



CABINET

**1st August 2016 Cabinet
DIRECTOR OF FINANCE: DAMON LAWRENSON**

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

Subject:	Monthly Financial Report as at the end of June for the financial year ending 31 March 2017 including review of Budget Delivery Proposals.
Recommendations:	<p>1. Cabinet is requested to note the Council’s financial position including the significant progress that has been made in delivering the 2016/17 budget savings ask of £65m, with 47% already delivered and in absorbing any in year pressures on services that have arisen since the budget was set in February 2016.</p> <p>2. Cabinet is requested to note further potential actions required to ensure we deliver a balanced budget and then at a meeting of Cabinet to be held in September 2016 consider the results of any necessary consultation exercise, where appropriate, in respect of the following proposals put forward in this report:</p> <p>2.a) Adult Care Services – (see Appendix A, section 4.4)</p> <ul style="list-style-type: none"> • Review of Day services. • Review Specialist Care Centre beds in terms of change of use to local authority customers freeing up capacity to provide for self-funders in Olympus Care Services. • Review Short Term Assessment and Rehabilitation Team (START). • Review Crisis Response Team in hospitals and discharge support process. • Review Council Health Partnership and Hospital Discharge Teams currently working in the two Hospitals who manage effective discharges and put Care Package in place. <p>2.b) Children’s Services – (see Appendix A, section 5.4)</p> <ul style="list-style-type: none"> • A review and refocus of Children’s Services Mental Health provision. • Remodelling of Youth Offending Service • Ensure a more focused and joined up Children’s Disability Service.

	<p>3. Cabinet is further asked to note that other proposals within this report may also require a consultation process before any decision is taken and the process for this will be further reported to the next meeting of Cabinet in September 2016.</p>
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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 June 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 over spend.
- 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 of this report, 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** The 2016-17 Budget approved by Full Council in February highlighted the significant challenges faced by the Council as a consequence of reduced Revenue Support Grant alongside the impact of the introduction of the 'Core Funding Offer' which now takes into consideration performance within Council Tax collection.
- 3.3** Whilst, the Council's Government funding has seen an overall reduction of £25m compared with 2015-16 this has been offset by increased growth and income for Council Tax, including the additional Adult Social Care precept for 2016-17. The county council will be spending more on adult social care this year as a result of the increased precept.
- 3.4** The Council Plan outlines the transformation journey to develop a Next Generation Council comprising of a smaller retained organisation (NCC Group) which will focus on right-sourcing and the commissioning of People and Place Services from a new set of accountable organisations and social enterprises owned and managed by current council staff with partners. The published Council Plan can be found here:
<http://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2647/Committee/399/SelectedTab/Documents/Default.aspx>
- 3.5** As detailed in the Monthly Finance Report presented to Cabinet on 12th July , this report provides further information on the current management interventions reviewed by the NCC Board to support the mitigation of current financial pressures previously reported. 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.

3.6 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

Within this report the following proposals within Adults and Children's Services may require a process of consultation.

- Review of Day services.
- Review Specialist Care Centre beds in terms of change of use to local authority customers freeing up capacity to provide for self-funders in Olympus Care Services.
- Review Short Term Assessment and Rehabilitation Team (START).
- Review Crisis Response Team in hospitals and discharge support process.
- Review Council Health Partnership and Hospital Discharge Teams currently working in the two Hospitals who manage effective discharges and put Care Package in place.
- A review and refocus of Children's Services Mental Health provision.
- Remodelling of Youth Offending Service.
- Ensure a more focused and joined up Children's Disability Service.

Where required, the consultation period will run for 4 weeks with the results of the consultation to be incorporated in a report presented to the Cabinet in September 2016.

5. Current Council Position

5.1 The Council continues to face significant challenges between demand for and funding for services as set out in Section 3.

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 47% of the total value of savings required at this stage in the year.

Directorate Summary of Savings Proposals	No. of Proposals	Total Value (£m)	No. of Proposals
Red	9	8.629	13%
Amber	26	26.201	40%
Green	49	30.315	47%
Total	84	65.145	100%

Table 2 - Budget Tracker -Version 0.3)

- 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** The management team will continue to monitor expenditure including vacancy management and non essential spend, and over the coming months a further review of reserves will be undertaken. Further to this a review of revenue implications related to the capital expenditure programme will also be completed.

7. Current Financial Position

Service	Gross Expenditure Budget £k	Income Budget £k	Net Budget £k	Current Pressures £k	Previously Reported £k	Movement £k
NCC Group Services	21,528	(14,423)	7,105	575	(200)	775
Place Services	138,811	(49,823)	88,988	0	0	0
People Services	418,812	(142,491)	276,321	14,053	30,043	(15,990)
Total Net Expenditure	579,151	(206,737)	372,414	14,628	29,843	(15,215)

LGSS	34,432	(22,885)	11,547
Schools (DSG)	260,045	(227,538)	32,507
Total Expenditure	873,628	(457,160)	416,468

Table 3 – Financial Summary by Service

- 7.1** Table 3 above shows that within the reported position NCC Group is experiencing current pressures of £14.6m 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 have been reviewed 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 3.5 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 3 includes the draw down from 2015-16 into 2016-17 of Dedicated Schools Grant (DSG) balances and has been adjusted for the recoupment of the DSG by the Education Funding Agency (EFA) in respect of Northamptonshire academies. The DSG recoupment value at the end of June 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 £575k for this financial year. This pressure in part 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.
- 8.1.3** An under spend of £250k is currently forecast for the treasury budget, which is largely as 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.

8.2 Place Services

8.2.1 The Place Directorate has not yet been firmly established and is due to be completed during August following the LGSS consultation, which itself followed the expansion of LGSS with Milton Keynes Council becoming a shareholder. Following the end of consultation there will be a transfer of staff as appropriate. However, there is confidence that Place Services will achieve its efficiency savings in full for Environment, Development and Transport Services and, with the initiation of a Plan B for the delivery of Waste efficiencies, all proposals for 2016-17 are now rated green. The status of the additional efficiencies inherited by Place Services is being monitored and, due to the increasing confidence that they will be achieved through a range of mitigations, these too now have a green rating.

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 £7.2m. This is a total £17.8m forecast pressure at this stage in the year. However mitigations of £10.7m 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 £10.7m of mitigations have been identified this month. These mitigations are explained in detail in Appendix A.
- 8.3.3 Adults have identified a pressure of £16.3m before the mitigating savings, £9.2m of this pressure relates to Better Care Fund and Adults commissioning, the balance £7.1m includes base budget gap, an increase in bad debt provision for debt over 12 months old and non-deliverable savings in Adults services. However a total of £9.8m of mitigation actions have been identified to bring the pressure down to £6.5m. These pressures and mitigation actions are explained in further detail in Appendices A and B. 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 £8.4m 'banked' savings to end of June and further proposals have been put forward to help overachievement of some proposals in order to reduce the net pressure. Through interventions further mitigating actions totalling £9.8m have been identified this month. 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 continues 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.

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 meeting in September 2016 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.

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
<p>The Council overspends its budget resulting in:</p> <ul style="list-style-type: none"> • an inability to deliver its 2016-17 plan and outcomes • reducing resources available for future pressures 	<p>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.</p>	<p>Red (the red residual indicates the need to maintain constant vigilance, not that mitigations are not adequate)</p>

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

Author:	Name: Yalini Gunarajah Team: LGSS Finance
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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)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: All N/A
Has the report been cleared by the relevant Director?	YES Name of Director: All
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr R. Brown
Has the relevant scrutiny committee been consulted?	SCHEDULED Scrutiny Committee: Finance improvement and performance working group
Has the report been cleared by Legal Services?	YES Name of solicitor: L. Gould Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: S. Deacon
Have any property issues been cleared by Property and Asset Management?	NO 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