

CABINET – 20 DECEMBER 2016

2016/17 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Chief Finance Officer

Introduction

1. This is the third financial monitoring report for 2016/17 and focuses on the delivery of the Directorate Business Strategies that were agreed as part of the Service and Resource Planning Process for 2016/17 – 2019/20. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of October 2016. Capital Programme monitoring is included at Part 3.

Summary Position

2. The forecast directorate variation at this stage in the year is an anticipated overspend of +£5.6m or +1.4% against a net budget of £411.7m as shown in the table below. However, as in previous years, overspends are expected to be reduced by management action or the use of one – off funding during the year. If further cost reductions are not made the remaining overspend will need to be met from general balances. The last report to Cabinet in October 2016 set out an anticipated overspend of +£5.8m.

Directorate	Latest Budget 2016/17 £m	Forecast Outturn 2016/17 £m	Forecast Outturn Variance 2016/17 £m	Forecast Outturn Variance 2016/17 %
Children, Education & Families (CE&F)	106.6	113.0	+6.4	+6.0%
Social & Community Services (S&CS)	212.5	211.8	-0.7	-0.3%
Environment & Economy (E&E)	70.9	70.2	-0.7	-1.0%
Corporate Services (CS)	21.7	22.3	+0.6	+3.0%
Public Health (*)	0.0	0.0	0.0	0.0%
Total	411.7	417.3	+5.6	+1.4%

Public Health (*)				
Expenditure	32.1	31.9	-0.2	-0.7%
Grant and Other Income & Transfer to Reserves	-32.1	-31.9	+0.2	+0.7%
Total ¹	0.0	0.0	0.0	0.0%

3. The following annexes are attached:

- Annex 1 Original and Latest Estimates for 2016/17
- Annex 2 2016/17 Virements & Supplementary Estimates
- Annex 3 Treasury Management Lending List
- Annex 4 Forecast Earmarked Reserves

¹ In 2016/17 Public Health is funded by a ring-fenced grant of £32.1m from the Department of Health.

Annex 5	Forecast General Balances
Annex 6	Government Grants 2016/17
Annex 7	Capital Programme Monitoring
Annex 8	Updated Capital Programme

- Directorate reports setting out the detail behind this report are available from the contact officers named at the end of this report or in the Members' Resource Centre.

Part 1 - Revenue Budget

Children, Education & Families (CE&F)

- The directorate is forecasting an overspend of +£6.4m, which represents a variation of +6.0% against budget.

CEF1 Education and Learning

- The Education & Learning service is forecasting to overspend by +£1.2m.
- Home to School Transport is reporting a forecast overspend of +£1.4m. The overspend is mainly due to Special Educational Needs (+£1.3m). As previously reported, the cost of transporting SEN students is increasing for a number of reasons including a rise in the number of children with SEN and an increase in the number of children who need a passenger assistant.
- The overspends set out above are partly offset by forecast underspends on School Organisation and Planning (-£0.2m) due to savings on Academy Conversion Costs.

CEF2 Children's Social Care

- Children's Social Care is forecast to overspend by +£4.3m. This position is after a £1m transfer from CEF reserves.
- The growth in the number of children requiring services from Children's Social Care has increased workloads across most services. The majority of the overspend in Management and Central Costs (+£0.7m) is the result of significant growth in the legal costs relating to Children's Social Care.
- Referral and Assessment and Family Support teams are forecasting an overspend of +£1.3m due to increasing agency staff and a planned increase in establishment for the move to the new Integrated Children's Service.
- The Early Intervention Service (including Hubs, Children's Centres, Youth and Engagement and Thriving Families) is forecast to underspend by -£1.7m. This is due to the current remodelling of the service.
- Looked After Children and Leaving Care are forecasting an overspend of +£0.8m based on current client numbers. There is a risk demand will increase over the remainder of the year and careful monitoring will continue to identify any further growth in the forecast.

14. An overspend of +£3.2m is forecast on the Placements budget. The overspend is partly caused by the completion of the new Children's Homes being behind schedule thereby delaying the savings which will arise from reducing the number of external placements.
15. The forecast does not include +£0.4m which it is estimated could arise from new placements during the rest of the year.
16. There were 48 clients in mainstream residential placements at the end of October 2016, compared to 45 at the end of September 2016. There were 103 clients in independent foster agency placements at the end of October 2016, a decrease of nine since the end of September 2016.
17. The Asylum service is reporting a forecast overspend of +£1.1m. This is due to the significant shortfall between the cost of each client and the grant received from the Home Office.

CEF3 Children's Social Care Countywide Services

18. Children's Social Care Countywide is forecast to overspend by +£0.7m.
19. Corporate Parenting is forecasting an overspend of +£0.4m. The forecast is based on current clients. There is a risk demand will increase over the remainder of the year and careful monitoring will continue to identify any further growth in the forecast.
20. Safeguarding is forecasting a overspend of +£0.1m and Youth Offending Service is forecasting an overspend of +£0.2m.

Dedicated Schools Grant (DSG)

21. Services funded from DSG are forecast to be on budget. However, the Special Educational Needs (SEN) service has a potential overspend of up to +£1.8m relating predominantly to significant increases in the number of out of county placements. A range of actions are being taken to minimise costs in the service including: reviews of the SEN and Early Years SEN services; local authority support for new special free school applications; and through the capital programme, additional classrooms in special schools and new resource base provision. The pressures in High Needs DSG are expected to continue and increase in future years. Schools Forum has agreed that DSG balances can be used to offset part of the forecast overspend of £1.8m. The remaining overspend will be carried forward with a recommendation that a full review of High Needs provision is undertaken.
22. The expected National Schools Funding Formula is likely to ring-fence the various DSG funding blocks making it increasingly difficult to manage such overspends within DSG going forward.

Social & Community Services (S&CS)

23. The directorate is forecasting an underspend of -£0.7m which relates Community Safety and Fire & Rescue. Adult Social Care is forecasting a breakeven position after assuming the use of some of the Pooled Budgets reserves and the Adult Social Care Precept, to manage pressures. The position after the use of this funding is shown in the table below:

Adult Social Care & Joint Commissioning	Forecast Outturn Variance 2016/17 £m
Older People & Equipment Pool	+0.1
Physical Disabilities Pool	+0.1
Learning Disabilities Pool	- 0.3
Other (ASC non pool, Joint Commissioning)	+0.1
Total Adult Social Care	0.0

S&CS1 Adult Social Care

24. Adult Social Care includes the Council's element of the joint Council and Oxfordshire Clinical Commissioning Group (OCCG) variation on the Older People and Equipment Pooled budget along with the risk based shares of the variations on the Learning Disabilities, Physical Disabilities and Mental Health Pooled Budgets. The Section 75 agreement covering the Pooled Budget arrangements and risk shares for 2016/17 has now been signed by OCCG and the Council.

Older People and Equipment Pool

25. The County Council element of the Older People and Equipment Pool is forecast to overspend by +£0.1m. This is after the permanent contribution of +£3.0m from the Adult Social Care precept agreed by Cabinet in September 2016 following the completion of the National Living Wage consultation.
26. There is continuing pressure within the pool relating to care home placements where the forecast outturn is an overspend of +£0.9m after the use of funding from the Adult Social Care Precept. The average number of new placements is 13.9 per week, above the budgeted level of 10 per week. This is offset by forecast underspends elsewhere within the pool.
27. The 2% Adult Social Care Precept agreed by Council in February 2016 has resulted in a budget of £5.9m to fund pressures within Adult Social Care including the National Living Wage. To date, £4.6m has been allocated to the Pool Budgets to fund: the outcome of the Care Home Fee Consultation, Home Support Price Review and new Help to Live at Home contracts; supporting the previously reported pressures on care home placements; and funding the cost of additional payments to home support providers.
28. The balance of £1.3m is being held as a contingency to support specific in year pressures in Adult Social Care. At this stage £0.5m is assumed to be required to support identified pressures but this will be updated as the use of the contingency is agreed to manage pressures arising through the rest of the year.

Physical Disabilities Pool

29. The Physical Disabilities Pool is forecast to overspend by +£0.1m. This is after transferring £0.5m from Physical Disabilities Pooled Budget reserve. The underlying forecast reflects additional demand for home support.

Learning Disabilities Pool

30. The Learning Disabilities Pool is forecast to underspend by -£0.3m.

Adult Social Care: Non – Pool Services

31. There is a forecast overspend of +£0.1m for services outside of the Pools. This includes a forecast overspend of +£0.4m on the Emergency Duty Team and a consultation is underway to redesign this service. The overspend on the Mental Health Pooled budget contribution is estimated at +£0.5m. This reflects an anticipated overspend on service users who do not fall within the Outcomes Based Contract but are eligible for Social Care (and are appropriately care managed by the Community Mental Health Teams). Joint Commissioning is forecasting an overspend of +£0.3m. Based on the forecast at the end of October, unallocated funding of £0.7m along with £0.5m of the ASC Precept funding will be required to offset the pressures in the Non - Pool Services, Pooled Budgets and in Joint Commissioning.

SCS3 Community Safety, Fire & Rescue and Emergency Planning

32. There is a forecast underspend of -£0.7m, for Community Safety, Fire & Rescue and Emergency Planning. This includes an underspend of -£0.5m relating to vacancies for whole time firefighters and a forecast underspend on fuel costs. There is also a -£0.2m underspend forecast for Gypsy and Traveller sites.

Environment & Economy (E&E)

33. The directorate is forecasting an overspend of -£0.7m which represents -1.0% against budget.

EE1 Strategy & Infrastructure and EE2 Commercial Services

34. There is a small forecast underspend of -£0.1m in Strategy & Infrastructure. Commercial Services are reporting a forecast underspend of -£0.6m. The position has improved since the last Cabinet report in October mainly through the use of an unallocated Highways Maintenance Delivery budget to offset overspends in defective repairs and emerging pressures on the Highways contract management and supervision fees.

Corporate Services

35. The directorate is forecasting an overspend of +£0.6m which represents +3.0% against budget.
36. Transformation is forecasting to overspend by +£1.0m in ICT. This is due to rationalisation savings not being fully realised and continuing pressure from the cost of the data centre. The Transformation overspend is partly offset by smaller underspends in other areas.
37. Legal services are forecasting a breakeven position. However, there is increased counsel spend as a direct result of a significant number of childcare proceedings coming to Legal Services. This has created a pressure of £0.3m which Cabinet agreed to meet from council balances (at its previous meeting on 18 October 2016).

Public Health

38. Public Health is forecasting an underspend of -£0.2m. In accordance with accounting requirements, any underspend at the end of the year will be placed in the grants and contributions reserve and will be used to meet Public Health expenditure in future years.

Virements

39. There are no Virements larger than £0.5m or that relate to un-ringfenced grants that require Cabinet approval under the Virement Rules agreed by Council on 16 February 2016.
40. Annex 2d shows virements Cabinet need to note.
41. Oxfordshire Schools Inclusion Team (OXSiT) offer support to Primary and Secondary Schools across Oxfordshire and beyond. Cabinet is recommended to approve the creation of a traded service reserve for OXSiT to manage demand across financial years.

Government Grants

42. As set out in Annex 6, ring-fenced grants totalling £303.6m are included in Directorate budgets and will be used for the specified purpose. Any grants unspent at year end will be held in the Grants & Contributions Reserve for use in 2017/18, or returned to the funding body.
43. At the time of setting the 2016/17 budget in February 2016 several un-ringfenced grant notifications still had not been received. Annex 6 also sets out the latest un-ringfenced grant allocations.

Business Strategy Savings

44. The forecasts shown in this report incorporate Business Strategy savings that were agreed by Council in February 2016 and previous years. At this stage, 87% of the planned savings are expected to be delivered.
45. £4.0m of the £5.7m Children Education & Families savings for 2016/17 are expected to be achieved. The saving on Home to School Transport is anticipated to be achieved through route efficiency, demand management and changes to transport arrangements. In addition the service is forecasting an overspend which is the result of increased demand, need and price. This is being considered through the 2017/18 Service and Resource Planning process.
46. Adult Social Care savings total £10.5m. It is expected that there will be slippage of around £2.2m on the delivery of savings, primarily within the Older People's Pool. This relates to the implementation of a panel, and associated review team within the new Responsible Localities structure that went live on 1 October 2016, to agree packages of care within the Older People's Pooled budget. The directorate is forecasting a breakeven position so this is being managed in year.
47. £4.9m of the £5.6m savings in Environment & Economy are expected to be achieved. Due to interim contract arrangements being needed and the

time lag associated with realising the benefits of the LED replacement programme, the £0.4m energy saving in Street Lighting will not be achieved. The £0.2m saving from in-year mothballing of Speedwell House will not be realised. However, this is mitigated through the early release of the lease at Unipart. Increases in forecast income for parking charges of £0.1m are also at risk of being achieved.

48. In Corporate Services, it is unlikely that the ICT rationalisation savings of £0.4m will be realised due to a delay in vacating premises and £0.2m for the self-funding Customer Service Centre model is also at risk.
49. Savings of £1.25m are built into Public Health for 2016/17. The savings were agreed by Council in February 2014 contingent on the expectation that the ring-fenced grant would cease from 2016/17. The retention of the ring fence has been confirmed, and this means that these savings cannot be delivered on an ongoing basis against the Public Health budget. Funding of up to £0.5m from the public health reserve is expected to contribute to the saving of £1.25m in 2016/17 on a one off basis.
50. Progress against delivery of savings is monitored on a regular basis by the Delivery Board and action taken where savings are not expected to be achieved. Any on-going pressures are being considered as part of the 2017/18 Service & Resource Planning process.

Bad Debt & Loan Write Offs

51. There were 24 general write - offs to the end of October 2016 and these totalled £3,104. In addition Adult Social Care has written off 65 Client contribution debts totalling £83,557.
52. A debt of £12,956 relates to contributions for care fees following a service user's move into a permanent care home placement. Since there is now assessed to be little likelihood of recovering this, Cabinet is recommended to write it off.
53. The Council's Chief Legal Officer has the authority to settle any legal proceedings or disputes where it is necessary to protect the Council's interests. In 2015, an overpayment was made to a provider due to an incorrectly terminated contract. Following negotiations between the two parties it was assessed that if the matter was brought to court, then the Council was not likely to have been successful and may have been required to meet the legal costs of the provider. While the majority of the resulting overpayment has been recovered, £65,000 was therefore agreed to be written off as part of the settlement. Procedures have been reviewed to ensure this will not be replicated in the future. It is recommended that Cabinet note that the debt has been settled to protect the Council's interest.

Treasury Management

54. The latest treasury management approved lending list (as at 31 October 2016) is shown in Annex 3.

55. The following table displays average in-house cash balances and average rates of return for September and October 2016. Interest receivable for 2016/17 is currently forecast to be in line with the budgeted figure of £3.2m. The reduction in interest rates is being offset by a higher than forecast average cash balance. Interest payable is currently forecast to be in line with the budgeted figure of £17.6m.

Month	Average cash balance	Average rate of return
September	£336.0m	0.75%
October	£328.8m	0.73%

Part 2 – Balance Sheet

56. Annex 4 sets out earmarked reserves brought forward from 2015/16 and the forecast position as at 31 March 2017. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan. Directorate reserves are expected to reduce from £52.9m to £41.2m at 31 March 2017.
57. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £45.4m at 31 March 2017. This includes £1.3m in the Budget Reserve and £2.9m in the Efficiency Reserve.

Balances

58. As set out in Annex 6 general balances were £19.0m as at 31 March 2016. This compares to £17.5m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2016. The Annex also sets out the position including the supplementary estimates agreed in the last report. The forecast outturn position is £15.4m (after allowing for the forecast directorate overspend of £5.6m). Directorate overspends are expected to be reduced by management action or the use of one – off funding during the year. However, if further cost reductions are not made this may reduce balances to less than the risk assessed level.

Part 3 – Capital Programme

Capital Monitoring

59. The capital monitoring position set out in Annex 7a, shows the forecast expenditure for 2016/17 is £145.6m (excluding schools local capital). This has increased by £2m compared to the latest approved capital programme. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	53.9	53.8	-0.1
Social & Community Services	15.8	15.8	0.0
Environment & Economy – Transport	50.2	50.0	-0.2
Environment & Economy – Other	11.1	10.8	-0.3
Corporate Services	12.6	15.2	+2.6
Total Directorate Programmes	143.6	145.6	+2.0

Schools Local Capital	1.8	1.8	0.0
Earmarked Reserves	1.6	0.7	-0.9
Total Capital Programme	147.0	148.1	+1.1

* Approved by Cabinet 18 October 2016

60. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes are listed in Annex 7c.
61. In the Children, Education & Families, Social & Community, Transport and Environmental & Economy (non-Transport) programmes, the in-year budget changes are small and mainly reflect the re-profiling of expenditure budgets.
62. Within the Corporate Services programme an additional £2.4m has been included for two external projects funded through the Local Growth Fund.

Actual & Committed Expenditure

63. As at the end of October actual capital expenditure was £49.2m (excluding schools local capital). In year commitments are £46.8m, which with actual capital expenditure, makes a total of £96m or 66% of the total forecast expenditure.

Four Year Capital Programme Update

64. The total forecast 4-year capital programme (2016/17 to 2019/20) is now £491.9m, no change when compared to the last capital programme for this period approved by Cabinet in October 2016. The following table summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

Directorate	Last Approved Total Programme (2016/17 to 2019/20) * £m	Latest Updated Total Programme (2016/17 to 2019/20) £m	Variation £m
Children, Education & Families	160.5	161.3	+0.8
Social & Community Services	38.8	38.8	0.0
Environment & Economy – Transport	150.0	150.1	+0.1
Environment & Economy – Other	30.8	30.5	-0.3
Corporate Services	17.6	24.1	+6.5
Total Directorate Programmes	397.7	404.8	+7.1
Schools Local Capital	4.9	4.9	+0.0
Earmarked Reserves	89.3	82.2	-7.1
Total Capital Programme	491.9	491.9	+0.0

* Approved by Council 18 October 2016

65. The initial budget for the Rooftop Solar Panel programme, in Environment and Economy programme, has been reduced by £0.4m as only one project is expected to commence.
66. Within the Corporate Services Programme, the additional £2.1m approved at Cabinet in October has been included towards the Westgate Library and a total of £4.4m has been included for two new external projects which are funded through the Local Growth Fund.

RECOMMENDATIONS

67. The Cabinet is **RECOMMENDED** to:
- (a) note the report;
 - (b) approve the request for the creation of OXSIT traded service Reserve as set out in paragraph 41;
 - (c) approve the debt write off detailed in paragraph 52;
 - (d) note the settlement of the debt detailed in paragraph 53;
 - (e) note the Treasury Management lending list at Annex 3;
 - (f) approve the changes to the Capital Programme at Annex 7b and Annex 7c.

LORNA BAXTER
Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports to the end of October 2016

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