AGENDA ITEM

REPORT TO EXECUTIVE SCRUTINY COMMITTEE

19 NOVEMBER 2019

FINANCIAL UPDATE AND MEDIUM TERM FINANCIAL PLAN (2019/20 QUARTER 1)

SUMMARY

This report summarises the Council's financial performance and position at the end of the first quarter of the 2019/20 financial year and updates the Medium Term Financial Plan (MTFP) accordingly.

- Projected financial pressures amounting to £1,268,000 are evident based on information for the first three months of the financial year. Many of the pressures relate to Children's Services and the report also includes an update on the issues facing Children's Services and the activities underway. The position will continue to be closely monitored and managed throughout the remainder of the financial year.

- The report also presents an update on the Capital Programme. No significant programme revisions are reported in the first Quarter 2019/20.

REASONS FOR RECOMMENDATIONS/DECISIONS

To update Members on the Medium Term Financial Plan.

RECOMMENDATIONS

1. That the update to the Medium Term Financial Plan and the current level of General Fund balances be noted.

2. That the revised Capital programme at **Appendix A** be noted.

DETAIL

FINANCIAL POSITION AS AT 30 JUNE 2019

GENERAL FUND

1. The following table details the projected budget outturn position for each Directorate in 2019/20, based on information to 30 June 2019.

Directorate	Annual Budget £'000	Projected Outturn £'000	Projected Variance Over/(Under) £'000
Children's Services	36,830	39,605	2,775
Adults and Health	73,406	71,966	(1,440)
Community Services	29,000	30,080	1,080
Economic Growth & Development	8,246	8,246	0
Culture, Leisure and Events	9,194	9,194	0
Finance & Business Services	8,296	8,596	300
HR, Legal and Communications	5,044	5,044	0
Corporate Areas	1,136	174	(962)
Admin/Democratic Services & Xentrall	7,711	7,711	0
Total	**178,863**	**180,616**	**1,753**
Application of Underspend c/f from 2018/19		(485)	(485)
Revised Total	**178,863**	**180,131**	**1,268**

The reasons for any significant projected variances (in excess of £100,000) are set out for each directorate below.

Officers will continue to manage budgets carefully and explore opportunities to reduce the projected pressure.

Children's Services

2. A significant increase in the number of Children in our Care in the early months of the year is leading to a large increase in projected expenditure, particularly on residential placements (£1,860,000) and fostering placement costs (£526,000). Associated Social Care staffing costs, across various teams, are also expected to exceed budget (£300,000).

3. A paper is attached to this report at **Appendix B** outlining the issues and challenges, together with the Council's response.

Adults and Health

4. Lower than anticipated activity and expenditure on care packages, particularly for Older People (£425,000), Learning Disability Services (£449,000) and Mental Health Services (£305,000) is leading to a projected underspend. In addition, ongoing savings of £306,000 have been identified in Public Health Budgets.

Community Services

5. Reducing amounts of external work and income are resulting in a projected pressure
    - Heating, Ventilation and Electrical Services (HVE) - £657,000
    - Highways - £241,000
    - Catering/Cleaning - £281,000

    Smaller scale pressures on other areas are offset by an underspend on Community Transport. Work is ongoing in each of these three areas to consider the impact on the future MTFP.

Economic Growth and Development

6. No significant variance identified in the first three months of the financial year.

Culture, Leisure and Events

7. No significant variance identified in the first three months of the financial year.

Finance and Business Services

8. The budget for Rent Allowances/Housing Benefit is volatile and complex. The introduction of Universal Credit has impacted on the mechanisms to recover overpayments and this is resulting in a pressure of £300,000.

HR, Legal and Communications

9. No significant variance identified in the first three months of the financial year.

Corporate Areas

10. An element of unallocated Better Care Fund (BCF) can be utilised to support the MTFP. The negotiation of the concessionary fares contract has also meant that the planned inflation budget is not required.

Admin/Democratic Services and Xentrall

11. No significant variance identified in the first three months of the financial year.

General Fund Balances

12. The Council aims to retain General Fund Balances at a prudent level, currently £7,400,000. The position at year-end 2018/19 beyond that already built into the MTFP, exceeded this sum by £485,000. This amount is available to be applied to partly offset the projected overspend in 2019/20.

13. Should the position summarised in the paragraphs above materialise at year end, then there will be a requirement to utilise balances of £1,268,000. This amount would require to be addressed in the MTFP for 2020/21 to restore balances to the recommended level.

CAPITAL

14. The Capital Programme is shown at **Appendix A** and summarised in the table below:

CAPITAL PROGRAMME Up to 2022	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
Schools Capital	43,284	0	43,284
Housing, Regeneration & Town Centres Schemes	55,431	0	55,431
Transportation	7,576	69	7,646
Other Schemes	27,136	(21)	27,115
Total Approved Capital MTFP	**133,427**	**48**	**133,476**

There are no significant programme revisions (over £100,000) to report.

COMMUNITY IMPACT IMPLICATIONS

15. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this report.

CORPORATE PARENTING IMPLICATIONS

16. No direct implications.

FINANCIAL IMPLICATIONS

17. The report summarises the financial position for 2019/20 based on information for the first quarter of the financial year.

LEGAL IMPLICATIONS

18. None

RISK ASSESSMENT

19. This update to the MTFP is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

20. Not applicable

BACKGROUND PAPERS

21. Medium Term Financial Plan Update and Strategy – Council 27 February 2019.

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APPENDIX A

CAPITAL PROGRAMME Up to 2022	Current Approved Programme	Programme Revisions	Revised Programme	Expenditure on Programme to Date
SCHOOL CAPITAL				
School Investment Programme	43,284,482	0	43,284,482	2,219,050
SCHOOLS CAPITAL	**43,284,482**	**0**	**43,284,482**	**2,219,050**
HOUSING REGENERATION & TOWN CENTRES SCHEMES				
Housing Regeneration	1,976,162	0	1,976,162	4,343
Stockton Town Centre Schemes	19,854,207	0	19,854,207	4,408,207
Reshaping Town Centres	30,000,000	0	30,000,000	7,460,098
Infrastructure Enhancements, Regeneration & Property Acquisitions	3,600,311	0	3,600,311	125,893
HOUSING, REGENERATION & TOWN CENTRES SCHEMES	**55,430,680**	**0**	**55,430,680**	**11,998,541**
TRANSPORTATION				
Local Transport Plans	4,984,593	61,837	5,046,430	31,999
Other Transport Schemes	2,279,276	0	2,279,276	199,339
Developer Agreements	312,453	7,500	319,953	233,235
TRANSPORTATION	**7,576,322**	**69,337**	**7,645,659**	**464,573**
OTHER SCHEMES				
Private Sector Housing	2,213,323	29,254	2,242,577	184,510
Building Management & Asset Review	975,903	(50,000)	925,903	41,666
Parks, Museums & Cemeteries	7,831,243	0	7,831,243	5,166,776
Energy Efficiency Schemes	340,000	0	340,000	0
Leisure Facility Ingleby Barwick	13,300,000	0	13,300,000	4,795,448
Other Schemes	2,475,548	0	2,475,548	464,901
OTHER SCHEMES	**27,136,017**	**(20,746)**	**27,115,271**	**10,653,301**
Total Approved Capital MTFP	**133,427,501**	**48,591**	**133,476,092**	**25,335,465**

Appendix B

Children in our Care – how we are responding to the challenges of increasing demand and budget pressures, and where next

Context – what's the issue?

1. In common with most other local authorities we are continuing to see an increase in the number of children in care, associated most often with a need to safeguard children from abusive or neglectful situations.
2. The rate at which children are being brought into care has reduced, but the rate at which children leave care has also fallen significantly
3. There is therefore a volume issue – and an increasing challenges of being able to find children safe and sustainable placements whilst in our care.
4. We do not have enough of our own foster carers to provide homes for children, and so we have to rely on independent fostering agencies (IFA) for some placements.
5. There is a significant residential care market issue – with a provider led residential care market which leads to significant cost pressures, and a lack of provision and choice which can meet needs
6. Courts continue to be risk averse – focusing on the agreement of care orders often where other forms of interventions could be as effective. This is a significant issue for the two courts in the north east.

How we compare

7. Nationally rates are increasing.
8. The North East has the highest rate of children in care as a region.
9. Our rate of children in care is 4/12 in the North East.

Our strategy and response

10. We are tackling these issues by:

    a. Working ***intensively to prevent family breakdown*** – we have invested in a range of edge of care solutions such as the Our Place which works with families and provides short periods of accommodation where this can help reduce pressure
    b. We have developed ***Family Group Conferencing (FGC)*** as an evidence based approach to working with families where there is a risk of coming into care
    c. We have developed proposals for a ***'Going Home' team*** to work with families where the plan is for children and young people to go back to birth families- this should help to increase the rate at which children leave care
    d. We are expanding the places and changing the nature of some of ***our residential care provision*** to create extra capacity, and to enables us to step into the market
    e. We are focusing on the ***contracting and monitoring of placements*** to ensure value for money with providers – moving these roles from social care teams to procurement experts
    f. There is a ***regional approach to the commissioning of residential placements*** operating as a framework contract
    g. We are working with IMPOWER to identify how we can better match needs of children and young people, with outcomes and costs of provision so we can **focus more on needs rather than risks** and lead to better placement decisions
    h. We have worked with Dartington Design Lab to **understand gaps in service and provision** and also to design an approach which can model different forms of interventions across the system, so we can target our resources better

i. **Locating partner agencies as close to teams as possible –** domestic abuse support and drug and alcohol support embedded with social care teams. This leads to faster support, upskilling of front line workers

How effective are we being?

11. Evidence in 2019/19 of having reduce the rate of children entering care, and a stabilisation of the rate overall after a significant increase in April – June 2018 period. A similar spike has been experienced in April – June 2019.
12. Edge of care and FGC services are individually showing good outcomes – with the avoidance of care a clear outcome of both new services
13. However, rates remain high, increasingly resulting in the need for IFA and external residential care at high cost.

Where next?

14. Whilst continuing with the overall systems based strategy as above, we are focusing on:

    a. Locating support services alongside social care teams to provide a more complete **'family safeguarding approach'** - CAMHS, learning disability, adult mental health. This should lead to more intensive working with families to prevent breakdown
    b. Reviewing our **approach to family working** – ensuring that family working is supporting the families most in need – to prevent breakdown and support children going back home earlier
    c. Redesigning our social care teams to **reduce the number of transfers** between teams to focusing on relationships with families
    d. Exploring **collaboration on fostering services** with neighbouring authorities **–** to increase capacity **and develop more efficient shared services**
    e. **Exploring options on collaboration on residential care provider roles –** expanding the range of in-house provision and more effective management of the market
    f. Opportunities to **accelerate the rate at which children leave care through independent living and through special guardianship**
    g. Exploring how we can develop a more **joined up needs assessment process** across education, health and social care to address the separate nature of current processes