



Money Matters
The County Council's Revenue Financial
Position
As at 31st December 2017

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Money Matters – Update on the County Council's Revenue Financial Position for 2017/18

1. Introduction

This report provides an update for Cabinet on the County Council's 2017/18 revenue financial position.

2. Summary of the Financial Position

In February 2017 the County Council approved a revenue budget of £724.822m which included an approved contribution from reserves of £57.106m to fund the shortfall between estimated expenditure levels and available funding.

This report provides a view on the Council's current financial performance and the anticipated position at the year end. The forecast is predominantly based on the information up to the end of November 2017 with adjustments made to reflect further information available in December (this is usual practice for Quarter 3 reports due to Cabinet deadlines). The report also contains a comparison to the previously reported financial position as at 30th September (Quarter 2).

The forecast final position for the end of the year is net expenditure of £709.064m, reflecting a predicted in year underspend of £15.758m which represents 2.17% of the budget.

The 2017/18 budget of £724.822m included a savings requirement of c£54m (some of which will be achieved across 2018/9 – 2020/21). As a proportion of savings will not be fully implemented until 2018/19 it was agreed that these would be covered by the use of reserves to facilitate the transformation of services.

The narrative provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the Transitional Reserve 2017/18 in support of the delivery of savings was £24.2m and the amount that is now forecast to be required is £16.5m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, noting this is partially offset by some budget savings that are delayed and require longer reserve funding than expected.

Delivery of the savings programme is a key risk area and the savings plans will continue to be subject to detailed and regular scrutiny throughout the remainder of 2017/18 by the Programme Office and Finance.

Budget Monitoring 2017/18 Summary Table

Ref	Service Area	Approved Budget £m	Current Cabinet Forecast Qtr 3 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 2 £m	Current Qtr 3 Forecast Variance %
3.1	ADULT SERVICES	327.368	324.618	-2.750	-1.581	-0.84%
3.2	CHILDREN'S SERVICES	146.519	149.003	2.484	2.220	1.70%
3.3	COMMUNITY SERVICES	133.560	129.444	-4.116	0.928	-3.08%
3.4	PUBLIC HEALTH & WELLBEING	20.192	16.358	-3.834	-3.463	-18.99%
3.5	DEVELOPMENT AND CORPORATE SERVICES	42.831	45.161	2.330	2.583	5.44%
3.6	COMMISSIONING	40.821	38.365	-2.457	-2.769	-6.02%
3.7	CHIEF EXECUTIVE	13.531	6.116	-7.415	-5.417	-54.80%
	TOTAL	724.822	709.064	-15.758	-7.499	-2.17%

The forecast final position for the end of the year is net expenditure of £709.064m, reflecting a predicted in year underspend of £15.758m being 2.17% of the budget. The 2017/18 forecast has improved by £8.260m compared to the position reported to Cabinet as at the end of September 2017.

The most significant areas of change compared to the forecast presented to Cabinet at Quarter 2 are:

- Increased capitalisation of areas such as street lighting maintenance and drainage repairs within Community Services totalling £3.939m.
- Improved Treasury Management performance of £2.290m due to a combination of interest payable being lower than budgeted and gains made on the sale of bonds.
- An improved position in Adults Services of £1.169m due to staff vacancies, increases in income and a reduction in domiciliary care expenditure.

3. Budget Monitoring Detailed Analysis

3.1 Adults Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 3 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 2 £m	Current Qtr 3 Forecast Variance %
3.1.1	DISABILITY (adults)	-3.493	-4.035	-0.542	-0.442	-15.52%
3.1.2	OLDER PEOPLE	1.239	2.005	0.766	0.898	61.82%
3.1.3	LEARNING DISABILITIES, AUTISM & MENTAL HEALTH	177.962	169.368	-8.594	-8.638	-4.83%
3.1.4	SOCIAL CARE SERVICES (adults)	151.660	157.281	5.621	6.600	3.71%
	TOTAL - ADULT SERVICES	327.368	324.619	-2.749	-1.582	-0.84%

Adults Services is forecast to underspend by £2.749m. The underspend at Quarter 3 has improved by £1.167m compared to Quarter 2 Cabinet monitoring.

Disability (Adults) underspend is as a result of staff vacancies and additional income. This has increased by £0.100m due to further staff vacancies that the service has reported during Quarter 3.

Older People Services is forecasting an overspend due to a forecast underachievement of income and the use of agency staff to cover vacancies in the short term. This overspend is also impacted by an undeliverable saving in 2017/18 of £0.425m that has been built back into the MTFs. The forecast for this service has improved by £0.132m due to increases in income offset by increases in staff and other costs.

Learning Disabilities, Autism & Mental Health underspend has decreased slightly by £0.044m to £8.594m. The significant elements of this are detailed below:

- Learning Disabilities is forecasting an underspend of £5.720m, which is mainly as a result of the service not experiencing the level of demand built into the LCC budget.
- The forecast also now includes a shortfall of £0.150m on £1.200m budgeted Learning Disabilities remodelling savings which was reported as being on target at Quarter 2.
- Mental Health Commissioned Care forecast underspend of £1.391m remains in line with the Quarter 2 position where demand levels are lower than budgeted levels. However the November forecast includes budget adjustments for the realignment of the Health Income budget.

- Mental Health staffing remains in line with Quarter 2 with an underspend of £1.227m forecast due to staff vacancies. Learning Disability and Autism staffing also continues to forecast a similar underspend compared to Quarter 2 of £0.256m.

Social Care Services overspend has reduced by £0.979m since Quarter 2 to £5.621m, with the significant elements detailed below:

- The largest area of spend in Social Care Services (Adults) is Physical Support the forecast has improved since Quarter 2 with the service forecast to overspend by £5.896m. There have been large increases in demand for residential and nursing placements in the year to date, which have contributed to the forecast overspend.

The increases have been reviewed against the Passport to Independence transformation programme which is reporting higher than expected savings on residential admissions from Acute settings. Analysis has shown that an increase in the number of assessments and reviews completed in the Community teams is the most likely cause of the increase in admissions. The percentage of assessments and reviews leading to an admission has not changed, which would indicate that the increase is not a result of changes to the decision making process.

On the other hand, total Domiciliary and Direct Payments service user numbers show little change compared with March 2017. This service area contains the budget reductions generated by the Passport to Independence transformation programme. The delayed delivery is contributing to the overspend position as well as the increase in throughput of assessment and reviews.

- The forecast for Personal Social Care staff has decreased by £0.264m due to the level of vacancies remaining in the new service structure. The service is also reporting a reduced requirement from reserves, as it was agreed that reserves will be utilised to support the interim staffing structure.
- The supporting people service is forecasting an underspend of £0.083 which is a decrease of £0.325m compared to Quarter 2. This is due to an agreed contribution being made to support ongoing contracts which have transferred to Children's Services that was not previously forecast.

3.2 Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 3 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 2 £m	Current Qtr 3 Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-1.217	-1.385	-0.168	-0.165	-13.80%
3.2.2	SEN & DISABILITY	16.797	15.566	-1.231	-1.146	-7.33%
3.2.3	SAFEGUARDING INSPEC & AUDIT	10.494	10.936	0.442	0.484	4.21%
3.2.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	27.955	26.342	-1.613	-1.670	-5.77%
3.2.5	CHILDREN SOCIAL CARE	91.295	96.073	4.778	4.264	5.23%
3.2.6	SCHOOL IMPROVEMENT	6.196	5.541	-0.655	-0.766	-10.57%
3.2.7	LEARNING & SKILLS (START WELL)	-5.001	-4.070	0.931	1.219	18.62%
	TOTAL - CHILDREN'S SERVICES	146.519	149.003	2.484	2.220	1.70%

Children's Services is forecast to overspend by £2.484m. The overspend at Quarter 3 has increased by £0.264m compared to Quarter 2 Cabinet monitoring.

SEN and Disability continues to report an underspend position that has not changed significantly since Quarter 2. The variances are mainly due to staff vacancies and recovery of Direct Payments through clawback processes.

Safeguarding, Inspection and Audit (SIA) is forecast to overspend by £0.442m in 2017/18, predominantly due to forecast staff overspends as a result of using agency staff to fill vacant posts which is not a significant variance compared to Quarter 2.

Adoption, Fostering, Residential and Youth Offending Team is forecast to underspend by £1.613m in 2017/18 which has not changed significantly from forecasts at Quarter 2. The service are experiencing underspends across staffing, fostering allowances and in the residential in-house provision.

Children's Social Care continues to report an overspend position, with an increase of £0.514m at Quarter 3, resulting in a forecast overspend of £4.778m. The overspend is due to overspends on staffing (£1.935m), placement costs (net £0.743m), Special Guardianship Orders and Assistance to Families (£2.774m). There are some small underspends across areas such as staying put and leaving care allowances that offset these overspends.

Children's Social Care forecast outturn has deteriorated by £0.514m due to increased staffing pressures, Special Guardianship Orders and a newly reported overspend in

supporting people following a review of the budget position, offsetting this is a small reduction in the agency fostering forecast.

School Improvement is forecasting an underspend position of £0.655m predominantly as a result of staff vacancies. This has slightly reduced compared to Quarter 2 due to revised staffing forecasts.

Learning and Skills Service is reporting a negative variance to budget of £0.931m, however this has improved by £0.288m compared to the forecast at Quarter 2. The negative position is due to the following:

- School Catering pressures due to difficulties in achieving a £2.000m additional income target and increases in food costs.
- Outdoor Education is forecast to overspend as a result of the closure of Whitehough. Whilst costs across the service have reduced following the closure of the centre, the transfer of customers from Whitehough to other LCC outdoor education centres, which was assumed in the savings proposal, has not materialised and so the service is reviewing alternative actions to achieve the saving.
- Learning Excellence is forecast to overspend largely due to a decrease in income through the decline of course bookings from schools as a result of the closure of a conferencing centre. The service is working towards mitigating against this by meeting demand through venues located by area and district.

3.3 Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 3 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 2 £m	Current Qtr 3 Forecast Variance %
3.3.1	CUSTOMER ACCESS	3.781	3.243	-0.538	-0.228	-14.23%
3.3.2	HIGHWAYS	18.054	11.138	-6.916	-2.977	-38.31%
3.3.3	LIBRARIES MUSEUMS CULTURE & REGISTRARS	5.979	8.115	2.136	2.543	35.73%
3.3.4	PUBLIC & INTEGRATED TRANSPORT	40.926	43.171	2.245	2.000	5.49%
3.3.5	WASTE MGT	64.820	63.777	-1.043	-0.410	-1.61%
	TOTAL - COMMUNITY SERVICES	133.560	129.444	-4.116	0.928	-3.08%

Community Services is forecast to underspend by £4.116m. This an improved position of £5.044m compared to Quarter 2 Cabinet monitoring.

Customer Access is forecasting an underspend of £0.538m due to staff vacancies. This has improved by £0.310m since Quarter 2 due to continued staff vacancies now reflected in the forecast.

Highways is forecasting an underspend of £6.916m, which is mainly due to a combination of borrowing to fund structural defects, traffic signal repairs, streetlighting maintenance and drainage maintenance rather than using a budgeted revenue contribution (£6.077m) and additional income under Highway Regulation & Inspection (£0.839m). This is an improved position of £3.939m as a result of the increased capitalisation of costs that were previously charged to revenue.

Libraries, Museums, Culture and Registrars (LMCR) are forecast to overspend by £2.136m. This is largely due to undeliverable savings within libraries which have been built back in to the MTFs from 2018/19. This is a slightly improved position compared to Quarter 2 due to reduced staff costs.

Public and Integrated Transport is forecast to overspend by £2.245m which is an increased overspend compared to Quarter 2. This is predominantly due to delayed delivery of savings within Special Educational Needs (SEN) Transport and additional demand within the service. Both these issues have been addressed as part of the MTFs from 2018/19.

Waste Management which is forecast to underspend by £1.043m due to a combination of various over and underspends, the most significant of which is the

reduction in forecast waste arisings (1.5% increase rather than the budgeted 5.4%). This position has improved since Quarter 2 as a result of increased underspends on green waste and an improved position for household waste recycling centres.

3.4 Public Health and Wellbeing

Ref	HEAD OF SERVICE	Approved Budget	Current Cabinet Forecast Qtr 3	Current Cabinet Forecast Variance	Previous Period Forecast Variance Qtr 2	Current Qtr 3 Forecast Variance
		£m	£m	£m	£m	%
3.4.1	PUBLIC HEALTH & WELLBEING	-69.709	-69.844	-0.135	-0.123	-0.19%
3.4.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.592	4.763	0.171	0.298	3.72%
3.4.3	HEALTH EQUITY WELFARE & PARTNERSHIPS	66.754	65.819	-0.935	-0.678	-1.40%
3.4.4	CHILDREN AND FAMILY WELLBEING SERVICE	14.696	11.931	-2.765	-2.788	-18.81%
3.4.5	HEALTH, SAFETY & RESILIENCE	1.036	0.548	-0.488	-0.400	-47.10%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.822	3.142	0.320	0.228	11.34%
	TOTAL - PUBLIC HEALTH	20.191	16.359	-3.832	-3.463	-18.98%

Public Health and Wellbeing is forecast to underspend by £3.832m. The forecast has improved by £0.369m compared to Quarter 2 figures.

Public Health and Wellbeing is forecasting to underspend by £0.135m as a result of staff vacancies.

Patient Safety & Quality Improvement is forecasting to overspend by £0.171m, predominantly as a result of additional budgetary pressure on the staffing budget through the use of Agency Staff.

Health Equity, Welfare & Partnerships is forecasting an improved position by £0.257m compared to Quarter 2. The forecast underspend of £0.935m relates to contracts and staffing underspends.

Wellbeing, Prevention & Early Help is forecast to underspend by £2.765m, which has not significantly changed since Quarter 2, which relates to staffing vacancies and underspends on operational costs.

Health, Safety and Resilience is forecast to underspend by £0.488m which is a slight improvement of £0.88m compared to Quarter 2. The small increase is due to additional recovery of income and further underspends on operational costs.

Trading Standards and Scientific Service is forecasting an overspend of £0.320m which is a deterioration of £0.092m compared to Quarter 2. The service is overspent mainly due to a shortfall in grants.

3.5 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget	Current Cabinet Forecast Qtr 3	Current Cabinet Forecast Variance	Previous Period Forecast Variance Qtr 2	Current Qtr 3 Forecast Variance
		£m	£m	£m	£m	%
3.5.1	CORE BUSINESS SYSTEMS TRANSFORMATION	22.735	24.069	1.334	1.242	5.87%
3.5.2	FACILITIES MGT	15.725	17.504	1.779	1.779	11.31%
3.5.3	HUMAN RESOURCES	0.972	0.656	-0.316	-0.316	-32.51%
3.5.4	ECONOMIC DEVELOPMENT	0.005	-0.161	-0.166	0.000	-3320.00%
3.5.5	BUSINESS GROWTH	0.545	0.642	0.097	0.042	17.80%
3.5.6	LEP COORDINATION	0.000	0.003	0.003	0.000	NA
3.5.7	STRATEGIC ECONOMIC DEVELOPMENT	0.000	0.000	0.000	-0.000	NA
3.5.8	DESIGN and CONSTRUCTION	-1.989	-1.893	0.096	0.354	-4.83%
3.5.9	ESTATES	0.526	0.526	0.000	0.000	0.00%
3.5.10	PLANNING AND ENVIRONMENT	1.506	1.008	-0.498	-0.498	-33.07%
3.5.11	PROGRAMME OFFICE	-0.022	0.242	0.264	0.264	-1200.00%
3.5.12	SKILLS LEARNING & DEVELOPMENT	2.827	2.564	-0.263	-0.283	-9.30%
	TOTAL - DEVELOPMENT AND CORPORATE	42.830	45.160	2.330	2.584	5.44%

Development and Corporate Services are forecast to overspend by £2.330m. The overspend at Quarter 3 has decreased by £0.254m compared to Quarter 2 Cabinet monitoring.

Facilities Management is forecast to overspend by £1.779m due to undeliverable savings across property budgets which have been built into the MTFs. In addition, Core Business Systems/Transformation are forecasting an overspend of £1.334m which is due a combination of delayed delivery of savings and reductions in income.

There is no significant change compared to the Quarter 2 forecast.

3.6 Commissioning

Ref	HEAD OF SERVICE	Approved Budget	Current Cabinet Forecast Qtr 3	Current Cabinet Forecast Variance	Previous Period Forecast Variance Qtr 2	Current Qtr 3 Forecast Variance
		£m	£m	£m	£m	%
3.6.1	ASSET MGT	9.873	8.478	-1.395	-1.821	-14.13%
3.6.2	POLICY INFO & COMMISSION AGE WELL	0.521	0.521	0.000	0.000	0.00%
3.6.3	POLICY INFO & COMMISSION LIVE WELL	0.543	0.543	0.000	0.000	0.00%
3.6.4	POLICY INFO & COMMISSION START WELL	0.594	0.594	0.000	0.000	0.00%
3.6.5	PROCUREMENT	1.547	1.332	-0.215	-0.215	-13.90%
3.6.6	BUSINESS INTELLIGENCE	0.903	0.811	-0.092	-0.039	-10.19%
3.6.7	EXCHEQUER SERVICES	3.088	2.542	-0.546	-0.546	-17.68%
3.6.8	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.261	0.183	-0.078	-0.078	-29.89%
3.6.9	FINANCIAL MGT (OPERATIONAL)	1.820	1.680	-0.140	-0.140	-7.69%
3.6.10	OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES	-0.010	-0.010	0.000	0.000	0.00%
3.6.11	CORPORATE FINANCE	4.933	4.886	-0.047	-0.047	-0.95%
3.6.12	CORONER'S SERVICE	2.878	2.762	-0.116	-0.110	-4.03%
3.6.13	INTERNAL AUDIT	0.694	0.630	-0.064	-0.029	-9.22%
3.6.14	LEGAL AND DEMOCRATIC SERVICES	13.177	13.413	0.236	0.255	1.79%
	TOTAL - COMMISSIONING	40.822	38.365	-2.457	-2.770	-6.02%

Commissioning Services are forecast to underspend by £2.457m. The underspend is largely the same as that reported at Quarter 2.

The most significant underspend of £1.395m is forecast for Asset Management relating to street lighting energy and various smaller items such as Building Schools for the Future funding.

In addition services across Financial Resources are reporting underspends as a result of staff vacancies.

3.7 Chief Executive

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 3 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 2 £m	Current Qtr 3 Forecast Variance %
3.7.1	CHIEF EXECUTIVE SERVICES	-0.172	-0.097	0.075	-0.219	43.60%
3.7.2	SERVICE COMMUNICATIONS	0.830	0.687	-0.143	-0.143	-17.23%
3.7.3	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-7.784	-7.985	-0.201	-0.201	-2.58%
3.7.4	NON SERVICE ISSUES CORPORATE BUDGETS	20.656	13.511	-7.145	-4.855	-34.59%
	TOTAL - CHIEF EXECUTIVE	13.530	6.116	-7.414	-5.418	-54.80%

Chief Executive Services are forecast to underspend by £7.414m. The underspend in November has increased by £1.996m compared to Quarter 2 Cabinet monitoring due to an improved Treasury Management position reflecting positive investment activity over the quarter.

The most significant area of underspend of £7.145m relates to non-service budgets and is a combination of underspends on pension contributions, treasury management, strategic budget and inherited pension liabilities.