



# Northumberland

## County Council

CABINET

12 February 2019

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### **Financial Performance 2018-19**

Report of Alison Elsdon, Service Director Finance

Cabinet Member: Nicholas Oliver, Portfolio Holder for Corporate Services

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#### **1. Purpose of report**

1.1 The purpose of the report is to ensure that the Cabinet is informed of the current financial position for the Council against the Budget for 2018-19.

#### **2. Recommendations**

2.1 Members are requested to:

- note the report.
- note the projected underspend of £4.2 million.

#### **3. Link to Corporate Plan**

3.1 The Council's budget is aligned to the priorities outlined in the Corporate Plan 2018-21 "A Council that Works for Everyone".

#### **4. Key issues**

##### 4.1 Overall Position

4.1.1 A comprehensive review has been undertaken and the projected year end revenue budget position at the end of December is an underspend of £4.2 million.

4.1.2 The variances within each service area and for each Portfolio holder are shown at Appendix A (figures in brackets denote an underspend).

4.1.3 A summary of the position for each Portfolio holder is contained within the report.

- 4.2 In overall terms, financial progress towards delivery of the 2018-19 agreed savings targets is positive. However, there continues to be challenges in some areas, which if not addressed, could impact on the medium term planning position. Where issues have been identified mitigating actions have been or are being put in place by the relevant Portfolio holder and Executive Director.
- 4.3 Budget Reductions
- 4.3.1 The budget process for 2018-19 took account of a budget gap of £8.2 million. Progress in implementing the proposals is being rigorously monitored on a monthly basis as part of the budget monitoring process. The Executive Team also regularly monitors savings delivery and budget pressures. This is to ensure that the financial position is understood early and actions are put in place to compensate any shortfall.
- 4.3.2 Progress is in the main positive, but the position set out reflects the very difficult challenge that the Council faces in continuing to deliver significant savings.
- 4.3.3 In summary:
- Savings totalling £6.8 million have been fully realised to date or good progress is being made, and there is confidence that the saving will be fully achieved.
  - There are savings totalling £1.4 million where further work is required as a result of the service encountering a delay or an issue which does not enable the service to deliver the saving as it was envisaged. In these cases, corrective action or alternative options have been and are being considered to compensate for the shortfall. These areas require close attention to ensure a positive outcome and timely delivery of the savings target.
- 4.4 In addition to the savings pressures highlighted above, there are savings totalling £0.8 million from previous years which remain in the 2018-19 budget, of which £0.4 million are considered achievable in this financial year. However, £0.4 million remain unachievable this year and recurrently.
- 4.5 There are also emerging budget pressures totalling £3.4 million in respect of Adult Services and Children's Social Care. This has been recognised within the revised medium term financial plan and provision of £3.4 million has been made for Adult Services and Children's Social Care.
- 4.6 The existing pressures can be contained within the overall financial position this year, taking into account salaries vacancy management and savings in corporate budgets.
- 4.7 Monthly monitoring will continue and services will endeavour to minimise costs and maximise income streams.

## **5. Portfolio Budget Monitoring 2018-19**

### **5.1 Adult Wellbeing & Health**

The projected year end position for Adult Wellbeing and Health at the end of December is an underspend of £1.3 million.

Purchased external social care including client contributions is forecast to overspend by £2.7 million. The pressure on Adult Social Care is the result of an increased level of complex care packages; in particular, Child Care packages transitioning to Adults, and S117 clients being discharged from long term hospital care into a community setting. There are currently 4,362 clients receiving a care package funded by Adult Services. This figure includes 73 clients who each have a care package costing more than £0.1 million per year. The number of care packages in this bracket has increased by 16 since the start of the financial year.

The overspend is partially offset by an overachievement of S117 income, (£1.5 million) due to an increase in client numbers. Northumbria Healthcare NHS Foundation Trust funds 50% of the cost of packages for eligible clients.

The additional Adult Social Care grant funding of £1.5 million is included in the forecast. £1 million is being used to offset pressures and £0.5 million has been allocated to new pressures within commissioned care.

Vacant posts within this service will result in a forecast underspend of £1.7 million. This underspend is in addition to the savings proposal of £1.7 million which was agreed by Council in February in relation to a vacancy factor. There is also an overall underspend of £0.4 million on staffing-related budgets, which is consistent with the level of vacant posts.

### **5.2 Corporate Services**

The forecast year end position for Corporate Services is an underspend of £2.2 million. The significant issues are as follows:

#### **Revenues and Benefits**

A forecast underspend of £0.8 million is mainly attributable to an underspend on salaries of £0.5 million as a result of a number of vacant posts across the service; additional grant income of £0.2 million for new burdens funding; an underspend on the Social Fund of £0.1 million due to a reduction in demand; and the recovery of overpaid benefits of £0.3 million. The staffing savings replace the saving of £0.3 million relating to shared services. The budget pressure created by this unachievable saving has been taken into account in the preparation of the 2019-20 budget.

#### **Customer Services**

A forecast underspend of £0.2 million is mainly attributable to a number of vacant posts within the service and a part year underspend on the Head of Customer

Services post which was filled during the year.

#### Procurement

A forecast underspend of £0.1 million is mainly attributable to additional one off procurement rebate income and feed-in tariff income of £0.4 million; offset by a saving of £0.2 million in relation to commercial income which is not achievable this year or recurrently. This has been taken account of in the preparation of the 2019-20 budget.

#### Information Services

A forecast overspend of £0.7 million is mainly attributable to an underachievement of school service level agreement income of £0.3 million; an overspend of £0.2 million in relation to the new data centres in Darlington and Sunderland for one-off set up costs; and, and a saving of £0.1 million in relation to a reduction in the number of Microsoft licences which is no longer achievable. This pressure has been taken account of within the 2019-20 budget. In addition there are staffing savings of £0.2 million from 2017-18 and 2018-19 which have not been achieved and represent an ongoing budget pressure. There are also a number of staffing vacancies across the service totalling £0.1 million.

#### Corporate Finance

A forecast underspend of £0.4 million which largely relates to vacant posts across the service.

#### Legal Services

There is an increased financial pressure on the legal costs budget in excess of £0.3 million due to the demand for external legal advice to support complex cases.

#### Human Resources

A forecast overspend of £0.3 million is mainly attributable to savings targets amounting to £0.1 million that cannot be achieved; and, an under recovery of schools SLA income of £0.2 million as a result of schools withdrawing from the service. The savings pressure has been accounted for within the 2019-20 budget and the position in respect of the shortfall in schools SLA income is under review.

#### Corporate Budgets and Treasury Management

Corporate Budgets and Treasury Management areas are forecast to underspend by £1.8 million overall.

There are no significant issues to raise at this stage for the other service areas within this portfolio.

### 5.3 Culture, Arts & Leisure

There is a forecast overspend of £0.08 million. This mainly relates to a saving within Library services which will not be delivered in 2018-19 offset by an

underspend on the Head of Service post within this area. This pressure on the budget as a result of the saving which cannot be achieved has been taken into account in the preparation of the 2019-20 budget.

#### 5.4 Children's Services

The forecast overspend at the end of December is £2.0 million on the core Council budget. There was growth of £3.0 million added to the Children's Social Care budget in 2018-19 to help tackle the existing cost pressures.

The budget for Out of County combined residential placements is expected to overspend by £3.0 million (33 placements - December 2018) including the cost of additional support staff. The original budget would support 14 placements based on average cost and although some growth has been added to this budget in 2018-19 it is insufficient to cover current levels of demand and complexity.

Supported accommodation is forecast to overspend by £0.4 million, this includes both the cost of the accommodation and the support package.

Overspends are expected on Special Guardianship and Residential Orders totalling £0.7 million due to demand pressures. This is in addition to growth for 2018-19 of £0.6 million.

Overall there is a staffing underspend of around £1.0 million across the various teams.

An overachievement of external income (£0.3 million) due to occupancy levels at Kyloe House remaining constant is forecast. The step-down unit, containing an additional two beds has been inspected by Ofsted and is anticipated to be open by the end of January 2019.

There are also predicted underspends of £0.4 million on the activities and day care budget for the Family Support Service.

An overspend of £0.3 million on the SEN Home to School transport service is forecast. Growth of £0.9 million was approved for 2018-19, but the number of students continues to rise (currently 1,142 compared to 1,095 in December 2017).

The School Improvement Service is predicted to underspend by £0.3 million as in-house staff have provided the service to schools reducing the need for consultants as well as lower than expected demand for support for schools causing concern.

The Corporate Apprenticeship budget is anticipating an underspend of £0.2 million. The service received growth of £0.9 million for 2018-19 and the target is to create 400 apprenticeships, but current numbers suggest around 255 are in post.

#### 5.5 Economic Development

There are no significant issues to raise at this stage.

## 5.6 Environment & Local Services

Overall there is a predicted underspend of £2.1 million. The significant issues are as follows:

### Neighbourhood Services

There is a forecast overspend of £0.1 million. There is an underachievement of a previous years savings target to improve vehicle utilisation in order to operate with a reduced number of vehicles across local services; and the markets budget is not achieving the planned surplus but is forecast to break even. There are pressures in Waste Services mainly relating to additional fuel costs and additional costs for the supply of bins.

### Waste PFI Contract

The forecast position shows an underspend of £1.1 million. Sale of electricity from the Energy from Waste Plant to suppliers is at a higher price than was originally anticipated within the budget for the period November 2018 to 31 March 2019. In November 2018, the Council went to the market and secured a 12 month price for sale of electricity from 1 April 2019.

The planned down time of the energy from waste plant is reducing due to Suez investing in new heaters and pipework. This has led to improved performance as the number of blockages on the line has reduced, resulting in less downtime. This is a budget proposal for 2019-20 that is being delivered earlier than planned.

### Technical Services

The Home to School Transport budget is forecast to underspend by £1.2 million. There has been significant effort to review school transport routes and to maximise and maintain the efficiency of the school transport network. This has meant that general school transport costs have been lower than budget and this has assisted to offset the increased costs associated with the introduction of free Post 16 transport. The school transport budget was increased by £1.4 million to allow for the introduction of the new post 16 transport policy. However, Post 16 transport take up has been lower than expected, particularly for year 13 students who had already made their own transport arrangements last year and have opted to continue with their own arrangements rather than seek provision from the Council. It has also been possible to accommodate a significant proportion of post 16 transport requirements through the existing school transport network arrangements at minimal additional cost. It is anticipated that take up will increase next year as further cohorts of pupils move into post 16 education; and, awareness of the scheme increases.

## 5.7 Planning, Housing & Resilience

Overall, there is a projected underspend of £0.6 million. The significant issues to report are as follows:

### Planning

There is an anticipated underachievement of planning fee income of £0.4 million due to a downturn in the number of major applications submitted. Currently fee income is £0.3 million less than the profiled budget (the budget was increased by £0.45 million in 2018-19 and £0.35 million in 2017-18).

In year additional S38/S278 income of £0.8 million is expected as a result of previously agreed developments now coming to fruition. This is offset by additional staffing and design costs associated with delivering the additional income of £0.3 million. This income budget was increased by £0.35 million for 2018-19 and, whilst this is achievable in the current financial year this is potentially not sustainable in future years.

### Housing and Public Protection

There is income of £0.1 million forecast, relating to eleven Right to Buy clawback receipts in Housing Services for which there is no budget. The agreement end date is 2 November 2018; and, currently 8 have been received and confirmation of payment has been received for the remainder.

There is a forecast underspend of £0.3 million in the Public Protection and the Safer Communities budget mainly due to vacant posts, and reduced spending on staffing-related budgets.

### Fire and Rescue

There are no significant issues to raise at this stage.

### Housing Revenue Account

The projected year end position for the Housing Revenue Account is an underspend of £1.7 million. The budgets for salaries, depreciation charges, and the provision for bad debts are expected to be significantly underspent.

## 6. Other Relevant Considerations

The report identifies a number of risks in relation to the delivery of budget savings. However, the actions being taken in year are considered sufficient to mitigate the financial risks identified.

## Implications

<b>Policy</b>	This is the first year of this Administration's Medium Term Financial Plan; and, it fully supports the priorities outlined in the Corporate Plan 2018-21 - A Council that Works for Everyone.
<b>Finance and value for money</b>	The Council remains under significant financial pressure. The projected year end revenue position as at the end of December is an underspend of £4.2 million.
<b>Legal</b>	There are no specific legal implications within this report.
<b>Procurement</b>	There are no specific procurement implications within this report.
<b>Human Resources</b>	There are no specific human resources implications within this report.
<b>Property</b>	There are no specific property implications within this report.
<b>Equalities</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	There are no specific equalities implications within this report.
<b>Risk Assessment</b>	The risks associated with the budget were considered in February 2018 and were considered to be acceptable.
<b>Crime &amp; Disorder</b>	There are no specific crime and disorder implications within this report.
<b>Customer Consideration</b>	There are no specific customer consideration implications within this report.
<b>Carbon reduction</b>	There are no specific carbon reduction implications within this report.
<b>Wards</b>	All wards.

## Background papers

Cabinet: 13 February 2018 Medium Term Financial Plan and 2018-22 and Budget 2018-19

## Report sign off

	Name
Monitoring Officer/Legal	Liam Henry
S151 Officer	Alison Elsdon
Relevant Executive Director	N/A
Chief Executive	Daljit Lally
Portfolio Holder(s)	Nick Oliver

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<b>Executive Director</b>	<b>Year End Forecast £000</b>
Adult Social Care & Commissioning	(1,317)
Chief Executive	88
Children's Services	2,000
Corporate Funding & Strategic Finance	(1,801)
Finance	(1,047)
Human Resources	571
Place	(2,655)
<b>Total for all services</b>	<b>(4,161)</b>

<b>Portfolio Holder</b>	<b>Year End Forecast £000</b>
Adult Wellbeing & Health	(1,317)
Corporate Services & Cabinet Secretary	(2,237)
Culture, Arts & Leisure	79
Children's Services	2,000
Economic Development	0
Environment & Local Services	(2,116)
Planning, Housing & Resilience	(570)
<b>Total for all portfolios</b>	<b>(4,161)</b>