentage of 50% (reduced from 67% as in previous years).

3.13 Other pressures within High Needs total £0.253m. These are mainly due to increased placements within other Local Authority Special Schools (£0.161m).

4. Adult Services including Learning Disabilities

4.1 Adult Social Care Variation: (-) £3.733m underspend

Adult Social Care has seen reductions in spend compared to 2016/17 in the following areas:

- Residential / Nursing Costs £0.900m
- Direct Payments £0.500m
- Staffing £1.000m

These reductions result from the full year effect of changes made to the authorisation process during 2016/17 and vacancies in the structure that are being held.

4.2 In addition to the reduction we have assumed the following in getting to the projected underspend of £3.733m:

- £2.400m of the 2017/18 council tax precept has been allocated to Adult Social Care.
- £7.000m from the 'improved' Better Care Fund will be used to offset underlying pressures.
- The unallocated £1.350m from the Better Care Fund will also be used to offset underlying pressures.

4.3 The inherent pressure against Adult Social Care which was considered to be £9.200m at the end of 2016/17 has therefore been reduced through management action and changes in process to a pressure now of approximately £7.000m (then offset by the income streams shown above).

4.4 Learning Disabilities: (+) £5.914m overspend

The Learning Disability service continues to see increased pressure across its services, a position replicated across many local authorities. This is mainly due to the full year effect of packages and placements made last year, including Supported Living and Direct Payments. £1.6m of the 2017/18 council tax precept has been allocated here to offset this increase. In addition a further £1.400m of the pressure is as a result of increased Domiciliary Care delivery and staffing costs. We do however anticipate costs of many services reducing throughout the year as services transform and modernise.

4.5 At this stage the Clinical Commissioning Group has not made any payments towards the Joint Finance Agreement in 2017/18 of which Learning Disabilities is a large part. This forecast assumes they will pay the outstanding amounts relating to the Pooled Budget Agreement as well as their 25% share of the projected overspend (£1.971m).

4.6 The reported position also assumes 50% achievement of MTFP theme-based service redesign savings planned in year which would leave a balance of £3.089m to find. This is shown as a pressure for 2017/18.

4.7 The reported position assumes additional funding being identified through capital receipts of £1.1m to fund the shortfall in budget allocated to transition/transformation, and £6.2m being identified to fund the base budget shortfall against contract price (Equalisation Reserve) as reported earlier in paragraph 2.5.

4.8 **Adults Commissioning: (+) £0.248m overspend**

There is an overspend of £0.228m against Mental Health following allocation of £0.159m Council Tax Precept. Pressures against Residential and Supported Living are being partially offset by an underspend against staffing.

5. Economic and Community Infrastructure Services (ECI): (on target)

5.1 As stated earlier in the report the budgets managed in ECI are more or less reporting that they will be on target at year end. There are some small overspends in Highways and Traffic and Transport Development services but these are mostly offset by a predicted underspend in Waste services. The overall net overspend across the £61m budgets is £136k (0.02%) and these are volatile budget areas.

6. Corporate and Support Services: (+) £2.759m overspend

6.1 There are some forecast overspends in ICT and Strategic Property totalling £1.2m. There are also at this stage of the year some projected procurement savings that may not be achievable and we will need to find replacement projects to identify the £1.3m savings required. The forecast funding requirement for the Core Council Programme is £1.456m which will be allocated from capital receipts under the new flexibilities regulations.

7. Non-Service Items: (-) £10.112m underspend

7.1 The underspend in this area is mainly due to uncommitted contingency budget and additional s31 grant received from DCLG for the Non-Domestic Rates schemes.

8. Financial, Legal, HR and Risk Implications

8.1 Financial implications are dealt with in the body of this report, and where decisions are required. There are no other direct implications arising from this paper.

9. Background papers

9.1
- Cabinet Report – 14th June 2017 – Revenue Outturn report – Paper 9

Note:
For sight of individual background papers please contact the report author(s):
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Appendix A – Revenue Budget Monitoring – Headline Summary Table for the Authority

A	B	C	D	E	F	G	H	I		J	K
Service	Original Base Budget	Budget Movements	Total budget approvals	16/17 Projection	Gross Variance Under (-) / Overspend		Transfers (to) and from Grant / Earmarked Reserves	SCC Variance Under (-) / Overspend		Planned Use of Capital Receipts Flexibility	Forecast Under (-) / Over Spend
	£m	£m	£m	£m	£m	%	£m	£m	%	£m	£m
Adults and Health - Operations	72.683	(1.794)	70.889	67.156	(3.733)	(5.3)	0	(3.733)	(5.3)		(3.733)
Children and Families - Operations	48.749	(1.890)	46.860	58.104	11.244	24.0	0	11.244	24.0		11.244
Learning Disabilities	48.183	1.619	49.802	61.916	12.114	24.3	(6.200)	5.914	11.9		5.914
Adults and Health - Commissioner	14.756	0.175	14.931	15.212	0.281	1.9	(0.033)	0.248	1.7		0.248
Children and Learning - Commissioning Central	18.013	2.181	20.194	23.425	3.231	16.0	(0.995)	2.236	11.1		2.236
Public Health	1.070	0	1.070	0.827	(0.243)	(22.7)	0.243	0	0		0
ECI Services	61.655	(0.291)	61.364	65.135	3.771	6.2	(3.635)	0.136	0.2		0.136
KEY SERVICES SPENDING	265.109	0	265.109	291.774	26.665	10.1	(10.620)	16.045	6.1		16.045
Support Services	25.449	0	25.449	29.179	3.730	14.7	0.485	4.215	16.6	(1.456)	2.759
Non-service items (inc Debt Charges)	21.214	0	21.214	11.102	(10.112)	(47.7)	0	(10.112)	(47.7)		(10.112)
Trading Units	0	0	0	0.368	0.368	0	(0.368)	0	0		0
SUPPORT SERVICES & CORPORATE SPENDING	46.663	0	46.663	40.649	(6.014)	(12.9)	0.117	(5.897)	(12.6)	(1.456)	(7.353)
Individual Schools Budget (ISB) and Early Years Providers	0	0	0	0	0	0	0	0	0		0
SCC TOTAL SPENDING	311.772	0	311.772	332.423	20.651	6.6	(10.503)	10.148	3.3	(1.456)	8.692