

**CABINET**

**6 SEPTEMBER 2016**

**DIRECTOR OF FINANCE: DAMON LAWRENSON**

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE, PERFORMANCE AND  
LGSS: COUNCILLOR ROBIN BROWN**

|                         |  |
|-------------------------|--|
| <b>Subject:</b>         | Monthly Financial Report as at the end of July for the financial year ending 31 March 2017 including review of Budget Delivery Proposals.  |
| <b>Recommendations:</b> | <p>Cabinet is requested to note ;</p> <ul style="list-style-type: none"> <li>I. the Council's financial position</li> <li>II. to agree formal consultation begins on the closure of the following services: Drayton Day Centre and Stephenson Court Day Centre</li> <li>III. the process requirements for proposals where full consultation is necessary. (Section 4.1)</li> </ul> |

**1. Purpose of Report**

- 1.1 This report provides the forecast financial pressures of the Council against the budget based on financial information available as at the end of July 2016. The report also integrates relevant performance information to provide added context to the financial position. By reporting this information on a monthly basis, it is possible to identify risks and issues at an early stage and therefore take appropriate management actions to mitigate the risks and give an update on the interventions required to mitigate the in-year forecast overspend.
- 1.2 Delivering this year's significant savings requirement, along with absorbing any in year pressures will substantially put the County Council onto a sustainable footing moving forward and break the structural deficit caused by high growth and historic underfunding from central government which is now locked into our current funding system and which also affects other public services in the county, such as health services. This issue has been discussed with Central Government on many occasions including detailed submissions to Treasury, but will not be redressed outside of 'self help' within the county, given the overall austerity agenda and this is the basis for the Council Plan and Cube's clear outcome for NCC to become 'self financing' and working in an integrated system. This sustainable self financing agenda is one of the key drivers behind the council's innovative 'Next Generation Model' and Northamptonshire's Sustainability and Transformation Plan (STP) with our NHS partners.
- 1.3 Consequently the budget management and leadership focus on delivering is very intense and the requirement for immediate alternatives in the event of any budget

delivery slippage or additional in year pressure, almost always caused by factors outside of NCC's direct control, means that along with the normal monthly format this report also includes potential additional actions that may be required to ensure that NCC will deliver within our budget as we have done every year. The County Council is not allowed to run a deficit budget and therefore cannot overspend, hence the requirement for tight financial control.

## 2. How this decision contributes to the Council Plan

- 2.1 The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by:

- Contributing to creating safer communities
- Contributing to creating healthy communities
- Contributing to creating prosperous communities
- Creating a Sense of Place
- Provision of the personalisation agenda
- Access to information
- Providing choice and self-service
- Getting people involved.

## 3. Background

- 3.1 The Council continues to operate in very challenging conditions, significant demographic growth and ever reducing funding from Central Government has led to a point where only transformation to more sustainable models of delivery will ensure that the Council can continue to ensure the wellbeing and safeguarding outcomes to its residents and other consumers of council services. It is more important than ever that resources are targeted appropriately as the Authority works towards achieving our outcomes. The change to business rate retention and the referendum vote in favour of the UK leaving the European Union also add significant uncertainty risk into our financial position as we move forward.

- 3.2 As detailed in the Monthly Finance Report presented to Cabinet on 1<sup>st</sup> August, management intervention actions are being implemented and services are continuing to identify further interventions in order to deliver a balanced budget position. The key principles reviewed within the intervention plan include:

- § Review of the existing managerial structure within People Services;
- § Review of the administrative function within the Council;
- § Review of posts in response to National legislative changes;
- § Implementation of a consistent approach for schools transport policy; and
- § Review any potential duplication between Children and Adult's Services.

- 3.3 A further key principle is that any changes undertaken will be specifically in line with Next Generation model and specifically in line with the underlying principle outlined in the STP which is about a move to community based services and the development of multi-specialist community providers (MCPs).

#### 4. Consultation and Scrutiny

- 4.1 As previously noted by Cabinet the proposals identified in the August paper may also require a consultation process before any decision is taken. Cabinet can only make a decision in such circumstances after taking careful account of the results of such consultation in order to reach an informed decision.
- 4.2 Services are continuing to develop the proposals and an update on progress is provided within the Appendix A.
- 4.3 Where full consultation is necessary full details will be presented to Cabinet separately. However various other management intervention actions are now being implemented.

#### 5. Current Council Position

- 5.1 The Council continues to face significant challenges between demand for and funding for services as set out previously.
- 5.2 Specifically the delivery of a programme of savings totalling £65m in 2016-17 as set out in the Medium Term Financial Plan (MTFP) and the need to manage the continued demand pressures for both Adults and Children's Social Care Services are the key areas of focus.
- 5.3 In the following sections, an overview of the budget delivery challenges and pressures are set out before the position is consolidated in Section 7 of the report.

#### 6. Progress on Delivery of in Year Savings

- 6.1 Due to the level of savings the Council needs to deliver, a Budget Delivery Programme Board has been established. This Board is comprised of the Senior NCC Group Management Board and is attended by the Directors of the federated vehicles and services. The Board monitors and challenges the delivery of individual savings proposals, alongside the monthly financial position. This Group has been meeting fortnightly throughout this financial year.
- 6.2 The total savings of £65m to be delivered for 2016-17 is risk assessed (RAG rated) and table 2 below illustrates that 49 of the total 84 proposals put forward are assessed as being green which reflects 46% of the total value of savings required at this stage in the year, down from 47% on the previous month.

| Directorate Summary of Savings Proposals | No. of Proposals | Total Value (£m) | No. of Proposals |
|--|------------------|------------------|------------------|
| Red                                      | 6                | 5.878            | 9%               |
| Amber                                    | 29               | 29.264           | 45%              |
| Green                                    | 49               | 30.003           | 46%              |
| <b>Total</b>                             | <b>84</b>        | <b>65.145</b>    | <b>100%</b>      |

Table 1 - Budget Tracker -Version 0.122)

- 6.3 The total amount assessed as being red relates to original proposals within Children’s Services, Adults Services and NCC Group. Further details are provided within Appendices A and B.
- 6.4 Over the coming months a review of revenue implications related to the capital expenditure programme will also be completed along with a review of the capital receipts and efficiency programmes.

## 7. Current Financial Position

| Service                      | Gross Expenditure Budget | Income Budget    | Net Budget     | Current Pressures | Previously Reported | Movement       |
|------------------------------|--------------------------|------------------|----------------|-------------------|---------------------|----------------|
|                              | £k                       | £k               | £k             |                   |                     |                |
| NCC Group Services           | 21,761                   | (14,477)         | <b>7,284</b>   | (194)             | 575                 | (769)          |
| Place Services               | 130,702                  | (41,658)         | <b>89,044</b>  | 0                 | 0                   | 0              |
| People Services              | 413,358                  | (137,315)        | <b>276,042</b> | 13,758            | 14,093              | (295)          |
| <b>Total Net Expenditure</b> | <b>565,821</b>           | <b>(193,450)</b> | <b>372,370</b> | <b>13,564</b>     | <b>14,628</b>       | <b>(1,064)</b> |

  

|                          |                |                  |                |
|--------------------------|----------------|------------------|----------------|
| LGSS                     | 34,585         | (23,094)         | <b>11,491</b>  |
| Schools (DSG)            | 266,776        | (234,169)        | <b>32,607</b>  |
| <b>Total Expenditure</b> | <b>866,929</b> | <b>(450,461)</b> | <b>416,468</b> |

Table 2 – Financial Summary by Service

- 7.1 Table 2 above shows that within the reported position NCC Group is experiencing current pressures of £13.6m across services which will be managed to ensure the 2016-17 budget is delivered. Further detail on these pressures is provided within Appendix A. Mitigating actions are being reviewed on a continuous basis by NCC Group Management Board and the key themes of focus for the Management Team are;
- § Further review of savings programmes, ensuring delivery of 2016-17 plans and identifying opportunities where delivery could be accelerated from future years’ MTFP proposals.
  - § Implementation of further controls to manage costs, focussing on effective procurement and increased restrictions on discretionary spends.
  - § Further review of resourcing, ensuring staffing structures are working effectively as we transition to Next Generation Council.
  - § Maximising income, ensuring all new and existing opportunities are explored to maximise income generation.
  - § Identification of areas where the Council will need to consider stopping services.
- 7.2 These key themes reviewed by the Management Team include the principles discussed within section 3.2 above.
- 7.3 Within this report Directorate budgets have been realigned to reflect the Council’s Next Generation Structure.

- 7.4 The Schools budget figure within Table 2 includes the draw down from 2015-16 into 2016-17 of Dedicated Schools Grant (DSG) balances and has been adjusted for the recouplement of the DSG by the Education Funding Agency (EFA) in respect of Northamptonshire academies. The DSG recouplement value at the end of July is £308m.

## **8. NCC Group Finance and Performance update**

### **8.1 NCC Group Services**

- 8.1.1 Chief Executive Services are currently reporting a pressure of £800k for this financial year. This pressure primarily relates to NCC cross-cutting budget proposals which have been identified as non-deliverable. The Management Team are working towards looking at alternative options to mitigate this pressure.
- 8.1.2 There is an overspend of £100k currently forecast within the LGSS Managed services in this period, which is within the IT Directorate and due to an overlap of line lease contracts. LGSS are reviewing options on how to mitigate this.
- 8.1.3 An underspend of £735k is currently forecast for the treasury budget. £250k is largely as a result of falling interest rates and continued strategy of internal borrowing. The Council will keep under review the options as to the timing of any potential long and short term borrowing, and also the alternative approaches around further utilising cash balances (increasing internal borrowing) to ensure optimum use of internal resources. An annual review of the Minimum Revenue Provision will be carried out over the coming months to ensure an optimal provision is made and remains prudent. A further £485k is reported following confirmation that Nourish will contribute to the capital financing costs associated with purchase and lease pods this year. The future commitments are being mitigated through the review of the Minimum Revenue Provision.
- 8.1.4 Corporate Services continue to review grants as they are published with a total of £359k received for Extended Rights and Education Services Grant in excess of the budgeted amount.

### **8.2 Place Services**

- 8.2.1 Consultations are currently underway to complete the Place directorate and following this there will be a transfer of budgets and staff as appropriate. However, there is confidence that Place Services will achieve its efficiency savings in full through a combination of planned and alternative actions. Detailed analysis of these options will be available in future reports.

### **8.3 People Services**

- 8.3.1 Children's Services have identified a pressure of £10.5m as a result of anticipating to only partially deliver its 2016-17 savings requirement, and in addition to this has also identified demand led in-year budget pressures of £11.3m. This is a total £21.8m forecast pressure at this stage in the year. However mitigations of £14.7m have been identified this month which reduces the overall reported pressure to £7.1m.
- 8.3.2 The Children's Services senior management team are continuing to work on reducing the in-year pressures and seeking to find further mitigations to reduce costs this year.

A total of £4.0m of mitigations have been identified this month. These mitigations form part of total mitigations of £14.7m.

- 8.3.3 Adults have identified a pressure of £22.2m before the mitigating savings, £9.2m of this pressure relates to Better Care Fund and Adults commissioning, the balance £13m includes base budget pressures, independent sector care budget pressure, an increase in bad debt provision for debt over 12 months old. However, a total of £16m of mitigation actions have been identified to bring the pressure down to £6.2m. These pressures and mitigation actions are explained in further detail in Appendices A and B. The budget pressure in independent sector care provision includes pressures from hospital discharge and to date this account for £1.9m budget pressure. Service is continuing to work on the delivery of the 2016-17 savings and mitigation actions.
- 8.3.4 The Adult Services Senior Management Team have undertaken and implemented a number of actions to address the pressures including weekly budget delivery meetings. This has resulted in delivery of £10.9m 'banked' savings and £5m cost avoidance. Further proposals have been put forward to help overachievement of some proposals in order to reduce the net pressure. Through interventions further mitigating actions of £6.2m have been identified this month, which makes the total mitigating saving identified £16m. Management will continue to identify alternative actions during the next few months in order to reduce the pressures. The recent external assessment of adult social care services has shown we continue to perform very well exceeding many of our regional and national comparators, and OCS Ltd has reported that in the last period (May/June) 4 CQC inspections have taken place on its services all providing a 'Good' rating.
- 8.3.5 The report presented to Cabinet in August asked services to review a number mitigating actions with health colleagues to ensure where we could we reduced risk and impact, we have now completed this task and we have made relevant changes which are reflected in Appendix A. We have considered where we would need to undertake consultation and there is one area Day Care where we are proposing to consult closing two centres. We will therefore bring back to cabinet the outcome of the consultation for agreement. All other areas are being progressed and are monitored at the weekly delivery budget board

## **9. Alternative Options Considered**

- 9.1 It is considered as best practice to brief members and report the latest budgetary position to Cabinet on a regular monthly basis, rather than less frequently (for example, quarterly). It also demonstrates the Financial Regulation requirements to ensure the provision of financial information and monitoring compliance with financial management standards.
- 9.2 In order to identify the preferred actions detailed within this report, Portfolio holders and Senior Officers will have considered alternative options as part of the scheduled Budget Delivery Programme Board meetings, Service management meetings and other special meetings over the last few weeks. The mitigation actions are continually explored as part of the Budget Delivery Programme Board meetings and the highlight report completed for each budget proposal enables to suggest mitigation options for any undeliverable proposals.
- 9.3 In order to assist Cabinet in the decision making process it is intended to bring to Cabinet at its future meetings those options which have been considered as part of the process of examining appropriate mitigation actions and which may also arise out of the results of any consultation process.

## 10. Equality Screening

- 10.1 A number of the proposals that have been identified to mitigate the current financial pressures will have impacts upon customers, which must be considered before final decisions are taken. As set out in section 4 of this report, some proposals may need to undergo consultation to seek views on the proposals and to allow them to be worked up more fully. Equality Impact Assessments will be developed to accompany the consultation on the proposals, and these will then be updated when the proposals and consultation feedback are considered by Cabinet to ensure that the equality implications of the decisions are fully understood and mitigating actions are considered wherever possible.
- 10.2 The EqIA for the day centre proposals is available on our [website](#) and highlights the potential implications of closure of the two centres and further work that needs to be carried out alongside the consultation.

## 11. Financial Implications

- 11.1 The financial implications of this report are set out in Section 7 and in more detail within Appendix A.

## 12. Risk and Business Continuity Management

- 12.1 A risk to NCC is that to carry out the activities to meet its objectives, the Council spends beyond its budget. There are internal control processes in place to ensure that the council does not spend beyond the resources available. Risk will be managed and monitored throughout the organisation during the delivery of the council's budget plans.

a) Risk(s) associated with the proposal

| Risk  | Mitigation  | Residual Risk   |
|---|---|---|
| The Council overspends its budget resulting in: <ul style="list-style-type: none"><li>an inability to deliver its 2016-17 plan and outcomes</li><li>reducing resources available for future pressures</li></ul> | Robust financial management processes culminating in regularly reporting on the financial position to Cabinet. The financial management process provides officers with the data to enable the formulation of plans to mitigate pressures and take further steps as required to ensure the delivery of a balanced budget at year end. Given the size of the financial challenge more regular and higher profile approach has been taken including the Cabinet Leadership Team, where necessary, to discuss and agree any recovery plans. | Red (the red residual indicates the need to maintain constant vigilance, not that mitigations are not adequate) |
| Proposals to correct budget variances are delayed as a result of not following correct governance steps.  | Full consultation and equality impact and risk assessments will be carried out prior to the implementation of specific cost reduction proposals.  | Amber   |

### 13. List of Appendices

13.1 Appendix A – NCC Group Finance and Performance Detailed Summary

13.2 Appendix B – NCC Budget Summary by Service Line

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| Author:  | Name: Ruth Barnett<br>Team: LGSS Finance   |
| Contact details:   | Tel: 01604368142<br>Email: rbarnett@Northamptonshire.gov.uk                        |
| Background Papers:   |  |
| Does the report propose a key decision is taken?   | YES  |
| If yes, is the decision in the Forward Plan?   | N/A  |
| Will further decisions be required? If so, please outline the timetable here   | Yes, future Cabinet Meetings.  |
| Does the report include delegated decisions? If so, please outline the timetable here  | N/A  |
| Is this report proposing an amendment to the budget and/or policy framework?   | NO   |
| Have the financial implications been cleared by the Strategic Finance Manager (SFM)?<br>Have any capital spend implications been cleared by the Capital Investment Board (CIB) | YES<br>Name of SFM: All<br><br>N/A   |
| Has the report been cleared by the relevant Director?  | YES<br>Name of Director: All   |
| Has the relevant Cabinet Member been consulted?  | YES<br>Cabinet Member: Cllr R. Brown   |
| Has the relevant scrutiny committee been consulted?  | SCHEDULED<br>Scrutiny Committee: Finance improvement and performance working group |
| Has the report been cleared by Legal Services?   | YES<br>Name of solicitor: L. Gould<br><br>Solicitor's comments:                    |
| Have any communications issues been cleared by Communications and Marketing?   | YES<br>Name of officer: S. Deacon  |
| Have any property issues been cleared by Property and Asset Management?  | NO<br>Name of officer:   |
| Are there any community safety implications?   | NO   |
| Are there any environmental implications:  | NO   |
| Are there any Health & Safety Implications:  | NO   |
| Are there any Human Resources Implications:  | NO   |
| Are there any human rights implications:   | NO   |
| Constituency Interest:   | ALL  |