



CABINET

12TH July 2016

DIRECTOR OF FINANCE: MATT BOWMER

**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
Recommendations:	Cabinet is requested to note the current financial position

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. 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 to take appropriate management actions.

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.

<p>This initiative specifically delivers increased wellbeing and/or safeguarding by:</p> <ul style="list-style-type: none"> • 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.
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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 its outcomes. Added to this is the uncertainty that now exists following the referendum vote in favour of the UK leaving the European Union.

- 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.
- 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 Services 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 First for Wellbeing became operational on 1 April 2016 and work continues to implement the rest of the federated model with shadow arrangements operating in 2016-17. This report is therefore presented in line with the new organisational structure. It should be noted that work continues to review the alignment of budgets within the Next Generation Council structure and any significant changes that result from this review will be outlined in subsequent months. The report for 2016-17 will include a monthly update on Finance, Performance and the delivery of savings for the current year. This report is based on information from the first three months of the financial year 2016-17 to the end of June.
- 3.6 Table 1 below provides details of the £416.5m Budget approved by Council on 29 February 2016.

	£m
Gross Revenue Spend	804.1
Less income:	
Dedicated Schools Grant	(195.7)
Public Health Grant	(36.6)
Assessed Client Contributions	(32.2)
Fees & Charges	(32.1)
School Specific Grants and Income	(29.2)
NHS Funding for Health Outcomes Grant	(18.0)
Other Grants	(17.0)
Other Contributions	(14.0)
Income from Capitalisation of Transformation Programme	(12.0)
Independent Living Fund	(0.8)
Total Net Budget Requirement	416.5
Funded By:	
Central Government Grants and Contributions	(13.6)
Government Baseline Funding and Business Rates Retention	(143.3)
Collection Fund Surplus	(5.2)
Council Tax (net of collection fund)	(254.4)
Total Funding	(416.5)

Table 1 – Summary Budget 2016-17

4. Consultation and Scrutiny

4.1 This report has been produced in consultation with the NCC Group Management Board and the Directors of each of the Delivery Vehicles. The NCC Group Management Board is comprised of the Chief Executive, the Strategic Commissioners for People Services and Place Services, and the Director of Finance (S151 Officer). The report will also be subjected to scrutiny through the Finance Improvement and Performance Working Group.

5. Current Council Position

5.1 The Council continues to faces significant challenges 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 in the early part of the 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 46 of the total 84 proposals put forward are assessed as being green which reflects 43% 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	6	5.817	9%
Amber	32	31.42	48%
Green	46	27.908	43%
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 and Adults Services. Further details are provided within Appendices A and B.

7. Current Financial Position

Service	Gross Expenditure Budget £k	Income Budget £k	Net Budget £k	Current Pressures £k
NCC Group Services	28,713	(15,050)	13,663	(200)
Place Services	88,055	(14,691)	73,364	0
People Services	449,907	(166,220)	283,687	30,043
Total Net Expenditure	566,675	(195,961)	370,714	29,843

LGSS	36,457	(23,160)	13,297
Schools (DSG)	258,248	(225,791)	32,457
Total Expenditure	861,380	(444,912)	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 £29.8m across Adult's and Children's Services. Further detail on these pressures is provided within Appendix A. Mitigating actions have been reviewed by NCC Group Management Board and key areas include;

- 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 spend.
- Further review of resourcing, ensuring staffing structures are working effectively in preparation for the 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.

There will be an additional report to Cabinet in August seeking approval where necessary to ensure that any actions have the maximum financial benefit.

7.2 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 May is £308m.

8. NCC Group Finance and Performance update

8.1 NCC Group Services

- 8.1.1 The NCC Group Services is expecting to achieve a balanced position for 2016-17. However, there is a risk around the Customer Services Centralisation saving, as the full extent of the saving achievable under this proposal will not be known until the review across the whole of the Council's Services is completed in the next few months.
- 8.1.2 There is no movement to report on LGSS Managed services in this period.
- 8.1.3 Corporate Services is reporting a £0.2m under spend on funding due to higher than anticipated income on the Education Services Grant.

8.2 Place Services

- 8.2.1 The Place Directorate has not yet been firmly established and there is still a requirement to transfer staff and budgets as appropriate. However, there is confidence that Place Services will achieve its efficiency savings in full for Environment, Development and Transport Services. The only proposal that has an amber rating is the delivery of the Waste efficiencies following the outcome of a study undertaken by the districts and boroughs; however a Plan B has been initiated and is progressing well. The status of the additional efficiencies inherited by Place Services are being monitored and there is increasing confidence that they will be achieved through a range of mitigations, although some of these are yet to be confirmed.

8.3 People Services

- 8.3.1 Adults Services has identified a pressure of £13.6m. These pressures are the result of a pressure experienced within the Better Care Fund, base budget gap and an increase in debt over 12 months old. These pressures are explained in further detail in Appendices A and B. Currently the Service is estimating that all of the 2016-17 savings will be delivered in year both recurrently and in part through one off mitigations. This carries high risk considering the challenging level of savings and volatile nature of a demand led budget.
- 8.3.2 Adult Services is forecasting a £9.25m pressure on the Better Care fund that is a combination of undeliverable Medium Term Financial Plan (MTFP) savings, a shortfall in income that had been raised in previous years and an element of risk share between the Council and Health. Discussions between the NCC and NHS commissioners are ongoing and the new role of Strategic Commissioner for Health Partners and Integration has now been filled, to match the new commissioner in Nene CCG. The accountable lead to negotiate the BCF now sits with the Strategic Commissioner with support from the Adult Social Care service.
- 8.3.3 Children's Services has identified a pressure of £10m as a result of anticipating to only partially deliver its 2016-17 savings requirement. In addition to this it has also been identified that demand led in-year budget pressures of £6m are emerging. In total a financial pressure of £16m is currently identified. These pressures are explained in detail within Appendices A and B. As these issues have been identified early in the year, the Children's Services senior management team are working on identifying alternative mitigating cost reductions to attempt to reduce these anticipated pressures.
- 8.3.4 Finally Wellbeing and Prevention Services has reported pressure due to the earlier than anticipated closure of the Nourish service at the end of the current academic

year (31 August 2016). The closure project is closely monitoring the financial implications to minimise the risk

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) or not at all. It also demonstrates the Financial Regulation requirements to ensure the provision of financial information and monitoring compliance with financial management standards.

10. Financial Implications

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

11. Risk and Business Continuity Management

11.1 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>	Red
<p>Proposals to correct budget variances are delayed as a result of not following correct governance steps.</p>	<p>Full consultation and equality impact and risk assessments will be carried out prior to the implementation of specific cost reduction proposals.</p>	Red

12. List of Appendices

12.1 Appendix A – NCC Group Finance and Performance Detailed Summary

12.2 Appendix B – NCC Budget Summary by Service Line

Author:	Name: Ruth Barnett 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	NO
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