

Division(s):

CABINET – 17 JULY 2018

FINANCIAL MONITORING AND MEDIUM TERM FINANCIAL PLAN DELIVERY REPORT – MAY 2018

Report by the Director of Finance

1. The purpose of this report is to set out the forecast position of the revenue budgets as at the end of May 2018. This report also includes an update on the Medium Term Financial Plan savings, reserves and balances.
2. The report sets out an underspend on revenue of **£1.0m**. This reflects an overspend of **£3.9m** by directorate services offset by unallocated contingency of **£4.9m**. The report to Cabinet at the same time last year anticipated a directorate overspend of **+£7.6m**.

Directorate	Latest Budget 2018/19	Forecast Outturn 2018/19	Forecast Outturn Variance 2018/19	Forecast Outturn Variance 2018/19
	£m	£m	£m	%
People	315.3	316.6	+1.3	0.4%
Communities	98.6	100.6	+2.0	2.0%
Resources	19.6	20.2	+0.6	3.0%
Total Directorate Position	433.5	437.4	+3.9	0.9%
Contingency	7.5	2.6	-4.9	
Adjusted Directorate Position	441.0	440.0	-1.0	-0.2%
Strategic Measures	-441.0	-441.0	0.0	0.0%
Overall Surplus/Deficit	0	-1.0	-1.0	

3. The following Annexes are attached and referenced in the report:

Annex 1	Directorate Budgets and Forecast Variation
Annex 2a	2018/19 virements to approve
Annex 2b	2018/19 virements to note
Annex 3	Grants
Annex 4	Reserves
Annex 5	General Balances
Annex 6	Fees and Charges

Part 1 - Executive Summary

Revenue

4. Annex 1 provides a summary of the forecast position by directorate. Commentary on key variations greater than £0.1m for each service is provided in Part 2 of the report.
5. Children's Services are forecasting an overspend of **£1.1m** which relates to Children's Social Care.
6. **£0.8m** of the Children's Social Care overspend relates Unaccompanied Asylum Seeking Children (UASC). As set out in the Chief Finance Officers' Statutory Report to Council on 13 February 2018 where new duties, policies or initiatives are passed onto local authorities, central Government has agreed that all new burdens should be properly assessed and fully funded. The new burdens doctrine has been in place since 2011 and Government departments are required to adhere to it. One area where the Council feels it is not receiving sufficient funding to meet costs is in relation to UASC. The grant received is insufficient to meet costs as it is based on a national average and costs are much higher in the South East. The Council has been lobbying Government to fund the estimated shortfall since 2016/17, but it has not been successful in securing additional funding. As this is a new burden, the Council has not made provision in the budget for 2018/19 for any shortfall. If the full funding is not received, then it will need to be met from either balances or contingency.
7. The Communities directorate is forecasting an overspend of **£2.0m**. This relates to overspends on Street Lighting, Defects and Supported Transport.
8. There is also a **£5.0m** overspend forecast on the Dedicated School Grant (DSG) – High Needs Block. This is mainly due to increasing demand for special school places and the need to place children at independent non-maintained schools. This overspend will be met partly by using the **£4.3m** DSG reserves but the remaining overspend will need to be either carried forward or met by council resources as in accordance with the terms of the grant.

Virements and Supplementary Estimates

9. Virements larger than £0.5m or that relate to un-ringfenced grants requiring Cabinet approval under the Virement Rules agreed by Council on 14 February 2018 are set out in Annex 2a. None of these virements represent a change in policy as the service is unchanged.
10. Virements this month include a virement of £1.2m relating to the increase in the Improved Better Care Fund Grant for 2018/19. This was initially held outside the pool but needs to be transferred into the Better Care Pooled Budget. A virement of £0.3m to move base budget funding from the Better Care Fund Pooled Budget into the Adults with Care and Supporting Needs Pooled Budget will be requested to help meet the increased pressures reported. A further £0.8m virement has

been requested from the precept funding to support one off costs relating to the daytime support service implementation and care workforce initiatives.

11. Annex 2b shows virements Cabinet need to note.
12. There are no supplementary estimate requests included in this report.

Grants

13. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling £344.4m.
14. The total above includes the Improved Better Care Fund Grant of £7.5m. The conditions attached to the grant funding require it to be used for the purposes of meeting adult social care needs, including contributing to the stabilisation of local care markets and supporting the NHS is addressing pressures such as delayed discharges.
15. The table below shows how the £7.5m grant available is expected to be utilised in 2018/19 as agreed with our Health partners. Cabinet is recommended to note the 2018/19 allocations.

		£m
Market resilience	On - going cost of provider inflation uplifts agreed in 2017/18	1.7
	Ongoing support to the social care market to improve resilience.	1.8
	Extension of Wellbeing Teams and technology pilots to explore alternatives to traditional home care.	0.5
	Ongoing contingency homecare capacity	0.8
	Delegated healthcare tasks, to support changes in delivery leading to support increased capability in the homecare market.	0.2
	Implementation of short stay beds review	0.5
Improving flow	On-going cost of the hospital team put in place in 2017/18	1.2
Market capacity	Dementia nurses	0.2
Additional provision	Maintain HART mitigation beds for three months, then ramp down bed numbers.	0.6
TOTAL iBCF		7.5

16. New ringfenced grants this month include **£0.026m** for Extended Personal Adviser Duty Implementation Grant and **£0.038m** for Virtual School Heads from the Department for Education. Ringfenced Grants are held by the directorates for use in line with the grants terms and conditions.
17. New un-ringfenced Grants this month include **£0.060m** for Troubled Families payment by results, **£0.492m** for Troubled Families Attachment Fees, **£0.168m** for the Mockingbird Project and **£0.231m** for School Improvement and Brokering Grant.

18. It is proposed that Cabinet approve the allocation of the Troubled Families Attachment Fee Grant, Mockingbird Project Grant and the School Improvement and Brokering Grant for use in Children's Services. The grant determination sets out additional requirements that the service need to deliver.
19. It is also proposed that the Troubled Families Payment by Results grant is transferred to the Government Initiatives Reserve for Children's Services to utilise. This is additional funding that the council will receive during the year in recognition of the success of the Troubled Families Programme.

Reserves

20. Annex 4 sets out the earmarked reserves brought forward from 2017/18 and the forecast position as at 31 March 2019. These reserves are held for specified one-off projects, contractual commitments and to support the Medium Term Financial Plan. Reserves are forecast to reduce by **£22.9m** from **£96.6m** to **£73.7m** at 31 March 2019. It is proposed that **£3.9m** is transferred from the Budget Priorities Reserve to the Transformation Reserve for use on Transformation projects as part of the Fit for the Future programme.

General Balances

21. As set out in Annex 5 general balances were £25.8m as at 31 March 2018. This compares to the risk assessed level of £16.3m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2017.

Strategic Measures

22. There have been no changes to the lending list since the last update.
23. The following table sets out average in-house cash balances and average rates of return for April and May 2018. In house interest receivable for April & May 2018 was **£0.4m**. The actual interest rates have been slightly higher than the forecast average interest rates, if this continues for the remainder of the year then interest received will be higher than budgeted for. Updates will be included in future reports.

Month	Average cash balance	Average rate of return
April	£317.4m	0.77%
May	£336.0m	0.77%

24. External Fund dividends are paid quarterly and have not yet been received, but are expected to be in line with budget.
25. Interest payable is forecast to be in line with the budgeted figure of £15.6m.

Debt and Loan Write – Offs & Impairments

26. There are no bad debts to write off as at the end of May 2018.
27. Cabinet is recommended to approve the writing off of two adult social care debts totalling **£0.04m**. One of these debts is required because of the resolution of a complaint and the other is related to a mismanagement of funds by the service user leaving no opportunity to recover the income due.

Medium Term Financial Plan Savings

28. The forecasts shown in this report incorporate savings included in the medium term financial plan agreed by Council in February 2018 and previous years. At this early stage of the year, at least **98.3%** of the planned savings of **£41.0m** is expected to be delivered.
29. Children's Services are forecasting that they will achieve all of the 2018/19 savings.
30. Adult Social Care currently expects to achieve **77%** of the savings built into 2018/19 budgets. **£1.4m** of the directorate's savings are flagged red or amber. The **£0.4m** saving reflecting an expected reduction in the total income impairment required at the end of 2018/19 is currently assessed as red. The **£1.0m** saving built into Learning Disabilities budgets is noted as amber because of the forecast pressures noted within the Adults with Care and Support Needs pooled budget. Revisions to the Adult Social Care contributions policy were agreed by Cabinet on 22 May 2018 and will be implemented from 1 October 2018. Financial re-assessments are being offered to all service users as part of the implementation so an update on the part – year saving expected to be achieved in 2018/19, and on-going full year effect from 2019/20 will be provided later in the year. The **£2.6m** full year effect of the implementation of the council's new Daytime Support service which has been operating since October 2017 is also expected to be achieved but a further review of the financial position will be carried out later in the year.
31. The Communities directorate are expected to achieve **96%** of the savings agreed. **£0.1m** of the directorate savings are flagged Red or Amber. This is due to a risk that additional income from solar panels on property sites will not be realised and reduced costs through joint working will not be fully delivered.
32. Resources are expected to achieve **91%** of the savings agreed. £0.3m of the directorate savings are flagged Red or Amber. This mainly relates to the unachievable target for ICT income from non-OCC users.

Fees and Charges

33. Human Resources have consulted on introducing charges to recover the full cost of providing a Job Evaluation service for Academies. Academies are entitled to set their own policies and introduce their own job evaluation scheme, but many have continued to apply the OCC scheme. It is likely that introducing a charge for Job Evaluation will

result in a reduction in volume of requests. However, as these roles take up a considerable amount of Oxfordshire County Council's time, any reduction in submissions would not be a cause for concern. Cabinet are recommended to agree the charges set out in Annex 6 effected from 1 September 2018.

Part 2 – Revenue Service Commentary

People – Children

34. An overspend of **£1.1m (0.8%)** is reported by Children's services.

Education & Learning – nil variance

35. A breakeven position is forecast for this service, however there are risks in some budgets which need to be managed, particularly over the medium term.
36. Home to School Transport is currently forecast to spend to budget, however there are risks to this being achieved. Savings of **£1.2m** are included in the budget for 2018/19 with **£0.3m** of these savings currently at risk, as identified through benefits realisation reporting at the directorate working group. The savings at risk relate to transport to Northfield School and Meadowbrook. The current circumstances at Northfield have made savings more difficult to achieve, but this requires further analysis and the outcome of the consultation. There is also a risk savings relating to Meadowbrook won't be achieved in full. It is possible through the continuation of nearest school and contract efficiencies, in mainstream and the potential overachievement of Special Educational Needs and Disabilities (SEND) demographic savings, as the impact of greater eligibility control is realised, there may be underspends elsewhere which could meet some of this pressure. The position will become clearer once the new school year begins in September.

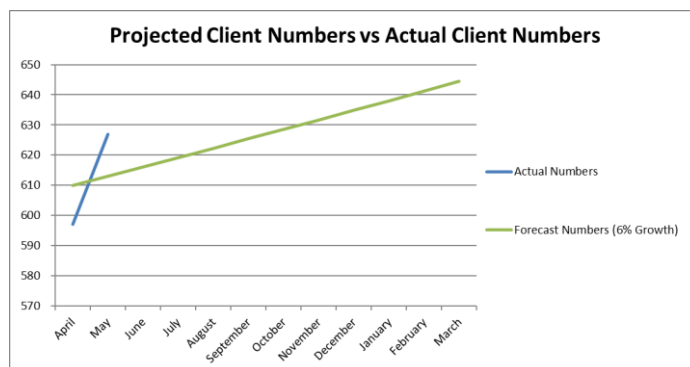
Children's Social Care - £1.1m overspend

37. The main pressure within Social Care at present relates to Asylum which is currently forecasting an overspend of **£0.8m**. This service is grant funded from the Home Office, however at present the grant isn't sufficient to fully fund costs in Oxfordshire. This is mainly due to the availability of placements for this client group being limited and requiring external resources. In the short-term unless there is a change in Home Office policy it won't be possible to bring this within budget, without adversely affecting another budget, therefore it was agreed that the Council will not be making provision in the budget for 2018/19 for any shortfall. If the full funding is not received, then it will be requested to be met from either balances or contingency. The client group is relatively small, but client numbers can change quickly due to new arrivals in county as well as transfers from other authorities and therefore there is risk within this forecast.

38. In addition, there are overspends and risks within the Leaving Care Service totalling **£0.4m**. This is made up of Leaving Care Allowances where there is a forecast overspend of **£0.2m**, which relates to a growth in client numbers over recent years. This is likely to become a greater pressure in to the future, as the increase in looked after children numbers moves in to Leaving Care services. In addition, an increase in the statutory aged from 21 to 25 since 1 April 2018 is expected to bring additional pressures. A grant of £25,802 has been received from the Department for Education in relation to this, to increase Personal Adviser support, however no additional funding has been received in relation to allowances and support. Further work needs to be completed to identify the likely pressure due to the additional requirements once demand can be measured more accurately.

Children's Social Care Countywide – nil variance

39. At present a breakeven position is forecast within Corporate Parenting, however there are risks within this service. Growth in the number of mainstream looked after children in the first two months of the year has been higher than anticipated, which has put a potential pressure on the budget for this year, however this needs to be monitored over a longer period, as this has followed a drop in the number in the later part of 2017/18. The increase of 30 mainstream looked after children in May 2018 brings the number of children reported to 627, adding potentially **£1.0m** to the forecast during May.



40. The position reported assumes that all savings relating to the High Cost Placement Review and Reconnecting Families are achieved and this will be reviewed as progress is made with these projects throughout the year. These programmes are not yet scheduled to deliver benefits and therefore at this stage no variance is forecast.

Schools

41. Two schools are due to convert to academy status in August and September 2018. The schools currently have accumulated deficits of **£1.1m**. The conversion process requires the council to fund any accumulated deficits at the point of conversion. Once the final school balances have been agreed, a supplementary estimate will be requested for Cabinet approval.

DSG Funded Services

42. The high needs block is forecast to overspend by **£5.0m** in 2018/19, mainly due to increasing demand for special school places and the need to place children at independent non-maintained special schools. The Strategic Review of High Needs, which will devise a long-term strategy to control demand and improve sufficiency of places, with the aim of bringing spend within the funding available in the medium-term.
43. In addition, the consultation relating to Northfield School increases the risk in this budget and is likely to increase spend in the medium term. Until the consultation is completed and the outcome known it will be difficult to calculate the impact on this budget. In order to keep the school open in the short term and to undertake works to the building, the total budget requirement is **£0.7m**, of which **£0.3m** is expected to be charged to revenue.

People – Adult Services

44. Adult Services is forecasting an overspend of **£0.2m (0.1%)**.
45. The pooled budget contributions and risk shares for 2018/19 are yet to be formally agreed with the Oxfordshire Clinical Commissioning Group (OCCG). These are expected to be considered by the relevant Joint Management Group in July 2018 and an update will be provided in the report to Cabinet in October 2018.

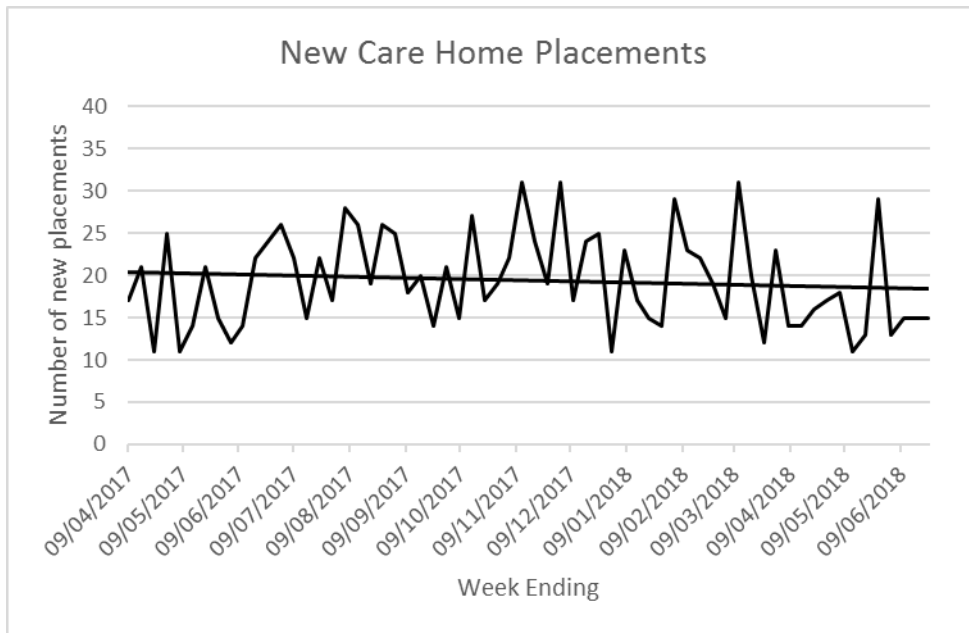
Better Care Fund Pool £0.3m underspend (0.4%)

46. Since the health contributions and associated risk share for 2018/19 are yet to be agreed with Oxfordshire Clinical Commissioning Group this report reflects variations for the council elements of the Pooled Budget and excludes any variations against health budgets. Future reports will reflect the position for the whole pool including updates on expenditure for Continuing Health Care. Reflecting the Section 75 agreement and outcomes sought by the Health & Wellbeing Board, the pool combines expenditure on care homes, activity relating to hospital avoidance and prevention and early support activities.

Care Homes

47. The forecast position reflects a **£0.8m** anticipated underspend on care homes placements based on expected activity. This is a 1.4% variance on the gross budget for care home placements. This is a demand led service based on need and availability and inevitably this fluctuates from month to month; a net increase of 10 placements at an average cost of £714 per placement per week would increase expenditure by **£0.3m** over the remaining 10 months of the year. The additional cost would potentially be higher than the average if prices are rising generally – often the cost of new placements is higher than ones ending.

48. As indicated below on average there has been a slight decline in the number of new care home placements each week since April 2017.



49. However, after taking account of packages which have ended as well as new packages the overall number of on-going placements appears to be relatively stable so far in 2018/19. Further work is required to assess whether demography added to this budget in 2018/19 should be utilised to mitigate pressures elsewhere.
50. The forecast also reflects a pressure arising from the **£0.4m** saving built into the Medium Term Financial Plan and previously expected to be achieved as a result of a forecast reduction in Adult Social Care bad debt over six months old. Since the level of debt over six months old has instead increased by **£0.1m** since April 2018 work is underway to take action to improve income collection rates. Further updates will be provided throughout the year.

Prevention and Early Support

51. The forecast position reflects a number of offsetting under and over spends. In light of the outturn position for 2017/18 and known commitments, budgets will be reviewed to reflect current activity within Prevention and Early Support. As part of this budget realignment exercise it is proposed to move **£0.3m** into the Adults with Care and Supporting Needs Pooled budget to offset part of the forecast pressure there.

Hospital Avoidance

52. There is a **£0.4m** forecast overspend based on expenditure to date and commitments for home support packages. Work is on-going to validate this and the associated forecast service user income and this will be continued to be closely monitored throughout the year.

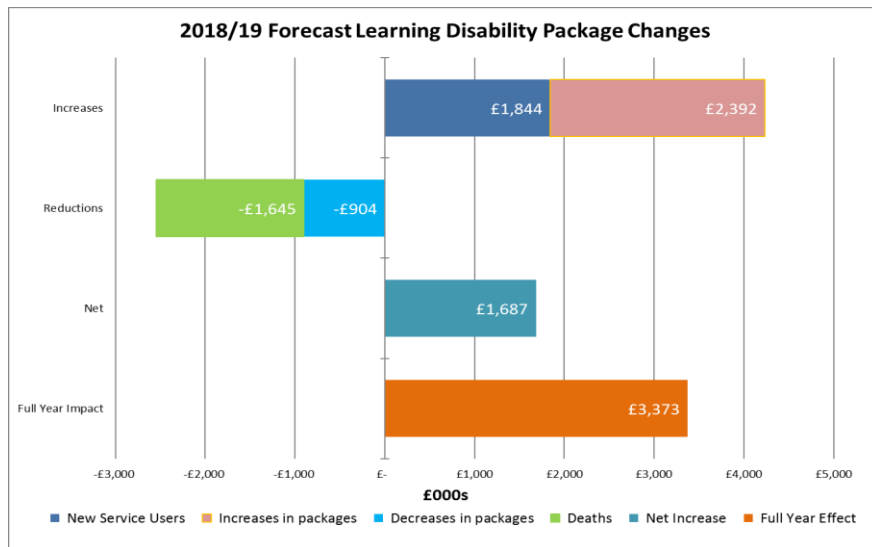
53. An overspend of **£0.2m** on intermediate care beds is an on-going pressure that was absorbed within variances in other areas last year.
54. The first two months of equipment costs have increased when compared to the same period last year. Using a rolling forecast method this has resulted in a possible pressure of **£0.1m** in this area. Work is being undertaken to validate this and to provide more assurance about the anticipated future costs.
55. The forecast assumes 94% of the activity level assumed in the reablement contract with Oxford University Hospital Trust is met throughout the year. This is based on actual data for the first two months of the year and action being taken to increase capacity and the number of people accessing reablement. At present there is a forecast underspend of **£0.1m** but this will be closely monitored throughout the year to ensure the forecast reflects any change to the assumed activity and the cost of any associated mitigations.

Adults with Care and Support Needs (ACSN) Pool - £2.0m (2.4%) overspend

56. As noted above the risk shares for the Pooled Budgets are yet to be agreed. Since it is not possible to separate the health and social care elements of Learning Disability expenditure within the pool this report assumes the budgets are risked shared on the same basis as in 2017/18 until the 2018/19 risk share has been agreed.
57. **£2.1m** demography has been added to this budget as part of the 2018/19 Medium Term Financial Plan. Savings of **£1.0m** that need to be achieved through reductions in package costs while continuing to meet assessed needs are also built into the budget. Part of the Adult Social Care precept was used to reduce the original planned saving by **£1.0m** but while cost avoidance is more likely the achievement of the remaining saving will be extremely challenging.

Learning Disabilities

58. The 2017/18 outturn for the Learning Disabilities element of the pool was an overspend of £1.6m and reflected increases in average placement costs and some high cost packages transferring from Children's Social Care late in 2016/17. The forecast position for 2018/19 reflects the council's share of the continuing pressure from last year and the additional £0.6m full year effect of panel decisions made during 2017/18.
59. Early indications reflect that the effect of panel decisions will outweigh the net £1.1m growth included within the budget by £0.6m as indicated in the following table.



60. If nothing changed the on-going full year effect of the net increase in 2018/19 would be £3.4m in 2019/20.
61. Action is being taken to review activity and packages within the pool and to ensure all known changes to packages and moves to supported living placements, which are generally lower cost than residential placements, have been reflected in the forecast.
- Other Non-Pool Services - £1.5m underspend**
62. All other non-pool Adult Social Care Services are currently forecasting an underspend of **£1.5m**, **-7.6%** of the £19.7m budget.
63. Vacant posts with the Responsible Localities teams are being recruited to and at this stage in the year it is anticipated that the staffing budgets will be fully utilised in 2018/19.
64. The Adult Protection and Mental Capacity service is also forecasting a breakeven position. Included within this forecast is a **£0.4m** overspend in relation to Approved Mental Health Professional Service, which is currently under review. This is offset by a **£0.5m** underspend within the Deprivation of Liberty Safeguards (DoLS) service because of posts agreed to be held vacant. This underspend will be used to fund out of county DoLS assessments. Any financial pressure across the two services will be met from the funding held in the DoLS reserve.
65. The **£1.5m** forecast underspend is made up of **£0.7m** one-off funding from the **£2.9m** available through the Adult Social Care precept and **£0.8m** of unallocated base budget held since 2015/16 relating to the Care Act and Independent Living Fund funding which continues to be held outside of the pools but is offsetting part of the pressure on the ACSN pooled budget.

People – Public Health

66. There is currently a breakeven position forecast for Public Health. Under the terms and conditions of the ring-fenced Public Health grant require that any under spends are used in future years for Public Health purposes.

Communities

67. The Communities directorate has an overspend of **£2.0m (2%)**.

Infrastructure Delivery - £1.2m overspend

68. The forecast position reflects an anticipated pressure of **£0.7m** on Street Lighting due to significant increases in energy prices, including over 30% in the latter part of 2017/18. A plan is in place to invest in LED lighting across the Street Lighting network which will reduce energy costs down to an affordable level. However, the benefits will not be realised in time to reduce the 2018/19 pressure.
69. The forecast position also reflects an anticipated pressure on the Defect Repairs budget of **£0.5m** due to the significant increase in road defects following the abnormal weather over the winter month. Further investment is being sought which could reduce this pressure but at present an overspend is anticipated.

Property & Investment - £0.7m overspend

70. Supported Transport are forecasting an overspend of **£0.7m**. The forecast position reflects a net pressure of £1.3m on the Fleet budget where its new operating model is still to be implemented, now that it mainly delivers transport for term time only SEN students. This has been offset by cost reductions of **£0.2m** due to reduced vehicle numbers and therefore reduced maintenance costs, amendments to staff contacts of **£0.1m** and additional short-term income of £0.3m (Bus Service Operators Grant) towards funding the Comet bus. An ongoing Fleet project is looking at ways to further reduce this pressure and the results will be reported in future months.
71. Although Property are reporting a balanced budget, the business is still designing its operating model, and investing significantly in interim management to implement a new fit for purpose business as usual model. This coupled with the uncertainty over the wrap up of the liquidation of Carillion and the need to establish the condition of the council's estate, with yet unknown consequences, puts at risk the services ability to work within the agreed budgets set for the medium term.

Resources

72. Resources is forecast to overspend by **£0.6m (0.6%)**. This mainly relates to Legal Services due to the cost of external Counsel fees.

RECOMMENDATIONS

73. **The Cabinet is RECOMMENDED to:**

- (a) note the report**
- (b) approve the virements as set out in Annex 2a;**
- (c) note the virements set out in Annex 2b;**
- (d) note the use of the £7.5m iBCF ringfenced grant funding in 2018/19 as set out in paragraph 15;**
- (e) approve the transfer of the Troubled Families Payment by Results Grant Funding into the Government Initiatives Reserve for use by Children's Services as set out in paragraph 19;**
- (f) approve the transfer of £3.9m from the Budget Priorities Reserve to the Transformation Reserve as set out in paragraph 20;**
- (g) approve the bad debt write-offs as set out in paragraph 27;**
- (h) approve the fees and charges as set out in paragraph 33 and Annex 6.**

LORNA BAXTER

Director of Finance

Background papers:

Directorate Financial Monitoring Reports for May 2018

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July 2018