



CABINET

8 OCTOBER 2019

EXECUTIVE DIRECTOR OF FINANCE: BARRY SCARR

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:

COUNCILLOR MALCOLM LONGLEY

Subject:	Monthly revenue monitoring report for the financial year ending 31 st March 2020, as at period 5.
Recommendations:	<p>Cabinet is requested to:</p> <ol style="list-style-type: none"> 1. Note the Council's forecast outturn position for 2019-20, and associated risks. 2. Note the planned approach for bringing the Council's forecast position within budget in Section 4. 3. Note the risk assessment of the 2019-20 saving proposals in Appendix B.

1 Purpose of Report

1.1 This report provides a summary of the forecast outturn position for the 2019-20 financial year, based on income and expenditure up to the end of August 2019.

2 How this Decision Contributes to the Council Plan

2.1 The Council's vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

This initiative helps the Council to deliver this vision through the following strategic priorities outlined in the Council Plan:

- Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police).
- Enabling individuals and communities to achieve better outcomes.
- Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term.
- Focusing resources on prevention and early intervention.
- Commissioning and procuring services and goods with partners.
- Utilising the Council's assets effectively.

3 Summary

3.1 The report provides detailed commentary on the Council's current forecast financial position, as at the end of August 2019. This initial forecast is for an overspend of £4.4m against an approved budget of £417.7m (1.06%).

3.2 The £4.4m overspend is an improvement of £580k from the position reported in Period 4, which incorporates improvements of £755k in Place Services, £155k in Northamptonshire Adult Social Services, £132k in Corporate Services, £135k in Technical Finance and a worsening position of £493k and £104k in Children First Northamptonshire and LGSS respectively.

3.3 A detailed breakdown of the financial position for each directorate is provided in Appendix A. Two areas continue to account for the forecast overspend position:

a) Children First Northampton (CFN)	£7.6m
b) Technical Finance, Treasury & Insurance	£1.1m
	<hr/>
	£8.7m

3.4 The £8.7m pressure is offset by forecast underspends of £3.2m across the other directorates, and additional anticipated funding of £1.1m.

3.5 In Children's Services the key factors contributing to the forecast overspend are summarised below, and further details set out in sections 6.8 to 6.22.

- Non-delivery of staffing related savings proposals totalling £2,841k;
- Partial non-delivery of placement sufficiency savings amounting to £1.38m;
- Partial non-delivery totalling £1.5m relating to legal, mother and baby, reduction in section 17 support and Appeal Rights Exhausted/No Recourse to Public Funds accommodation;
- Demand pressures on Agency Placements giving rise to a projected overspend of £3m for this financial year due to number of entrants into care being higher than anticipated; and a rise in average costs.
- An overspend of £840k on social care transport based on trend analysis of the first 5 periods. This has been identified with the service as an area for improvement through the Transformation Programme, as a lack of robust activity data is making analysis and forecasting difficult.

3.6 In Technical Finance, Treasury & Insurance, the key factors contributing to the forecast overspend are cross-cutting savings proposals that are being held centrally. These cross-cutting proposals carry a risk of under-delivery and therefore have not been allocated to services. These include savings from voluntary redundancy, CPI inflation applied to fees and charges, and the procurement review.

4 Recovery Plan

4.1 The Leadership Team and Cabinet continue to treat the delivery of 2019-20 budget with the utmost priority. Therefore emerging savings opportunities have

been identified to address the forecast overspend position in full, in order to return to an overall balanced budget. These opportunities are detailed below;

- The CFN Senior Management Team has developed a recovery plan which contains a number of cost control measures which could potentially improve the forecast position by up to £1.7m in year, subject to further validation from the service and quality assurance from the Finance Team. Examples of savings measures include cost reduction through the recently established placement panels, maximising partner contributions towards disabled children care packages and transport spend management. The progress of the recovery plan will be reviewed at the weekly at CFN Senior Management Team meeting.
- There may be some further benefit from the ongoing delivery of home to school transport savings in the current financial year. However, this is by no means certain, and is dependent upon the level of variations to current provision and additional demand as the year progresses.
- There are further savings of up to £90k from the ongoing Voluntary Redundancy (VR) tranche 3. However, this is subject to the VR offer being accepted and confirmation of notice periods.
- The Council is currently reviewing its accounts payable supplier statements and will pursue the reimbursement of any identified outstanding credit notes or duplicate payments in the coming months.
- The Council's Pension Fund actuary concluded that they would consider a £2m reduction in the annual deficit payment to be acceptable from the Pension Fund's perspective. A report to this effect is due to go to the Pension Committee in October for consideration. If this transaction is approved, this will be a one-off reduction in the Council's 2019-20 deficit contribution.

4.2 These savings opportunities will not be included in the forecast position until decisions and actions are taken, but if all actions are delivered in full they would address in the main, the current forecast overspend position.

5 Background

5.1 The Council's budget for 2019-20 is £417.7m and was approved on 21st February 2019. This included £41.4m of savings. This report includes an analysis of the deliverability of these savings proposals, in-year variations to budgeted assumptions, and a set of management actions to reduce the forecast overspend position.

5.2 The Council recognises the importance of understanding the risks associated with delivering its budget, and the consequences of those risks materialising, in order to proactively take further management actions to address any shortfalls.

6 Estimated Outturn

6.1 The Council's forecast outturn for 2019-20, based on spending to the end of August, is an overspend of £4.4m.

6.2 Table One shows:

- The net budget approved by the Council for the year.
- The forecast net spend for the year based on spend to the end of August 2019.
- The difference between the two, being the forecast variance at year end.

Table One: Forecast Outturn 2019-20 by Directorate

	Net Budget	Forecast Net Spend at 31/03/20	P5 Forecast Variance at 31/03/20	P4 Forecast Variance at 31/03/20	Movement from prior period
	£'000	£'000	£'000	£'000	£'000
Corporate Services	12,818	12,374	(444)	(312)	(132)
Children First Northamptonshire	116,657	124,291	7,634	7,141	493
LGSS	14,207	14,235	28	(76)	104
Northamptonshire Adult Social Services (NASS)	157,970	157,491	(479)	(324)	(155)
Place Services	90,179	87,932	(2,247)	(1,492)	(755)
Public Health & Wellbeing	(27)	(27)	0	0	0
Technical Finance, Treasury and Insurance	25,916	26,990	1,074	1,209	(135)
Total budgeted expenditure	417,720	423,286	5,566	6,146	(580)
Less funding	(417,720)	(418,856)	(1,136)	(1,136)	0
Net Position 2019-20	0	4,430	4,430	5,010	(580)

- 6.3 **Corporate Services** is forecasting an underspend of £444k. This is a favourable movement of £132k from the position reported in Period 4.
- 6.4 **Change from Period 4** - This month's movement was entirely within Corporate & Community Services, of which £154k relates to a decrease in forecast on the Coroners Service due to the delayed transfer of staff from the Police.
- 6.5 There is a £100k additional pressure relating to Public Interest report which the Council is subject to.
- 6.6 Additionally, there is a £58k decrease in the forecast for Archives & Heritage due to vacancies; a £15k decrease in the forecast for Emergency Planning due to staffing; and other minor underspends of £8k.
- 6.7 The total variations to budget in 2019-20 for Corporate Services are as follows:

Savings Delivery Pressure (£1,701k savings target):

Library Service - delayed implementation of budget proposal 18-007-05 means that an element of the property related savings will not be realised in 2019-20 as expected.	66
Non-deliverable Public Health Proposal due to aligning prevention programmes across Directorates - savings not achieved but fully mitigated, see mitigations below	525
	591

In-Year Budget Variations – Overspends:

Corporate & Community Services:

Grendon Hall - residual costs following closure.	28
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Other:

Additional pressure relating to Public Interest report	100
Chief Executive - pressure due to the need for additional staffing resources.	77
Chief Executive - costs associated with the review of LGSS and the financial management review within NCC.	60
Legal Counsel - additional staffing resources to provide extra capacity.	92
Statement of Accounts Production - latest forecast overspend on external audit fees relating to 2017-18 audit. This £80k pressure is in addition to the overspend reported within 2018-19 of £342k.	80
	437

In Year Budget Variations – Underspends:

Corporate & Community Services:

Customer Services - underspend due to a reduction in staff costs through vacancy management and a reduction in the use of agency staff.	(180)
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Business Intelligence - underspend due to staff vacancies.	(328)
Archives and Heritage - underspend on the operational start up budget for Chester Farm due to delays in project completion (£40k), and staff vacancies (£115k).	(155)
Coroners Service – underspend due to the delayed transfer of staff from the Police	(154)
Library Service – mitigation of property saving pressure through potential one-off staffing underspend due to vacancies.	(66)
Emergency Planning & Community Safety – forecast underspend due to staffing.	(25)
Other minor underspends	(8)
Other:	
Democratic Services - underspend due to a decrease in members' allowances, a cost neutral approach to civic events and vacancies	(31)
	<hr/> (947)
Mitigations	
General Public Health contribution to NCC support costs	(296)
One-off additional Public Health contribution to NCC support costs	(204)
Northamptonshire Sport grant hosting fee	(25)
	<hr/> (525)
Net Position – Corporate Services	<hr/> (444)

- 6.8 **Children First Northamptonshire (CFN)** is forecasting an overspend of £7,634k. This is an adverse movement of £493k from the position reported in Period 4.
- 6.9 **Change from Period 4** - This month the forecast cost of agency placements for our looked after children has increased by £501k. Although the net number of children in external placements has reduced by 9 since the Period 4 report, bringing looked after children in line with budget assumptions, the average cost of placements has increased. £140k of this pressure is the net change in cost of residential placements ending, and new more expensive residential placements commencing. £310k of the pressure is because of net increase in cost for 11 existing placements in residential homes and supported accommodation. £241k of the pressure is in relation to the projected cost of secure welfare placements where an additional placement has been made which was not previously forecast. Lastly, the forecast cost for children with disabilities in external placements has reduced by £190k due to growth in placements being less than forecast.
- 6.10 There has been a further 6 cases referred for mother and baby assessments this period, which is 4 more than previously forecast. This is due to the

continued delays in the assessments of unborn cases as a result of resourcing shortages in the First Response team and Safeguarding teams. The future forecast assumptions have been revised to take account of the increased requirement for assessments, from 13 assessments to 19, at an additional forecast cost of £360k. Because of this, the review of mother and baby assessments savings proposal (18-002-10) is now forecast not to deliver any savings, with additional in year overspends reported above and beyond this.

- 6.11 Analysis of expenditure incurred this year on social care transport has been used to refresh the forecast for Period 5. As a result the forecast has been increased by £190k from last period. This is because the available data indicates the number of children being transported has increased from 122 to 154 each month. Further analysis is required to understand the additional demand pressure, and the position will continue to be monitored.
- 6.12 There has been adverse movement of £100k in spend on legal services, as the forecast has been revised in line with spend to date. LGSS Law Ltd disbursement costs have been higher than originally forecast due to the use of Counsel for a number of complex cases. Invoices are received in arrears for legal costs, and therefore this is the first period where the additional costs have been captured in the forecast. This has reduced the amount of savings previously forecast to be realised against the reduction in legal spend proposal (18-002-05) from £250k to £150k.
- 6.13 There is an adverse movement of £65k relating to additional pressure for Appeals Rights Exhausted (ARE) cases and No Recourse to Public Funds (NRPF) cases. This is due to the Authority supporting an additional NRPF cases, above the previously forecast amount (£15k). Additionally it has taken longer than anticipated to complete the initial human rights assessments for the ARE cases, which are now subject to validation from our lawyers before notice can be served in November/December. The required notice period is 3 months, and it is therefore expected that savings will not be realised in 2019-20.
- 6.14 The forecast net staffing underspend has been reduced by £50k to £2,099k. This is due to the use of agency staff to fill essential posts which support required improvements in service.
- 6.15 The Authority is invoiced for agency placements in arrears and an estimate of the outstanding commitments based on data held by the placements service is accrued for at the end of the financial year. The 2018-19 accruals have now been reconciled to invoices, identifying a net over-accrual which has resulted in an in-year benefit of £565k (£87k for Unaccompanied Asylum Seeking Children placements, £197k for Disabled Children's Team placements, and £281k for other under 18 placements).
- 6.16 Analysis of expenditure to date on domiciliary care for children with disabilities has been used to refresh the forecast for Period 5, indicating reduced forecast

pressure of £134k. This is a high level view and future forecasts will continue to be reviewed and refined.

- 6.17 Savings of £77k have been included in this month's forecast against the agency staff conversion savings proposal (18-002-03). This is in recognition of the part-year effect of 4 successful conversions of agency staff to permanent staff.
- 6.18 Further underspends of £36k on the placements for Unaccompanied Asylum Seeking Children (UASC) have been forecast following analysis of current actual spend. Additionally, £14k further savings have been forecast against the review of UASC accommodation savings proposal (18-002-13) due to the successful identification of two new homes to be used for the internal provision of UASC accommodation. By utilising the internal provision, the Authority is able to reduce its reliance on the more costly external UASC placements.
- 6.19 The Authority receives income from penalties for unauthorised school absences. The forecast was previously reported as £99k additional income and included within other minor variances. The forecast has increased by £33k following the end of the summer term when schools reported greater numbers of unauthorised absences than previously forecast.
- 6.20 After separating income from unauthorised absences, the minor variances have had net adverse movement of £86k.
- 6.21 For the period to the end of August there is an overspend of £2.5m reported on the Dedicated Schools Grant (DSG). This is predominantly in the High Needs Block where there is an overspend of £2.8m forecast, which is offset by underspends in the other DSG Blocks. The High Needs overspend is the result of increasing permanent exclusions from schools which in turn increases the costs for Alternative Provision (£798k) to keep these children in education and the increasing cost of out of county placements (£2,509k). The overspend is offset by a £502k underspend in High Need top up funding for pupils in mainstream schools, which is not forecast to be at budgeted levels for 2019-20. The DSG deficit will be discussed with the Schools Forum and plans made to recover the deficit in 2020-21. It should be noted that this is not a pressure on the Council's General Fund. This is a national issue and the Government has announced some new funding for 2020-21 in the Spending Review announcement.

6.22 The total variations to budget in 2019-20 for CFN are as follows:

Savings Delivery Pressure (£10,296k savings target):	£'000
Non-delivery of staffing related savings proposals:	2,841
<ul style="list-style-type: none"> - Agency Staff conversion 18-002-03 (£1,547k) due to delays in the conversion campaign which is dependent on the completion of the CFN Social Worker Career Pathway. - Reorganisation 18-002-04 (£719k) due to assumed dissolution of dedicated teams which is no longer planned. - Continuation of international social worker recruitment 18-002-09 (£575k) due to lower uptake than anticipated and a longer than planned integration period. 	
A reduction in the savings anticipated from Agency placements 18-002-18 due to slippage in establishing new residential provisions.	960
A reduction in the savings anticipated from the legal spend proposal 18-002-05 due to costs not reducing in line with budget expectations.	600
A reduction in the savings anticipated from the review of mother and baby assessments proposal 18-002-10 due to increase in demand for assessments.	400
A reduction in the savings anticipated from the review of appeals rights exhausted / no recourse to public funds accommodation proposal 18-002-08 due to increased demand and slippage in completing assessments.	325
Undeliverable Placement Sufficiency 18-002-14 following unsuccessful price negotiations with providers.	300
A reduction in the savings anticipated from the reduction in Section 17 support 18-002-08.	200
A reduction in the savings anticipated from UASC accommodation 18-002-13 because of slippage in establishing new provisions.	118
	5,744
In-year Budget Variations – Overspends:	
In-year demand pressures on Agency Placements due to rising average costs and the number of entrants into care being higher than anticipated.	3,001
Additional in-year demand pressures for social care transport provision.	840
Business support restructure: additional staffing costs.	500
Fostering care provision demand pressure.	400
Mother and baby assessments additional demand pressure	300

Educational Psychology income shortfall because of the increased demand for statutory work which limits the resources available for traded work.	296
Inter-agency adoption fees demand pressure.	280
Additional management capacity to support improvement.	232
ARE demand pressure and NRPf growth.	175
Additional in-year demand pressures for services to disabled children.	31
Other minor variance	10
- IT equipment (£10k)	

6,065

In-year Budget Variations – Underspends:

Net staffing budgets underspend due to the difficulty in recruiting to Qualified Social Worker posts / vacancy management.	(2,099)
Additional UASC grant income	(655)
Release of placements over-accrued expenditure	(565)
UASC placement net underspend	(436)
Additional unauthorised absence penalty income	(132)
Other minor variances	(168)
- Schools redundancies underspend (£99k)	
- Reduction in partnership board contribution (£46k)	
- Miscellaneous Learning, Skills and Education underspends (£16k)	
- Miscellaneous commissioning underspends (£7k)	

(4,055)

Management Actions:

Drawdown of budget delivery reserve.	(120)
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(120)

Net Position – CFN

7,634

6.23 **LGSS** is forecasting an overspend of £28k. This is a £104k movement from the position reported in Period 4.

6.24 **Change from Period 4** - The movement is due to an agreed £50k investment in 4 temporary posts over a period of 16 weeks in the Debt team to support the delivery of the debt recovery improvement plan; and an overspend of £54k on the IT Managed budget due to the replacement of Trend software required to improve email security.

6.25 The total variations to budget in 2019-20 for LGSS are as follows:

Savings Delivery Pressure (£369k savings target):	£000
There are no pressures to report at this stage.	0
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	0
In-year Budget Variation:	
Underspend on Occupational Health managed budget due to lower than anticipated levels of external referrals.	(76)
Overspend in the debt team directly related to the debt recovery improvement plan agreed with NCC	50
Overspend on the IT Managed budget in relation to the replacement of Trend software	54
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Net Position – LGSS	28
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6.26 **Northamptonshire Adult Social Services (NASS)** is forecasting an underspend of £479k. This is a favourable movement of £155k from the position reported in Period 4.

6.27 **Change from Period 4** - The movement is mainly driven by an increase of £518k in MTFP savings expected to be delivered in 2019-20 following a review of all projects. This includes a £303k improvement in forecast savings against the Shaw PFI contract compliance project (18-001-18) due to better utilisation of specialist care centres.

6.28 NASS have continued to engage into negotiations over the future operation/utilisation of the four Specialist Care Centres (SCC's) within the Shaw PFI contract; the PFI costs the Council some £9m per annum. This has included discussions with both the Department of Health (DoH) and HM Treasury over the best way to improve the effectiveness, efficiency and value for money of the centres until the formal end of the contract in 9 years. Utilisation of the four centres 192 beds has continued to improve from 65% in April to 70% in August.

6.29 Discussions having been held over several months with the DoH and Shaw are focused on two aspects, firstly to review the financial methodology of the PFI contract and the financial model which underpins it. This PFI contract was agreed prior to the UK standardisation of PFI's and thus contains a number of localised throughputs. Secondly, the team will be focused on ways to increase the level of acuity/care needs the four SCC's are able to support to enable the centres to accept more clients with higher care needs, something which the original PFI did not allow for when the contract was signed in 2003. These discussions are expected to conclude shortly and are likely to result in an agreed variation to the contract and how we use and run the service for the remainder of the contract.

6.30 There are further forecast savings of £165k against Shaw PFI – decommissioning of a day care centre (18-001-21). This is following confirmation of formal closure dates of centres and inclusion of transport savings.

- 6.31 The forecast pressure against Independent Care budgets has reduced marginally by £27k across client groups where demand and cost has been effectively managed to keep care below the budgeted growth in demand based on previous year's trends. However, within Older People's budgets there is a £108k increase in forecast expenditure that follows the review of the expected future cost of new clients coming into the Adult Social Care system.
- 6.32 Learning Disability and Transitions independent care forecast expenditure has reduced by a total of £170k since the last report. This follows review of cases where Continuing Health Care funding has been awarded and step down of cases aligned to client outcomes has been achieved.
- 6.33 Physical Disability independent care forecast expenditure has increased by £120k following the monthly review of the cost and volume of client packages currently coming into Adult Social Care and the expected growth during 2019-20.
- 6.34 Adult Social Care Mental Health care forecast has reduced by £85k, where anticipated growth has been reviewed against current levels of activity based on the latest information from health partners and our social care system and is lower than originally anticipated.
- 6.35 A forecast one-off cost of £147k has been incurred on the NASS consultancy budget due to contractual payments relating to the delivery of savings relating to block contract utilisation.
- 6.36 A £392k reduction in the forecast client contribution income for 2019-20 compared to previously reported. The reduction is the result of two elements, firstly the forecasting of client income against actual invoicing levels and the remaining invoicing runs to take place. This has resulted in the majority of the £392k reduction, with a smaller marginal knock on impact of lower care demand. However, contributions remain above the budgeted level and will continue to be monitored.
- 6.37 Client transport expenditure is forecast to underspend by £130k following review of year to date costs and taking into account prior year trends.
- 6.38 Small variances to forecasts across the directorate total a further £19k underspend.
- 6.39 The total variations to budget in 2019-20 for NASS are as follows:

Savings Delivery Pressure (£23,284k savings target):	£000
Savings associated with the Mental Health S117 Contributions budget delivery will not be delivered due to revised cohort assessments (18-001-30)	240

Strategic Commissioning Hub (18-001-07) has now been reassessed/put on hold pending the review of the TOM work currently taking place.	200
Non-delivery of Saxon Court savings (18-001-28) as development has been delayed by provider and will now not come on stream until 2020-21	166
Pressures on the delivery of Shaw FNC proposal (18-001-20) due to timing delays in implementation of in-house funded nursing care checklists to enable charging to the CCG's	165
Shaw Contract Compliance (18-001-18) the majority of the savings proposal of £1,192k has been reported as delivered due to increase utilisation of the block contract with the exception of a minor variance of £92k	92
Intermediate Care under delivery (18-001-13) due to an increase of community care packages leaving the reablement pathway.	37
Eleanor Lodge (18-001-22) due to timing delays in clients agreeing and signing up to rental agreements	33

933

Savings Delivery: Over-delivery

Shaw decommission of day care centre (18-001-21) has been reported as over-delivering due to increased savings compared to the original business case due to savings on Shaw unitary charges and transport	(184)
Staff vacancies/Turnover management (18-001-06) effective vacancy management held and managed by NASS senior management team has realised increased savings	(200)
Older People's Continuing Healthcare Optimisation (18-001-23) due to one large efficiency of £78k identified by the CHC team and transferred to Health for payment in April 2019	(66)
Canary System (18-001-29) A higher value of saving is being realised per individual client than was originally anticipated.	(36)

(486)

Net Savings Delivery

447

In-year Budget Variations – Overspends

Older People Independent Care – Cost of packages driven by higher acuity and increased hospital discharges/pressures	4,770
Learning Disability Independent Care - Lack of market capacity and pressure pending the delivery of revised contractual frameworks	1,613
Transitions Independent Care - pressure continues to be driven by Looked After Children (LAC) costs	1,477

Non-delivery of historical staff training budget saving that was set in 2017-18. This was a duplicate saving proposal from LGSS	350
Forecast one-off cost has been incurred on the NASS consultancy budget due to contractual payments relating to the delivery of savings relating to block contract utilisation.	147
Forecast staff pressure due to additional agency staff arising from an inability to recruit permanent staff	118
Others minor variances across the service	26
	8,501

In-year Budget Variations – Underspends

Release of 2019/20 budgeted contract inflation	(3,176)
Physical Disability Independent care – due to increased recovery of direct payment clawbacks of £675k and reviews of package to meet assessed need appropriately.	(1,077)
Forecast additional client contributions in line with increased care expenditure	(899)
Increased forecasted income due to the continued funding of the Holistic Intermediate Care Team by the Clinical Commissioning Group	(800)
Mental Health Independent care packages due to the service recoding a cohort of clients into the costs of older people due to their underlying care needs/requirements. The compensating overspend sits within the older people independent care line in overspends. This is under review and if made permanent will require budget coding to reflect correctly.	(459)
Forecast increase in Better Care Fund inflation for 2019-20	(447)
Better Care funding no longer required to fund Public Health posts	(250)
Intermediate Care contract saving as the service is now provided in-house.	(204)
Forecast underspend across small care block contracts as a number have been ended in 2018-19.	(208)
Release of accrual for prior year expenditure on legal services.	(175)
Client transport expenditure is forecast to underspend by £130k following review of year to date costs and taking into account prior year trends	(130)
Forecast underspend on prevention budgets due to a number of contracts ending and not being re-commissioned at this point.	(65)
	(7,890)

Management Actions

Drawdown of budget delivery reserve	(1,537)
	(1,537)
Net Position – NASS	(479)

- 6.40 **Place** is forecasting an underspend of £2,247k. This is a favourable movement of £755k from the position reported in Period 4.
- 6.41 **Change from Period 4** -There has been an increase in underspend within Environment, Planning and Transport (EPT), due to a forecast reduction in legal spend of £70k. This is offset slightly by a £5k increase in the Environmental Management staffing forecast.
- 6.42 Waste is forecasting a net adverse movement of £12k, which is due to a £4k increase in contract rebates, reduced costs on inspections and assessments of closed landfill sites (£11k), staffing (£2k), and hazardous waste (£16k), offset by a £45k reduction in recycle income.
- 6.43 Transport and Contracts Management has an increase in underspend of (£384k), due to further savings within Home to School Transport (£340k), and reduced expenditure within Customer Communities (£25k), and Business Improvement (£20k).
- 6.44 Transport and Development Management has an increase in underspend of £294k, due to reduced activity on travel choices (£60k), a forecast reduction on concessionary fares which is based on the activity for April to July (£212k), and reduced spend on bus & rail development (£24k).
- 6.45 There is an increase in underspend within Development, Infrastructure and Funding of £120k due to a forecast reduction in spend on professional fees and hired services, (£85k), and further slippage on vacancies (£35k).
- 6.46 There is an increase in underspend within Assets and Capital Managed due to a forecast reduction in dilapidation costs (£95k), and further service charge refunds (£8k).
- 6.47 There is a further increase in underspend within the Schools PFI which is due to the capitalisation of the cost of blinds replacement (£158k), offset by a small reduction in external income (£10k) due to a reduction in work delivered to an external customer.

6.48 The total variations to budget in 2019-20 for Place are as follows:

Savings Delivery Pressures (£4,067k savings target):	£000
Rental Income - One Angel Square (17-006-15) – additional income from sub-letting not achieved as alternative approach adopted to optimise NCC use of the building.	500
Commercialisation of Assets initiative (17-004-02) – only £10k saving to be achieved in the current financial year due to delays in contract procurement and the need to extend the initiative beyond Place and across the whole of NCC.	260

On Street Parking initiatives (17-006-21) – implementation and savings delivery impacted upon by an extended consultation process.	404
Delayed implementation of the street lighting lantern replacement programme (18-006-09) due to extended timescale for securing a signed Deed of Variation.	120
Rent waiver at Kettering Household Waste Recycling Centre (18-006-04) – no agreement reached.	44
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	1,328
Savings Delivery – Over-delivery:	
Over-achievement on the delivery of savings from Home to School Transport initiatives (18-006-03)	(522)
	<hr/>
	(522)
Net Savings Delivery Pressure	<hr/>
	806
	<hr/>
In-year variations - overspend:	
Environmental Management - pressure within Energy and Carbon Management due to a reduction in rebate income.	108
Highways Maintenance - forecast pressure based on essential highway maintenance cost after accounting for KierWSP traffic management self-delivery, gully cleaning efficiencies and re-alignment of operational staff.	300
	<hr/>
	408
In-year variations - mitigations:	
Environmental Management - underspend due to a vacant post and an underspend on the budget available for grants to environmental bodies.	(73)
EPT Management - underspend due to the full year effect of the Place restructure (£175k), a reduction in professional fees (£115k) and legal costs (£70k) and vacancies (£103k). There is also a £14k forecast underspend on the Countywide Travellers Unit.	(477)
Waste - a forecast pressure of £45k on recycle income is offset by an £18k underspend on salaries, a £41k underspend on closed landfill site inspection and assessment costs and a £16k anticipated underspend on hazardous waste. Additional savings of £203k will also be achieved through a one-off receipt for a contractual performance deduction.	(239)
Transport and Contracts Management - there are underspends of £49k on Social Care & Health Transport, £20k on Business Improvement and £25k on Customers and Communities, partially offset by a small staffing overspend of £2k.	(93)

Transport and Development Management - forecast underspend of £212k on Concessionary Fares due to a reduction in volumes, and a £24k underspend on Bus & Rail due to reduced activity. Additionally there is a £60k underspend on Travel Choices, a £12k refund to Uno relating to 2018-19 and a small underspend of £3k on staffing.	(311)
Development Infrastructure and Funding - underspend due to additional income from a new S106 SLA with the Office of the Police, Fire and Crime Commissioner (£20k), a grant for the Construction Skills Centre (£60k), and additional S106 admin fees (£105k). In addition there are vacancy savings of £135k and reduced spend on professional fees (£23k), economic development (£40k) and local economic assessment (£45k), offset by a small net pressure of £4k.	(424)
Street Lighting PFI - forecast underspend on energy costs.	(120)
Assets and Capital Managed – underspend of £379k due to additional rent income, reduction in business rates, and service charge refunds. Additionally, there is an underspend of £260k on the Asset Utilisation budget due to a negotiated reduction in dilapidations for Riverside House and a general reduction in costs. There is also reduced stationery spend of £45k.	(684)
Property Staffing - underspend due to vacancies.	(278)
Schools PFI - underspend predominantly due to continuing poor performance resulting in contract penalty deductions (£832k). The poor Facilities Management performance has been assertively managed by the Council using all the contractual powers available, including the issuing of several breach notices and the escalation of complaints to the Managing Director of the Facilities Management provider. This has resulted in the development in January 2019 of an agreed Performance Improvement Plan between the Council's CEO, the Managing Director of the Facilities Management provider and the Managing Director of Northampton Schools Limited (the Special Purpose Vehicle established for the delivery of the PFI project). The current level of performance is improving albeit slowly and much more progress needs to be made. Additionally, blind replacement works will now be capitalised creating a revenue saving of £158k, which is partially offset by £227k increase in general repairs; professional services costs with regard to variations on the contract; and a small income reduction.	(763)
	(3,462)
Net Position – Place	(2,248)

6.49 **Technical Finance, Treasury and Insurance** is forecasting an overspend of £1,074k. This is a favourable movement of £135k from the position reported in Period 4. The reasons for this month's movements are set out below.

6.50 There is an additional £135k underspend in Treasury Management based on improved return on short term investments of funds borrowed from Public Works Loans Board (PWLB) in August 2019 ahead of the Council's loan repayment maturities later this financial year.

6.51 The total variations to budget in 2019-20 for Technical Finance, Treasury and Insurance are as follows:

Savings Delivery Pressure (£3,620k savings target):	£000
Under-delivery of savings proposals:	
- 17-008-07 car mileage proposal	150
- 18-003-05 / 17-004-07 procurement review: To date, £504k estimated savings have been identified against this combined target of £1.25m therefore leaving a pressure of £746k. Further discussions are being undertaken in order to identify areas where contract savings can be achieved.	746
- 18-003-04 voluntary redundancy (VR) - due to a fewer number of applications for VR than anticipated, as some of those posts remain essential; therefore could not be deleted.	821
Fees & Charges CPI inflationary uplift not achieved	687
New Assistant Chief of Staff post has been created to support the Commissioners in their work	77
	<hr/> 2,481
In year variation:	
Reduction in borrowing costs	(200)
Single Person Discount review – reduction in costs	(100)
Release of other minor variances	(42)
	<hr/> (342)
Management mitigation:	
Reserve replenishment no longer required - reserves replenished through use of the capital dispensation in 2018-19	(292)
Release of corporate growth proposal	(500)
Release of bad debt provision	(273)
	<hr/> (1,065)
Net Position – Technical Finance & Insurance	<hr/> 1,074 <hr/>

6.52 **Public Health & Wellbeing (PHW)** is reporting a forecast which is in line with net budget, the same position as reported in Period 4.

6.53 The majority of PHW is funded via the Public Health Grant (except £27k of NCC Base Budget in relation to the Health watch contract of £196k and a £223k

overhead contribution from the Adult Learning Service which is funded by an ESFA Grant). It is therefore expected that there will be no impact to NCC base budget position.

6.54 Public Health has built up a reserve of Public Health Grant over the past three years of £5.5m. Currently Public Health services have earmarked £1.2m of this reserve. This comprises £750k of Health & Wellbeing Grants to local Health and Wellbeing Board, £200k contribution to Country Parks, £100k to undertake social marketing training and associated campaign and a few other smaller projects which make up the remaining value.

6.55 There is currently £200k of grant funding unallocated in 2019-20. The period 4 unallocated grant funding was £1.1m of which £500k has been allocated to weight management across the life course and £400k allocated to Community development.

6.56 The total variations to budget in 2019-20 for PHW are as follows:

Savings Delivery Pressure (£23k savings target):	£000
Non-deliverable Public Health Proposal with saving not being achieved as published	12
	<hr/> 12
Management Actions:	
Additional underspend due to the full year effect of a 2018-19 contract reduction	(12)
	<hr/> (12)
Net Position – Public Health & Wellbeing	<hr/> 0 <hr/>

7 Funding

7.1 The net cost of Council services are funded from three areas: council tax, business rates, and government grants, as set out in the Table Two below.

Table Two: Funding 2019-20

Funding	Net Budget	Forecast Income at 31/03/20	Forecast Variance at 31/03/20
	£000	£000	£000
Council Tax income	(310,995)	(310,995)	0
Business Rates income	(102,820)	(103,956)	(1,136)
New Homes Bonus	(3,905)	(3,905)	0
Total NCC Funding	(417,720)	(418,856)	(1,136)

7.2 Forecast council tax income is based upon the budgeted council tax precept amount, together with tax base and collection rate information provided by district

and borough councils who collect council tax. The Council Tax income is a fixed amount for the year, as is New Homes Bonus

- 7.3 The Council is a member of Northamptonshire’s business rates pool. Following initial discussions with district and borough councils, it has been confirmed that the Council will receive an additional £1.1m above the amount originally budgeted. This is partly due to the amount of Section 31 grant due to be received being higher than originally forecast, and the Business Rates collection fund being in surplus at the end of 2018-19, rather than the deficit that had been forecast when the budget was set.

8 Reserves

Table Four: Reserves summary

General Fund Balances	£'000
General Fund reserve	20,000
Earmarked Reserves:	
Budget Delivery Reserve – <i>see paragraph 8.2</i>	7,605
Insurance reserve:	3,512
LGSS reserves	671
Service Carry Forwards of Partnership Funding	23
Public Health Reserve	5,539
Other Earmarked reserves	847
Total General Fund and Earmarked Reserves	38,197
Other Revenue Items:	
Budget contingency- <i>See paragraph 8.3</i>	2,114
Grand Total	40,311

- 8.1 The table above is an updated position of the Council’s General Fund and earmarked reserves. The Council has no plans to drawdown from the above reserves to offset the in year position.
- 8.2 The £7,605k Budget Delivery Reserve is after adjusting for committed drawdowns from Services in 2019-20.
- 8.3 Included in above table is the £2.1m budget contingency to support the Council’s ongoing financial health. The Council’s forecast position of £4.4m overspend does not include use of this budget contingency.

9 Transformation

- 9.1 A report introducing the Council’s Transformation Strategy was presented to Cabinet on 13th November 2018. This report set out the approach to the Council’s

Transformation Programme, which documents the objectives of the programme together with the projects and programmes being initiated. The Transformation Strategy was subsequently approved by the full Council meeting on 22nd November 2018.

- 9.2 A number of projects that are forecast to deliver savings in 2019-20 already approved for support through the Transformation Programme were reported and approved by Full Council. The costs associated with the delivery of each of these projects will be met through the flexible use of capital receipts, subject to having sufficient capital receipts available. There are strict rules that must be followed in identifying expenditure that qualifies to be funded in this way, and the Council is now complying with those rules.
- 9.3 The delivery of these projects and their forecast outcomes are being monitored closely in order to ensure that benefits are realised and that they continue to qualify for funding through this route. Finance officers continue to work closely with colleagues across the Council to review and analyse the activity that is being undertaken so as to deliver improved outcomes for the Council and reduce its cost base. Part of this process includes an evaluation of any additional resources required to deliver further transformation, which is subject to internal governance, review and approval.
- 9.4 An updated Flexible Use of Capital Receipts Strategy was agreed at Council on 20th June 2019. This included the latest listing of transformation activity that meets the criteria for funding through the application of capital receipts. The Quarter 2 Finance Report will set out the latest forecast spend and savings against the approved budget lines.
- 9.5 Table Four sets out the budget and latest forecast of the Council's Transformation projects for 2019-20 approved by full Council on 20th June 2019 which will be funded by flexible use of capital receipts. This includes some projects that commenced in 2018-19 and continue into 2019-20. The savings generated through this funding will be realised in 2019-20 and in future years. Some projects are enablers and savings will be delivered in other areas due to them being in place.

Table Four: Transformation Projects 2019-20

Transformation Projects 2019-20	Approved Budget Original Estimate 2019/20 £000		
	B/fwd. £000	2019/20 £000	Total £000
Agency Staff Conversion: Reduce the number of agency staff in social work teams through enabling their transfer into the Council's staffing establishment	293	-	293
Renegotiation of Contract: Appointment of legal advisors who will deliver the renegotiation of the Shaw PFI contract - savings to accrue from 2020/21 onwards	53	115	168
Local Government Reorganisation: Costs associated with the proposed local government reorganisation in Northamptonshire	375	575	950
Estimated voluntary redundancy costs associated with reducing the size of the workforce	0	1,000	1,000
A review of the pricing and delivery of Learning Disability services, changing the way we buy care services for adults with learning disabilities from private providers, to meet the increasing demand in the most cost-effective way. This will ensure we have more certainty of our cost and can consider better ways of providing improved outcomes.	289	434	723
Annual Cost of the Transformation Programme, as per Transformation Strategy	-	2,598	2,598
Committed Cost of the Unitary Programme	-	298	298
Libraries Transformation Programme- delivering provision of a fully comprehensive and efficient service	-	272	272
Transformation Roles in Children's service. Building delivery capacity	-	180	180
Single handed project - Reducing the level of resource associated with home care by using specialist equipment and training to reduce existing care or reduce care packages.	-	260	260
Canary Pilot - Installing monitoring systems to enable long term care package savings.	-	53	53
Total	1,010	5,785	6,795

9.6 The application of this strategy relies on the availability of sufficient capital receipts to fund the qualifying transformation expenditure. The latest capital receipt forecast indicates the following:

Table Five

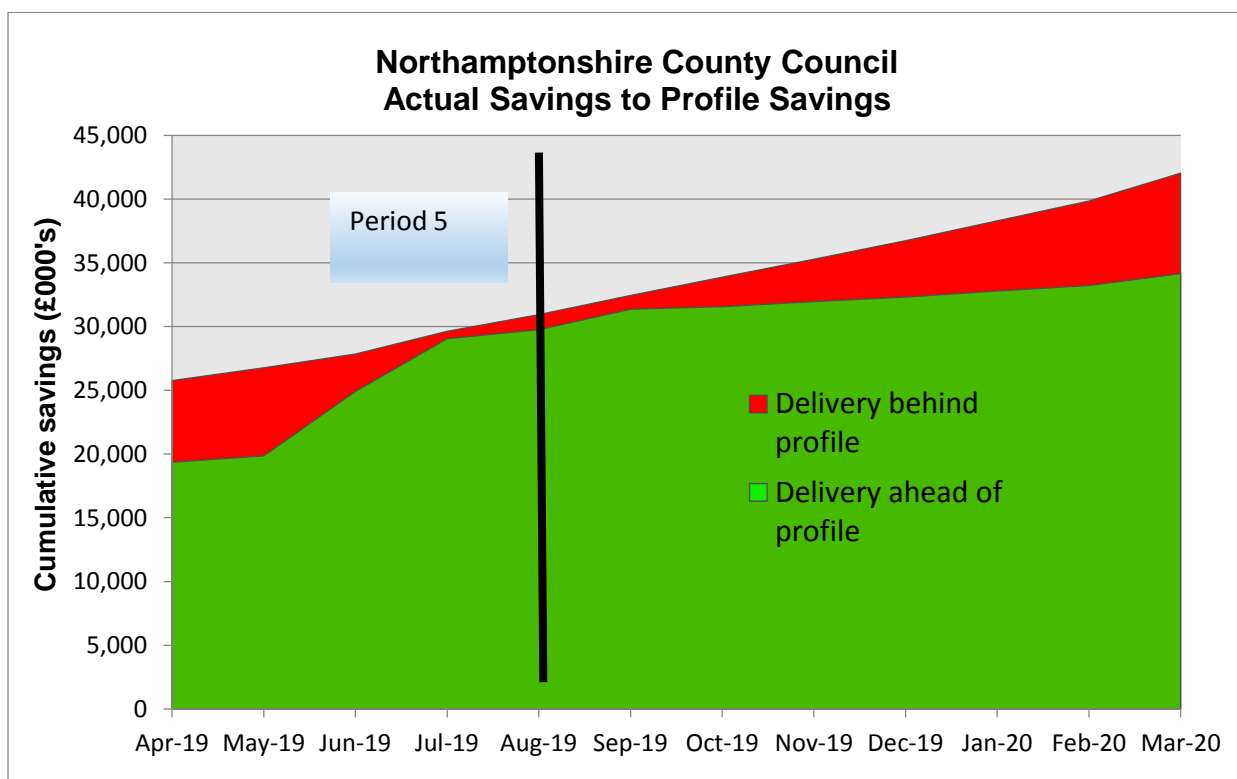
	£000
Unused capital receipts brought forward from 2018-19	3,232
Estimated receipts from sales 2019-20 (Risk-adjusted forecast)	7,102
Forecast of Total Available Capital Receipts	10,334

10 2019-20 Savings Delivery Performance

- 10.1 The Council has a total savings requirement of £43.4m in 2019-20. Of this, £41.4m is within 2019-20 budget set in February 2019; £1.1m is other savings measures embedded in the brought forward base from 2018-19; and £0.5m in income proposals, as set out in the table below. The deliverability of these proposals is being monitored by each accountable service lead, budget manager and senior officers.
- 10.2 The Transformation Programme is divided into four work streams – Children’s, Adults, Place and Corporate. Each work stream has its own Programme Board led by the Senior Responsible Officer, which will meet on a monthly basis throughout the year. The role of the Board is to provide robust governance and assurance by monitoring and managing programme progress, savings, impacts, risks, issues, interdependencies and benefits. This is to ensure that transformation and savings are delivered in line with corporate priorities, agreed savings targets and the Medium Term Financial Plan. Each programme Board will report to the central Transformation Board, chaired by the Chief Executive.
- 10.3 The latest assessment on the deliverability of the £43.4m savings proposals is set out in the Table below, by work stream.

Table Six: 2019-20 Savings Proposals

	Target Savings £000	Savings budgeted to be delivered at Period 12 £000	Variance currently forecast at Period 12 <i>Under/(Over) delivery</i> £000
Corporate Services	(1,701)	(1,635)	66
Children First Northamptonshire (CFN)	(10,296)	(4,552)	5,744
Place	(2,742)	(2,840)	(98)
Northamptonshire Adult Social Services (NASS)	(23,284)	(22,836)	448
Cross-cutting Programme	(3,220)	(1,903)	1,317
LGSS	(369)	(369)	0
Public Health & Wellbeing	(23)	(23)	0
Total, 2019-20 savings:	(41,635)	(34,158)	7,477
Place: Income proposal	(500)	(300)	200
Brought forward savings from 2018-19:			
Place <i>brought forward</i>	(825)	(121)	704
Cross-cutting <i>brought forward</i>	(400)	0	400
Total: Brought forward savings from 2018-19:	(1,225)	(121)	1,104
Grand Total	(43,360)	(34,579)	8,781



Delivery of Savings - Analysis of Variance between Original Budget Profile and Expected Delivery to Period 12.

11 Consultation and Scrutiny

- 11.1 All 2019-20 Budget proposals were consulted on prior to the budget being approved by Full Council in February 2019.
- 11.2 Any management interventions that require a policy change will be subject to a consultation before any decision is taken.
- 11.3 Where consultation is necessary, full details will be presented to Cabinet separately. Cabinet can only make a decision after taking careful account of the results of such consultation in order to reach an informed decision.

12 Equality Screening

- 12.1 Where material mitigating actions may have an impact upon specified groups of service users, an equality impact assessment will be carried out so as to ensure that the implications of change are fully understood.

Reason that no EqlA is required	✓ as appropriate
The paper is for information only	✓
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (Please explain further)	

Appendices

Appendix A – 2019-20 Variation to budget

Appendix B – 2019-20 NCC Budget Savings Tracker

Author:	Name: Iain Jenkins Team: Finance
Contact details:	Tel: 01604 364664 Email: IJenkins@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)?	YES Name of SFM: All

Have any capital spend implications been cleared by the Capital Investment Board (CIB)	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 Longley
Has the relevant scrutiny committee been consulted?	Overview and Scrutiny can review if required in their work programme
Has the report been cleared by Legal Services?	YES Name of solicitor: Debbie Carter-Hughes
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property Issues been cleared by Property and Asset Management?	NO
Procurement/ Contractual Implications: <ul style="list-style-type: none"> • Have you evidenced compliance with the Council's Contract Procedures Rules? • Have you identified where you are seeking Cabinet to approve an exemption from the Contract Procedure Rules and detailed the risks and mitigations? • Have you identified any EU or UK legislative risks associated with the exemption process such as non-compliance with the Public Contract Regulations Act 2015, transparency and open competition? • Have you identified the procurement or contractual risks associated with a contract? • Has the contract/procurement been subjected to the Council's Commercial Board? 	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health and Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	All