

**CABINET**  
**19 APRIL 2018****RESOURCES REPORT**

---

**Relevant Cabinet Member**

Mr S E Geraghty

**Relevant Officer**

Interim 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 28 February 2018;**
  - (b) **recommends that Council approves the addition of £2 million to the Capital Programme for Social Care Case Management System replacement; and**
  - (c) **notes the response to the Fair Funding consultation.**

**Introduction**

2. This report outlines the 2017/18 outturn forecast for the Council's £324 million Revenue budget at 28 February 2018.
3. A recommendation is being made for Council to approve a £2 million addition to the Capital Programme for a social care case management system replacement.
4. Finally, the Council has responded to Central Government's Fair Funding Review consultation and the response is available on the County Council's website.

**Revenue Budget Monitoring 2017/18 – Outturn forecast as at Month 11 - 28 February 2018**

5. The Council's authorised cash limited budget for 2017/18 is £324 million. When taken together with the amount of money spent by the Council that is received through specific grants and miscellaneous income, the Council spends over £1 million per day on providing services to residents and service users.
6. After eleven months of the 2017/18 financial year an overall financial pressure of £6.3million is forecast by the end of the financial year after the use of one off measures and mitigation. This is a reduction of £0.9million since last reported to Cabinet.
7. The 2017/18 financial year has faced significant financial challenges, both with the need to support increased service provision for Children's Services Placements and Safeguarding, and the impact of increased demographic and other cost pressures across Adult Services.
8. The Council is forecasting a £7.5 million cost pressure for Children's Social Care Placements at the end of 2017/18, with the latest figures showing 85 (12%) more

children in placement than at the same point last year, with an increasing number of children in high cost residential placements, 27% of total expenditure on placements is being spent on 9% of children who are placed in agency residential care.

9. The Adult Services budget is also facing demographic cost pressures set against the need to ensure service users are healthier, live longer, have a better quality of life and remain independent for as long as possible. There are particular pressures in older people residential and nursing care due mainly to an increase in the average cost per placement. In addition there are pressures in home care services for older people and services for people with learning disabilities.

10. Other areas of cost pressure include agency staffing costs for children's social care and increased waste disposal costs.

11. The Council will use a number of one off measures to balance the 2017/18 financial year, including using earmarked reserves, capitalisation of costs, use of specific grants and Better Care Fund monies, and reviewing the Minimum Revenue Provision accounting policy. However, the underlying cost pressure and use of specific grants and other reserves has significantly increased since previous financial years.

12. The Council plans to keep general balances the same at £12 million with no future plans to add to or reduce this amount.

13. The Council set the 2018/19 budget on 15 February 2018 and it was acknowledged that there were a number of risks and sensitivities in the setting of the budget. It was recognised in the budget report that there were a number of the County Council budgets that continued to be demand-led. A judgement was made to cater for the current forecasts in demographic growth and its impact on service provision. The budgets will continue to be robustly monitored throughout 2018/19 and future resources reports will highlight any issues.

### **New Capital Investment - Social Care Case Management System**

14. The current social care case management system for the Council is the Framework-I suite for Adults and Children's Services. This was procured more than ten years ago and whilst it continues to provide vital support is nevertheless reaching the end of its life cycle. The existing system will not be supported by the current provider from December 2018 so there is a need to consider a replacement.

15. The current options available through the social care IT sector which has undergone significant change over recent years will be considered, and investment will be needed in a replacement system to support the Council's existing and future needs. An effective system is crucial to supporting service transformation across Children's and Adult services.

16. The replacement of this system will be complex involving experts from across the Council and will be managed by the Director of Children, Families and Communities with the support of a Steering Board. The Cabinet Member with Responsibility for Transformation and Commissioning will also be on the Board.

17. The proposed benefits will be:

- Improved quality of social care service delivery through IT systems that are up to date and maintained in line with latest professional practice
- Resilient and stable IT platforms that do not compromise productivity
- Compliance with statutory requirements around practice and legislation
- Capability to extract and analyse high quality data for better service delivery

- Provides a trusted and secure platform for partners and residents to share information and engage with Council delivered and commissioned services.

18. Cabinet is asked to recommend Council to approve the allocation of £2 million from the existing contingency within the Capital Programme for the replacement of the social care case management system and update the capital cash limits accordingly.

19. There is also the potential for additional revenue costs in 2019/20 which will be dependent on the solution selected once procurement is complete. These will be considered as part of the Council's budget setting process.

### **Fair Funding Consultation Response**

20. On 19 December 2017 Central Government issued a consultation "Fair Funding Review: A review of relative needs and resources".

21. The Council has continually promoted the case for change in previous consultation responses and has supported the work undertaken by the Society of County Treasurers for many years regarding taking full account of changes in demography and service delivery. The consultation states that it is important to ensure that "Funding allocations reflect where the overall 'need to spend' is greatest" whilst taking into account local authority's capacities to raise retained income locally.

22. Central Government is also looking to remove some of the complexity within the current formula and to increase transparency.

23. The review will set new baseline funding allocations for local authorities and deliver an up-to-date assessment of their relative needs and relative resources. The implementation date for the review is currently set to be 2020/21.

24. The consultation proposes that there be fewer cost drivers than the number currently used and that all potential cost drivers in the new formula are assessed based on the following criteria:

- **Relevant** – there should be evidence to demonstrate that the cost driver has a significant impact on the cost of providing services
- **Objective** – the cost driver should be measurable using robust, up-to-date data that is collected on a consistent basis across England. It should not create perverse incentives to 'game' the system
- **Distinct** – the cost driver should explain significant variation in the 'need to spend' that is not covered by another cost driver
- **Stable** – the cost driver should not exhibit unpredictable or large changes year on year, and
- **Future proof** – the cost driver should be expected to drive the on-going costs of providing services.

25. Central Government proposes to develop a foundation formula to allocate funding to each local authority, although acknowledges that there may be particular service areas where a more specific approach is required.

26. The Council's consultation response is available on the County Council's website.

27. In general, the Council welcomes the consultation proposals and agrees that a simple process is required. The inclusion of up to date population and age profiles, mortality rates and life expectancy, road kilometres travelled by HGV vehicles, the impact of rurality and deprivation (specifically income deprivation) is needed as these have a significant impact on the demand for Council services.

28. The Council continue to make a case for being included in an Area Cost Adjustment

calculation, the omission of which reduces funding unfairly when many neighbouring authorities who have similar employment and labour costs do receive this support.

### **Public Health Impact Assessment**

29. A Public 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.

30. This report concerns reporting the financial forecast for the end of the current financial year, and requests new capital spending for social care case management systems and highways improvements.

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

### **Supporting Information**

- Fair Funding Review Consultation Response – available on the County Council's website with the agenda for the meeting [here](#)

### **Contact Points**

#### County Council Contact Points

County Council: 01905 763763

#### Specific Contact Points for this Report

Sue Alexander, Interim Chief Financial Officer, 01905 84**6942**,  
[salexander@worcestershire.gov.uk](mailto:salexander@worcestershire.gov.uk)

Stephanie Simcox, Head of Strategic Infrastructure Finance and Financial Recovery,  
01905 84**6342** [ssimcox@worcestershire.gov.uk](mailto:ssimcox@worcestershire.gov.uk)

Nick Alderman, Interim Finance Lead, 01905 84**5250**,  
[nalderman@worcestershire.gov.uk](mailto:nalderman@worcestershire.gov.uk)

Mark Sanders, Senior Finance Manager, 01905 84**6519**,  
[mssanders@worcestershire.gov.uk](mailto:mssanders@worcestershire.gov.uk)

### **Background Papers**

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

Agenda and background papers for the meeting of the Cabinet held on 8 February 2018

Agenda papers for the meeting of the County Council held on 15 February 2018