

CABINET

28 SEPTEMBER 2017

RESOURCES REPORT

Relevant Cabinet Member

Mr S Geraghty

Relevant Officer

Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses his conclusions concerning revenue budget monitoring up to 31 July 2017;**
 - (b) **notes the current progress regarding the service reforms programme;**
 - (c) **recommends that Council approves the addition of £4.1 million to the Capital Programme for Phase 3 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services to be funded by revenue savings from the projects; and**
 - (d) **endorses his conclusions concerning capital budget monitoring up to 31 July 2017.**

Introduction

2. This report outlines the 2017/18 outturn forecast for the Council's £324 million Revenue budget and £137 million Capital budget, and progress to date on the service reforms programme.

3. A recommendation is being made for Council to approve an increase of £4.1 million to the Capital Programme for Supported Living Accommodation.

Revenue Budget Monitoring 2017/18 – Outturn forecast as at Month 4 31 July 2017

Overall Financial Position

4. The County Council's authorised cash limited budget for 2017/18 is £324 million. When taken together with the amount of money spent by the County Council that is received through specific grants and miscellaneous income the County Council spends over £1 million per day on providing services to residents and service users.

5. As reported previously, the setting of a balanced budget for 2017/18 included £8 million of one-off revenue support in year that needed to be replaced by recurrent means in the medium term particularly in light of an increased draw down of earmarked reserves and general balances in 2016/17 and an increase in the slippage of savings moving into 2017/18.

6. After the first four months of 2017/18 and forecasting for the remaining eight months of the financial year an overall financial pressure of £7.5 million is anticipated. This represents 2.3%

of the County Council's revenue budget for which mitigating action is needed to ensure net expenditure is contained within cash limits.

7. The financial pressures set out below have been mitigated to an extent by emerging savings delivered of around £0.9 million through Treasury and Debt Management as well as £1 million of savings delivered through the pre-payment of the County Council's employer Pension costs following the most recent actuarial review.

8. The three main factors for this financial pressure are:

- a. An overspend pressure due to increased demand within our Children's Services Safeguarding and Placements of £6 million;
- b. Net cost pressures of around £2.3 million across services which includes reforms under the County Council's Transformation Programme for 2017/18 that cannot be offset in year by other means in cash terms in year; and
- c. Additional costs of around £1 million being experienced in the waste budget as a result of the additional efficiency of the Energy from Waste plant above plan following its commissioning earlier this year.

9. The emerging financial pressure is presented after taking account of known actions at this point in the financial year. The County Council is working hard across all services to identify ways in which further efficiencies can be achieved in 2017/18 to ensure, where possible, this financial pressure can be supported and offset by compensating reductions in expenditure elsewhere.

10. However, given the scale of the overspend due the increasing demand particularly into Children's Services Safeguarding and Placements it is likely that the County Council will need to consider other means of achieving the delivery of its services within its cash limited budget of £324 million in addition to these efficiencies prior to the end of the 2017/18 financial year. Should this not be achieved in 2017/18, when taken alongside the requirement to identify and deliver savings of £60 million across the following three years, this would present a real risk to the delivery of a balanced budget in the future.

Overspend pressure due to increased demand into Children's Services Safeguarding and Placements

11. The County Council's aspiration for children and young people in Worcestershire is for them to grow up and thrive within the county. It is therefore vitally important that we support children and young people within the County wherever it is safe to do so. It is also important where children or young people have needed to move out of county for a period that we facilitate a move back to Worcestershire as soon as possible.

12. Members will recall that the February 2017 Cabinet budget report acknowledged that whilst all efforts were made to make a prudent budget allocation into Children's Social Care for 2017/18, there remained a risk that in order to make improvements at the required pace following the Ofsted judgement, this may impact on the financial recovery plan. The County Council's Placement budget is around £35 million.

13. Since setting the 2017/18 Budget in February 2017 it has become clear that further demand pressures exist within the service across the remainder of the 2017/18 financial year to ensure the outcomes set out in the County Council's 'Working Together' Plan are delivered and this is reflected in the outturn forecast for 2017/18. In particular, this requirement has materialised in the period immediately following the setting of the 2017/18 budget for three reasons:

- a. An increase in the numbers of Children Looked After from 732 at 1 January 2017 to 791 at the end of July (Month 4) or 8%;
- b. Of this new cohort of Children Looked After, an increase in the complexity of needs; and

- c. An significant increase in the level of resources needed within the existing population of Children Looked After as at 1 April 2017 that have required packages of care to be increased.

14. The factors set out above have required significant and intensive support to provide the improvements required in services for children and the safeguarding teams that support those children leading to an overspend pressure due to increased demand of at least £6 million to be reflected in the Children Looked After placement budget for 2017/18.

15. The Children's Social Care service has fully utilised their full year £1.2 million risk contingency for placements demand by Month 4, and there is a risk that these costs could increase further during 2017/18 if demand continues over the remaining months of the year in excess of forecast. Although the impact of children leaving services will mitigate this risk, this continues to be the subject of close financial monitoring.

16. This outturn forecast assumes the successful delivery of activity described below to:

- Reduce the number of new entrants where it is safe to do so "Edge of Care";
- Increase in house foster care provision to create a resilient resource to meet need and demand;
- Challenge the rise in placement breakdowns and residential demand; and
- Increase internal residential provision to meet need and demand.

17. The overspend pressure within services for Children Looked After is consistent with that facing a number of other local authorities nationally following the County Council's Ofsted review and judgement. This is reflective of the protective safeguarding work being undertaken in the service with children subject to child protection and pre-proceedings work and work is underway to ensure improvements in the service enable both better outcomes for Children and where possible for those outcomes to be provided through the best value for money solution.

18. The level of children now in the care of the County Council's has risen and now stands at 67 per 10,000. This level is above the national average of 60 per 10,000. Following the initial increase in the levels of Children Looked After at the end of 2016/17, the increase experienced and described above in the first four months of 2017/18 is now similar to new starters in the same period last year.

Adult Social Care

19. Across the whole of the country, councils are facing pressures to meet the challenges of an ageing population and Worcestershire is no different. This Council's focus for Adult Social Care is to ensure Worcestershire residents are healthier, live longer, have a better quality of life and remain independent for as long as possible.

20. The Adult Social Care budget represents the single largest budget managed within the County Council, much of the expenditure incurred in this area being led by demand for services. The forecast for the Adult Social Care budget is to break even on its £131 million budget. However, included within this forecast is one off elements of financial support totalling £8.2 million through a mixture of grants and other one off funding which will need to be replaced by recurrent funding or service efficiencies in the future.

21. The service is presently managing additional demographic cost pressures in Adult Social Care services within its cash limited budgets. However, should the demographic pressures increase then the service will need to review all areas of income and how these are applied to services to ensure the delivery of outcomes within its cash limited budget for 2017/18.

22. The service continues to monitor the risk of further financial pressure being exerted on this budget by NHS Targets around Delayed Transfers of Care that are yet to be agreed.

Mitigating Efficiencies

23. The forecast cost pressures are partially offset by a £1 million saving arising from a pre-

payment of the County Council's employers' pension contributions to the Worcestershire County Council Pension Fund and £0.9 million favourable variance on money market activity where the County Council manages effectively its Debt and Investment portfolio.

24. The prepayment of the Pension Fund has been undertaken alongside a number of the District Councils in Worcestershire as well as County Council's across the County to benefit from the discount offered by the Actuary for investing contributions earlier than assumed in the Actuarial Forecast to take advantage of investment returns that are in excess of the costs of borrowing from the Public Works Loans Board on a short term basis.

25. There is significant risk however that the financial resilience the County Council has previously had the benefit of, through active management of grant and other earmarked reserves, will diminish and the flexibility to support recurrent expenditure in the medium term will be put under greater pressure.

Medium Term Financial Planning

26. Turning to the County Council's Medium Term Financial Plan, the Medium Term Financial Plan approved by Full Council in February 2017 anticipated a need for around £60 million of new expenditure reductions or increases in income over the 3 year period 2018/19 to 2020/21. Indications from emerging work are that this requirement may remain broadly the same as the County Council commences its latest planning round as future service contingencies can be deployed to support the emerging overspend pressure due to increased demand within Children's Social Care Services.

27. However, an important part of the County Council's medium term financial planning will be to consider the outcome of financial performance in 2017/18 and any carry over to future financial years of service income and expenditure pressures. This means that it is important for the County Council to take all action necessary to remain within its cash limits as far as possible for 2017/18.

28. The formal strategic review will shortly commence to confirm how this is profiled across the next three years, 2018/19 to 2020/21 inclusive and will be considered formally as part of the Draft Budget process and Cabinet Papers later on in this financial year.

29. The County Council will continue its successful approach of being proactive and planning for change, listening to ideas, concerns and opinions. The development and refinement of the plan to deliver services within the resources available across the medium term has commenced with the intention of developing clear plans for consideration as part of the Draft Budget in December 2017.

30. The County Council will be seeking the views of all our services users, residents and partners to help shape our future service delivery along with our public sector partners across Worcestershire.

31. The County Council has already discussed its priorities and shared the refreshed plan for the county with more than 1,400 people at Worcestershire County Council's annual Resident Roadshows. This is the largest number since the roadshows started seven years ago. The final Roadshow was held in Droitwich on September 10th 2017

Transformation Programme Update

32. The programme has the clear intention of delivering the changes needed to support the County Council's refreshed plan for the county, Shaping Worcestershire's Future four key priorities: Open for Business, Children and Families, The Environment, and Health and Well-being. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the corporate plan vision.

33. We shape our decisions around what residents tell us are most important to them. People tell us that their priorities are maintaining the highways, safeguarding vulnerable children and protecting vulnerable adults. We invest in those people who need it most. Two thirds of the Council's budget is spent on providing social care for adults and children, young people and

families in the county.

34. The transformation programme target for 2017/18 is £27.9 million. This includes £6.5 million of projects carried forward from previous financial years (of which £1.7 million has now been delivered).

35. The delivery of the programme is governed by the Corporate Business Board and there are current years saving projects totalling £12.1 million at risk of non-delivery during the current financial year. Services are mitigating much of this through holding back expenditure in other areas or temporarily through use of one off earmarked reserves, and will continue to work on ensuring all savings and reform plans are achieved.

36. Where there are net additional cost pressures that relate to forecast slippage in transformation programmes that are forecast not to be achieved in 2017/18 and where replacement in year cash savings cannot be found, work is in hand to identify alternative measures.

37. The Transformation Programme is currently being reviewed in detail and further updates to this forecast will be provided as this review concludes in time for the revisions to the forecast as at the end of August 2017. The main net pressures in relation to the Transformation Programme relate to Education and Skills, cultural services and central services cost pressures.

A focus on the Economy

38. The County Council has continued to manage an increased financial challenge whilst at the same time achieving significant improvements. Highlights include:-

- Worcestershire has the fastest growth in productivity in the country. The county's productivity grew by an average of 3% each year over the last five years, according to the ONS;
- Almost £72 million of Growth Deal funding has been secured by Worcestershire for agreed economic projects in the county;
- Unemployment in Worcestershire stands at 1.3% of the 16-64 population, which remains significantly below the regional and national levels;
- Nearly 20,000 apprenticeships have been delivered in Worcestershire in the last 5 years;
- Around £53 million is being spent by the County Council and its partners on rail improvements up to 2019 including stations such as Kidderminster, Worcestershire Parkway and work already completed at Foregate Street in Worcester, Malvern Link and Bromsgrove;
- A scheme to invest an extra £6million into improving Worcestershire's pavements was launched in August. The additional money over the next two years will more than double the original investment into pavements, meaning more than 50 extra miles of local pavements can be improved. That's the equivalent distance from Worcester to Oxford;
- Worcestershire is leading the way when it comes to electric vehicles and installing charging points. There are 723 electric vehicles registered in Worcestershire, more than any other area of the Midlands except for Birmingham, according to latest figures; and
- The quality of care for the elderly in Worcestershire is amongst the best in the country according to the Care Quality Commission.

Adult Social Care Revenue Grants 2017/18

39. Cabinet have previously advised that the County Council was awaiting notification on some specific revenue grants relating to adult social care. In July 2017 the County Council received

confirmations of the amounts of these grants, which were in line with the budgeted expectations:

- **£0.2 million Social Care in Prisons**

The Care Act established that the local authority area in which a prison, approved premises or bail accommodation is based will be responsible for assessing and meeting the care and support needs of the offenders residing there. The grant is to assist in this provision.

- **£0.1 million War Pensions Scheme Disregard**

Regular payments made to veterans under the war pensions scheme are no longer to be taken into account when conducting social care financial assessments. Government funding has been allocated to local authorities to allow for this change in policy.

- **£0.3 million Local Reform and Community Voices**

This grant is comprised of funding streams for Deprivation of Liberty Safeguards in hospitals, local Healthwatch and funding for the Independent NHS Complaints Advocacy Services.

Dedicated Schools Grant 2017/18 and 2018/19

40. Since the last Cabinet meeting there have been some announcements about the Dedicated Schools Grant (DSG) position for 2017/18 and the National Funding Formula for schools in the future. The Council received confirmation of the DSG revised position for 2017/18. The Schools and High Needs blocks have not changed. However, the Early Years DSG for 2017/18 has been confirmed as £28.42 million, which is £2 million less than the indicative figure notified in December 2016. The allocation is based on the January census numbers and reflects the actual current position. However, if numbers have increased after the census this has the potential to create a budget pressure. The situation will be closely monitored during the autumn term.

41. On 17 July 2017 the Secretary of State for Education made an announcement on School Funding for 2018/19. The statement confirmed that a new National Funding Formula will be introduced as planned and that every local authority is to see a rise in its per pupil funding for schools as a result. A further statement was made on 14 September 2017, which confirmed the National Funding formula position for local authorities. As a consequence of the new formula, the Dedicated Schools grant for Worcestershire will see a predicted funding increase of 2.4% in 2018/19 and a further 1.5% in 2019/20. Officers are working through the detail to confirm the implications for individual schools in Worcestershire.

42. Local authorities will be able to continue to set a Local Schools Funding Formula for individual schools' budgets in 2018/19 and 2019/20, in consultation with schools in their area to allow longer transition to the National Formula Funding position to provide stability for schools, if considered necessary.

Capital Programme Budget Monitoring - 2017/18 Outturn forecast as at Month 4 31 July 2017

43. The approved Capital Programme budget for 2017/18 has been updated to show a forecast outturn which includes unspent expenditure brought forward from 2016/17, new capital additions, and revised cash flows.

44. Based on this revised budget, it is currently forecast that expenditure totalling £137 million will be incurred this financial year, with investment in the following significant projects:

- £21.1 million – Worcestershire Parkway Regional Interchange

- £11.8 million – Worcestershire Southern Dualling – Phase 3
- £4.6 million – Highways Flood Mitigation measures
- £4.0 million – Kidderminster Railway Station Enhancement

Additions to the Capital Programme - Phase 3 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services

45. The development of in-house services allows the County Council to achieve this aim and is also more cost effective than the external market. This development is a key part of the Children's Social Care Financial Recovery Plan in response to the increasing financial demand which is being placed on the Children's Services Placement Budget. The investment will support significant cost avoidance opportunities from 2018/19 onwards based on the need to source properties, develop them to meet the specific needs of the children and young people and recruit additional staff.

46. Summarised in the table below are a series of investments that are proposed to support the Financial Recovery Plan in Children's Services. Each area of investment is supported by way of a short explanation below this table. Following advice from Place Partnership, our property advisors, the estimated capital requirement includes an element for contingency due to fluctuating market prices and the difference in property values in different parts of the county.

Table 1: Summary of Children's Services Investment Proposals

Capital Investment £m	£	To facilitate development of
Supported Living Phase 3 including complex needs	1.9	16 supported living placements including 4 placements for young people with complex needs
Residential Care	2.8	Purchase of Old Hollow or replacement facility, renovation of Downsell Road, development of Green Hill Lodge, purchase of 3 residential homes including one for children with disabilities
TOTAL	4.7	
Previously approved capital allocation	0.6	To fund additional 4-bed complex needs supported living unit
Net increase to capital programme	4.1	To be financed through Revenue Savings

47. The cost of capital investment, and therefore the increase requested in the Capital Programme will be funded by a revenue contribution from the savings achieved by the projects and therefore there are no net additional revenue implications of the proposal to increase the Capital Programme by £4.1 million. The overall cost avoidance relating to the total £4.7million investment is £1.8 million which gives a payback period of less than 3 years.

Supported Living – Phase 3

48. In September 2016, Cabinet approved the further development of eleven in-house supported living units for young people bringing the internal capacity to 28 alongside the 4 places already being available for children with complex needs at Cheltenham Road, Evesham and 2 units at Downsell Road, Redditch.

49. A business case and needs assessment has been completed which recommends the extension and development of this programme of work. Phase 3 includes the addition of a further 12 in-house 24/7 supported living facilities in 2018/19 for young people aged 17 as a step towards independent living whilst being supported by outreach workers. This provision will

also allow capacity for young people to remain in the internal provision as care leavers, should their individual circumstances mean that they are not ready to transition to living in their own tenancy at 18. The County Council is working with housing providers within the county as well as sourcing properties to purchase to identify suitable premises for these young people.

50. The anticipated cost avoidance after taking into account the need to recruit additional outreach support workers is £0.7 million per year. This investment will allow young people to be based in a community which meets their education, vocation or social needs. The staff will be employed by the County Council and will work with the young people to ready them for independence, giving them CV writing and interview skills, employment and housing advice as well as support with budgeting and living independently.

Supported Living – Complex Needs

51. As part of the September 2016 Cabinet report a further 4-bed complex needs unit similar to Cheltenham Road, Evesham was also approved, with a capital requirement of £0.6 million. This purchase has not been progressed due to the inability to source a suitable property and the needs assessment led business case has demonstrated that this is no longer deemed appropriate due to the complexities of matching four young people to live together. Therefore it is requested that the previously approved capital allocation is re-directed to provide 4 separate 2-bedded properties in order to support individual young people with complex needs in a property with 24/7 support. This model has been used as part of the existing in-house supported living accommodation and has proved beneficial for the young people. The cost avoidance identified for the original scheme was £0.5m and this revised scheme demonstrates similar figures.

RESIDENTIAL FACILITIES

Purchase of new internal children's home for children with disabilities

52. The County Council currently operates Vale Lodge, Evesham and Green Hill Lodge (Meadow Bank), Worcester, as 4 bedded residential units for children with disabilities, and the needs analysis has identified the requirement to provide additional in-house beds. The request is to create an additional 8 beds across two units. One would be a new purchase and the recommendation for the other is to convert the second unit at Green Hill Lodge (Apple Gate) from a mainstream children's home into one for children with disabilities. This will allow transfer of skills and resources across the two units and consistency of management and support.

53. A number of young people who recently entered care could not be accommodated in the internal units due to capacity issues and they were placed in agency residential at a significantly higher unit cost and the County Council is finding it very difficult to source good quality placements for our most vulnerable children. The cost avoidance from this project based on the difference in the cost of accommodating children in external placements is £0.4 million in a full year.

Purchase of additional residential accommodation for children with emotional and behavioural difficulties

54. As it is planned to reduce capacity for children with emotional and behavioural difficulties at Green Hill Lodge, and based on the increasing number of children requiring residential care, the purchase of 2 further in-house units for children with emotional and behavioural difficulties is requested. This would increase the number of in-house beds by 4, to 25, and generate cost avoidance in the region of £0.2 million in a full year from the use of external placements.

55. As with children with disabilities, a number of children who recently entered care could not be accommodated in the internal homes due to capacity issues and they were placed in agency residential at a significantly higher unit cost with the majority of these being outside the county. Further benefits are that the children will be placed in Worcestershire, close to their communities and families and the time and associated costs of social work visits and contact by family would be reduced.

Downsell Rd, Redditch - Emergency Response Unit and Supported Living Flats

56. The debt repayment cost for the essential renovation and repairs required to ensure Downsell Rd is fit for purpose is c.£16k per annum. This is equivalent to 1 week's agency residential charges for the young people accommodated in the unit. Not investing in this renovation could mean that the home loses its Ofsted rating and the County Council will be required to source alternative accommodation for the children and young people accommodated there.

57. As at the end of August, the unit was at full occupancy with 2 young people in the supported living flats and 5 young people aged 13 -15 accommodated within the residential unit.

Old Hollow Residential Home, Malvern

58. The County Council currently leases this property, but it doesn't meet our requirement for the number of beds needed. Since it makes more financial sense to own a facility rather than continuing to lease the property we need to look at options to purchase one that does provide sufficient beds. This could be a replacement to Old Hollow which either provides the extra space or can be extended to do so, or explore the purchase and extension of the existing property subject to satisfactory negotiations and affordability compared to other property options on the market. Council will therefore be asked to add the capital cost of such an acquisition to the Capital programme, leaving flexibility as to where the capital asset is situated.

Health Impact Assessment

59. A Health Impact Assessment has been undertaken with regard to this report and recommendations for new spending decisions to understand the potential impact they can have on Public Health outcomes across the County area.

60. This report concerns reporting the financial forecast for the end of the current financial year, and requests new capital spending for supported living projects.

61. Taking this into account, it has been concluded that there are no specific health impacts as a result of new decisions arising from this Cabinet report.

Contact Points

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Specific Contact Points for this Report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Previous Cabinet Resources Reports