

## CABINET – 20 MARCH 2018

### 2017/18 FINANCIAL MONITORING & MEDIUM TERM FINANCIAL PLAN DELIVERY REPORT

#### Report by the Director of Finance

#### Introduction

1. This is the last financial monitoring report for 2017/18 and focuses on the delivery of the 2017/18 budget based on projections at the end of January 2018. Parts 1 and 2 include projections for revenue, reserves and balances. Capital Programme monitoring is included at Part 3.

#### Summary Position

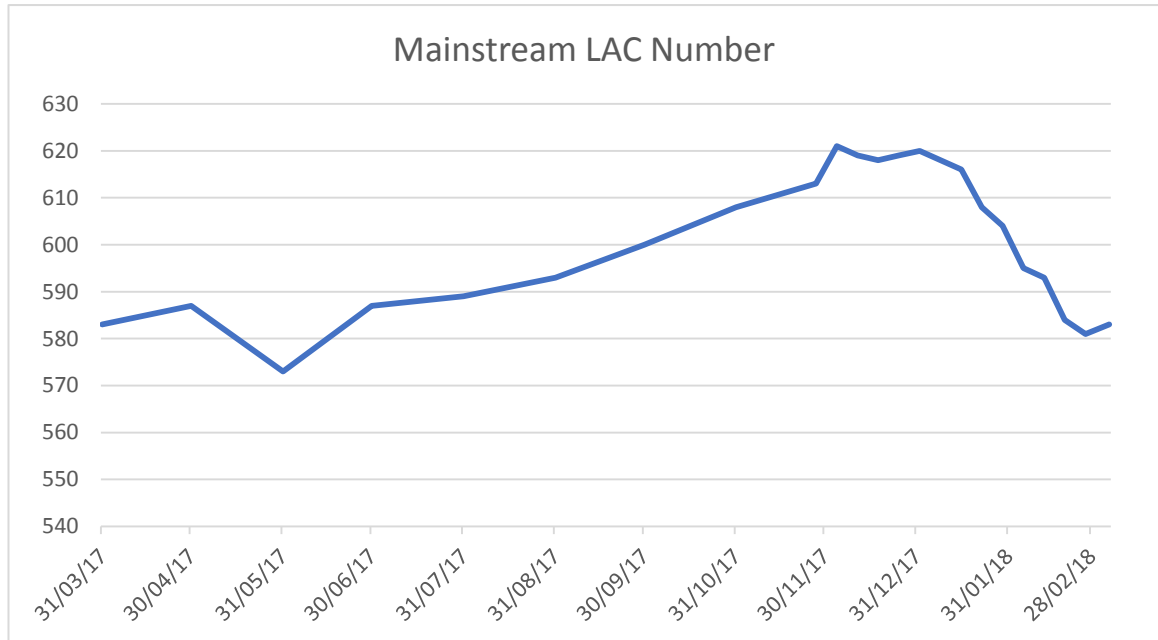
2. The forecast directorate variation is an anticipated overspend of £10.4m or 2.5% against a net budget of £412.6m as shown in the table below and a £0.6m reduction from the forecast overspend of £11.0m set out in the previous report based on expenditure to the end of October 2017. It is not expected that management action will reduce the anticipated overspend significantly before year-end, therefore the use of contingency and general balances will be required to bring the budget into balance by the year-end.

Directorate	Latest Budget 2017/18 £m	Forecast Outturn 2017/18 £m	Forecast Outturn Variance 2017/18 £m	Forecast Outturn Variance 2017/18 %
People	301.5	310.8	+9.3	+3.1%
Communities	93.0	93.7	+0.7	+0.8%
Resources	18.1	18.5	+0.4	+2.8%
<b>Total</b>	<b>412.6</b>	<b>423.0</b>	<b>+10.4</b>	<b>+2.5%</b>

3. After use of the corporate contingency of £4.1m, the predicted overspend is reduced to £6.3m or 1.5%.
4. Including the expected surplus on treasury management activities in 2017/18 of £1.4m (set out in paragraph 53) the current level of general balances is £26.1m, compared to the risk assessed level of £17.5m. Therefore using £6.3m of general balances to meet the remaining predicted overspend in 2017/18 does not reduce general balances to a level lower than the risk assessed level; the expected outturn position for balances will be £19.8m.
5. The budget for 2018/19 agreed by Council in February 2018 includes £7.5m in relation to Children's Social Care, which due to continuing increases in demand, has been the most significant area of overspending in 2017/18. As referred to in the last report, '*a Children's Services Programme has been established with a focus on addressing demand management; strengthening early help and prevention including closer partnership working; strengthening staffing resources and building community resilience. Whilst the programme will take time to deliver, it is*

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*anticipated that the benefits will begin to materialise by the end of the financial year with a financial impact expected in 2018/19'. Numbers of mainstream looked after children (LAC) are now showing a reduction from 621 at the beginning of December to 581 at the end of February. Whilst it is still early days, it appears that the work of the programme is beginning to have an effect.*



6. The focus on promoting early help for children and families in need of social care continues to bear fruits. 427 early help assessments were completed between October and December 2017 compared to 458 for the whole of 2016/17. This is helping to reduce the number of MASH (Multi-Agency Safeguarding Hub) enquiries which is 24% lower than December last year; and the number of families subject of a social care assessment – 5% lower than last year. Focusing on early help means that children and families experience the most effective, least intrusive, solutions to the issue they face. It reduces the pressure on social care staff and allows them to work more intensely with the cases they hold.
7. The following annexes are attached:
  - Annex 1 Original and Latest Estimates for 2017/18
  - Annex 2 2017/18 Virements & Supplementary Estimates
  - Annex 3 Treasury Management Lending List
  - Annex 4 Forecast Earmarked Reserves
  - Annex 5 Forecast General Balances
  - Annex 6 Capital Programme Monitoring
8. 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

### People

9. The People Directorate consists of Children's Services, Adult Services and Public Health. The directorate is forecasting an overall overspend of £9.3m, which represents a variation of 3.1% against the budget.

### People – Children's Services

10. Children's Services is forecasting an overspend of £7.3m which represents a variation of 6.8% against a budget of £109.0m. In addition, an overspend of £4.1m on Dedicated Schools Grant (DSG) funded services is forecast.

### Education and Learning

11. An underspend of £0.3m is forecast by the service a reduction of £1.2m since the last report. The change relates in part to an underspend of £0.5m on Senior Management and Administration within the service and £0.2m due to lower numbers of schools converting to academy status during 2017/18.
12. Home to School Transport is forecasting an overspend of £0.1m a reduction of £0.6m since the last report. Although the cost in SEN home to school transport has increased as anticipated, secondary mainstream transport costs have reduced due to the impact of policy change and contract negotiations. Post 16 and Meadowbrook transport costs have also reduced. These reduced costs have brought the overspend down by £0.6m.
13. SEN is reporting an overspend of £0.3m relating to a saving which is not expected to be achieved due to the pressures within this service at this time. The £0.3m relates to three savings agreed for 2017/18 which focussed on reducing spend support and management costs within the SEN service. Since the savings were agreed there has been a significant increase in demand on the SEN service and it hasn't been possible to meet these savings in 2017/18.

### Children's Social Care

14. Children's Social Care is forecast to overspend by £7.6m (10.9%).
15. At the end of February, the Council was supporting 671 looked after children (mainstream looked after children, looked after children with disabilities and Unaccompanied Asylum Seekers). In the year current financial year, the figure rose from 667 at the start of April to a high of 712 at the start of December and has subsequently fallen back to the current figure. The figure at the start of the financial year of 667 children was a rate of 47 per 10,000 children. This is 25% lower than the national rate (60), 8% lower than the rate in the south east (51) but 8% higher than the authorities deemed to be most similar to Oxfordshire (43). The issue for Oxfordshire is not so much the overall number of looked after children, but the growth in numbers. Between April 2014 and April 2017, the number of children looked after in Oxfordshire rose by 42%,

compared with 3% nationally; 9% in the south east and 8% amongst similar authorities.

16. As a result of the significant increase in the number of children becoming looked after over the last two years, additional ongoing funding of £5.3m was agreed by Council in February 2017 as part of the 2017/18 budget and medium term financial plan. This additional funding has in the main addressed the 2016/17 underlying overspend of £5.9m<sup>1</sup>. However, the growth in the number of children requiring services from Children's Social Care is continuing in 2017/18 and is increasing workloads and placement numbers across most services. At 31 January 2018, there were 597 mainstream looked after children compared to 583 at 31 March 2017. The numbers of looked after children in 2017/18 has been higher than budgeted due to a larger increase in the second half of 2016/17 than expected, giving a larger cohort than budgeted. Numbers have fallen recently but this will not significant impact on the overspend.
17. An overspend is forecast on Corporate Parenting and External Placements of £5.5m, which reflects the increased number of children looked after and therefore placements. In house provision is not able to meet this increase in demand, which has led to an increased use of external provision, particularly independent fostering agencies. These placements are significantly more expensive than in house options, with a national shortage of placements increasing this pressure. As set out in paragraph 5 above, a programme has been established with the aim of addressing the demand and needs of looked after children over the medium-term, however due to the time needed to deliver the changes there is not expected to be a significant financial impact in the current year.
18. The remainder of the overspend is due to: an overspend on Leaving Care of £0.4m due to an increased number of Care Leavers placements, linked to the increase in looked after children, and an overspend of £1.0m on placements for children with disabilities, due to increasing complexity and therefore cost of these placements. Despite an additional grant of £0.2m for 2017/18 announced by the Ministry for Housing, Communities and Local Government (MHCLG) in January, an overspend of £0.8m on Unaccompanied Asylum Seekers remains due to the grant funding received from the Home Office being insufficient to reimburse the full cost of many of the placements.

#### Dedicated Schools Grant (DSG)

19. There is a forecast overspend of £4.1m for SEN, an increase of £0.6m since the last report. The overspend predominantly relates to a significant increase in the number of out of county placements. The increase since the last report reflects 11 new placements being made during this period being in excess of the forecast number. In addition, a reduction in the underspend on the SEN Post 16 Colleges budget has increased the forecast. A range of actions is 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;

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<sup>1</sup> This was reduced to £3.9m by one-off use of reserves and contingency

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more capital schemes which will lead to the provision of additional classrooms in special schools and new resource base provision.

20. Any overspend needs to be set against DSG underspends, carried forward to 2018/19, or funded by the Local Authority. At this time, there are not any forecast underspends elsewhere in DSG and it is expected that this overspend will need to be carried forward into 2018/19.
21. Due to rising demand, the pressures in SEN Out of County Placements are expected to continue and increase in future years. From 2017/18, early years DSG is ring-fenced and the National Schools Funding Formula has ring-fenced the Schools block making it increasingly difficult to manage such overspends within DSG going forward.

### People – Adult Services

22. Adult Services is forecasting an overspend of £2.0m, which represents a variation of 1.0% against a budget of £192.5m.

#### Better Care Fund Pool

23. As set out in the table below the Better Care Fund Pool is forecast to overspend by £3.2m of which £2.3m is the Council's share under the risk share arrangements.

	<b>County Council</b>	<b>OCCG</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Care Homes	+0.6	+3.8	+4.4
Prevention		-0.1	-0.1
Hospital Avoidance	-0.4	-0.4	-0.8
<b>Total</b>	<b>+0.2</b>	<b>+3.3</b>	<b>+3.2</b>
iBCF			-0.3
Total Overspend			+3.2
Total overspend by risk share			
County Council (70%)			+2.0
OCCG (30%)			+1.2

24. Within the council position, services impacting on hospital avoidance are forecast to underspend by £0.4m. This primarily reflects market capacity for home support; total hours delivered remain broadly stable rather than increasing as assumed in the budgeted position. The Council is continuing to make care home placements at an average of 14 per week compared to the budgeted level of 11. Along with pressure on prices this is contributing to the forecast overspend of £0.6m on care home placements. There is also an underspend on the originally agreed use of the £6.2m improved Better Care Fund (iBCF) grant funding. Subject to agreement with health partners this is assumed to be used to support other expenditure in the pool and to aid the forecast position.
25. Following a detailed review, and after taking account of an additional contribution of £1.6m from Oxfordshire Clinical Commissioning Group, the overall forecast pressure on the health element of care home

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expenditure in the pool is now £3.8m. £1.1m relates to prior year costs for retrospective Continuing Health Care (CHC) claims for people aged over 65, while a further £1.4m reflects a 55% increase in the number of older people where a CHC award has been agreed since the beginning of the year along with a 19% increase in the average cost of placements. For under 65-year olds with physical disabilities the pressure is estimated to be £1.4m and reflects additional on-going placements and costs. The pressure is partly offset by £0.5m forecast underspends on other health budgets. An update is expected from OCCG about what further mitigating actions can be put in place to reduce the pressure on the pool by year end.

### Adults with Care and Support Needs Pooled Budget

26. The Adults with Care and Support Needs Pooled Budget has a forecast overspend of £3.0m of which £2.6m falls to the County Council under the risk share arrangements. The majority of the overspend relates to the Learning Disabilities budget which is forecast to overspend by £2.7m. There were 12 instances of new high cost placements or significant increases to packages, as well as some high cost packages for service users transitioning from Children's Social Care late in 2016/17, but have impacted on on-going expenditure in 2017/18.
27. There is also a forecast overspend of £0.5m for the health Acquired Brain Injury budget. This is due to activity above the budgeted levels and reflects the high cost of specialist individual packages which are often around £4,000 or more per week.

### Adult Social Care Non-Pool

28. There is a forecast net underspend of £2.9m for Adult Social Care services outside of the Pools. This includes a forecast overspend of £0.4m on the Emergency Duty Team and Approved Mental Health Professional Specialists service due to short-term use of agency staff whilst the new structure that was consulted on earlier in 2017 is implemented. The Deprivation of Liberty Safeguards service is contributing an underspend of £0.3m due to posts being held vacant within the team.
29. In addition to these underspends, £0.9m funding held since 2015/16 relating to the Care Act and Independent Living Fund continues to be held outside of the pools. The underspend arising from this is offsetting some of the overspend from the pooled budgets, along with £0.6m of the Adult Social Care precept. There are also underspends of £0.9m relating to transitional costs for the Daytime Support Service and £0.6m reflecting staffing vacancies in the Responsible Localities teams. Where possible underspends have been actively identified and held with the intention of managing the overall pressure as far as possible.

### **People - Public Health**

30. Public Health is forecasting an underspend of £0.3m. £0.2m reflects efficiencies achieved through the retendering of the Adult Weight Management service and £0.1m has arisen as a result of efficiencies in drug and alcohol services.

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31. 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.

### **Communities**

32. The Communities Directorate consists of Planning and Place, Infrastructure Delivery, and Property and Investment together with Community Safety and the Fire & Rescue Service. The directorate is forecasting an overall overspend of £0.7m on a budget of £93.0m which represents 0.8% against budget.
33. An overspend of £0.6m is forecast for Infrastructure Delivery. This relates to the Highways service not being expected to fully deliver savings agreed as per the Medium Term Financial Plan (£0.5m) and referred to in paragraph 46 below, and a projected overspend on defects of £0.3m due to data in management information systems for the previous financial year being inaccurate. There are also overspends of £0.5m on street lighting due to a 30% increase in energy costs in October 2017 and £0.3m on Winter Maintenance due to the recent inclement weather. These are off-set by a one-off underspend in Highways Operations due to lower supervision costs in the 2016/17 final invoices (£0.5m) and Waste Management (£0.5m).
34. Planning and Place are forecasting an underspend of £0.2m reflecting additional planning application fee income and delays in the Spatial Planning and Oxford Strategic Model work which will now take place in 2018/19.
35. Property & Investment is reporting an overspend of £0.3m. There is an overspend of £0.5m in the Integrated Transport Unit. In response to the new transport arrangements for the Day Time Support Service, the Supported Transport Fleet service has been working with the Special Educational Needs Home to School Transport service, to provide services for students, where the private market has no or limited provision or where the high-cost routes can be merged, for more cost efficient solutions. The Fleet has been able to consider other business opportunities, including the provision of transport for Day Centres, where the new service has transport limitations, but it is not yet known if this is sustainable in the longer-term. A net overspend is being reported for Fleet, as income levels have dropped, due to the implementation of the new arrangements. The service is now considering the impact of its new service model, reviewing vehicle leasing arrangements, staffing structures and pricing, which may result in future one-off transitional costs. There is also an overspend of £0.2m on Concessionary Fares, in part due to an expected increase in the claims from City providers following the opening of the Westgate shopping centre. These are offset by underspends totalling £0.4m across Supported Transport.
36. The forecast currently excludes any impact of the Carillion collapse and the implications of the early cessation of the contract. In order to manage the transition, an interim management structure has been deployed. There may also be other additional costs associated with the transferring

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services. Any financial impact will be reflected in the provisional outturn report.

37. Community Safety and Fire & Rescue Services continue to forecast year end breakeven positions.

### **Resources**

38. The Directorate is forecasting a revenue overspend of £0.4m on a budget of £18.1m, a variation of 2.2%.
39. An overspend of £0.4m is forecast for Legal services. This is due to Counsel spend which is not charged out to services and reflecting advice sought predominantly in childcare proceedings.

### **Virements and Supplementary Estimates**

40. 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 2017 are set out in Annex 2a.
41. A virement of £0.8m is requested in relation to a grant from MHCLG for the troubled families programme. This is an unringfenced grant which is required by Children's services to continue this programme of work. This virement does not represent a change in policy as the service is unchanged.
42. There is also a virement relating to a £0.2m grant received from MHCLG relating to Unaccompanied Asylum Seekers. This grant is also unringfenced but it is proposed that it is used to reduce the overspend from £1.0m to £0.8m within Children's Services.
43. Annex 2b shows virements Cabinet need to note.
44. There are no supplementary estimate requests included in this report.

### **Medium Term Financial Plan Savings**

45. The forecasts shown in this report incorporate savings included in the medium term financial plan agreed by Council in February 2017 and previous years. At least 95.3% of the planned savings of £61.1m are expected to be delivered.
46. Within the directorates, £2.9m of savings are flagged as amber or red. These include £1.8m savings built into Adult Services budgets. While it has not been possible to achieve these in the way originally planned, £1.6m of this has been absorbed within the overall broadly breakeven position for the council elements of the Better Care Fund pool so the saving has been noted as amber. There is also a £0.5m red rating in Communities relating to Infrastructure Delivery restructure savings which won't be achieved (as referred to in paragraph 33 above).



**Bad Debt Write Offs**

47. There were 231 general write-offs to the end of January 2017 totalling £0.177m, this compares to 193 general write off's totalling £0.135m in 2016/17. 263 Adult Social Care Client contribution write offs totalling £0.231m were also written off to the end of January, this compares to 379 totalling £0.202m in 2016/17.
48. Cabinet is recommended to write off debts totalling £24,309 relating to adult social care client contributions from two service users. Both of these relate to insolvent estates where it is not possible to recover the income due. A total of £0.4m for write offs is included in the forecast position for Adult Social Care so this should be more than sufficient to cover the total write – offs by year end.
49. Cabinet are also recommended to write off £17,160 which relates to rent and subsistence payments for a Leaving Care Arrangement in Children's Social Care. The service user has since been declared bankrupt so the debt is no longer recoverable. This write off has been included in the forecast position for Children's Services.

**Treasury Management**

50. The latest treasury management approved lending list is shown in Annex 3. The Council temporarily halted lending to Northamptonshire County Council (NCC) following the issuance of a s114 notice, which prohibits entering into new agreements which may involve incurring expenditure. It does not relate to existing commitments. The Council currently has two loans to NCC, however these are considered very low risk as they are effectively secured by the Government and future Council Tax receipts under 2003 Local Government Act.
51. The following table sets out average in-house cash balances and average rates of return for November and December 2017, and January 2018. In house interest receivable for 2017/18 is currently forecast as £2.4m, exceeding the budget by £1.1m. Of the forecast £2.4m interest receivable, £2.0m had been realised as at the 31 January 2018. The increased interest received is due to the achievement of higher than forecast average interest rates. For example, an additional £0.1m has been generated by entering into a Revolving Credit Facility with a Registered Provider which was not factored into the 2017/18 budget. A base rate rise in November 2017 which wasn't included in the forecast has also pushed up the interest rate receivable.

Month	Average cash balance	Average rate of return
November	£358.6m	0.71%
December	£342.4m	0.73%
January	£338.8m	0.76%

52. Dividends payable from external funds in 2017/18 are forecast as £0.9m, £0.3m above the 2017/18 budget of £0.6m. This increase is due to higher than anticipated performance by the CCLA Property Fund.
53. The additional income of £1.4m forecast in relation to Treasury Management is reflected in the general balances position referred to at paragraph 56 below.

54. Interest payable is currently forecast to be in line with the budgeted figure of £17.1m.

## Part 2 – Balance Sheet

55. Annex 4 sets out the earmarked reserves brought forward from 2016/17 and the forecast position as at 31 March 2018. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan. Reserves are expected to reduce from £104.3m to £78.2m at 31 March 2018. In accordance with the Balances and Reserves Policy which was agreed by Cabinet on 23 January 2018, The majority of the directorate reserves have been transferred into the Budget Priorities Reserve.

### Balances

56. As set out in Annex 5 general balances were £20.0m as at 31 March 2017. The budgeted contribution of £4.7m and the forecast additional interest from Treasury Management activity of £1.4m increases general balances to £26.1m. The forecast directorate overspend of £6.3m (after the use of contingency) does not reduce general balances to a level lower than the risk assessed level of £17.6m. The forecast outturn position is £19.7m.

## Part 3 – Capital Programme

### Capital Monitoring

57. The capital monitoring position set out in Annex 6a, shows the forecast expenditure for 2017/18 is £106.1m (excluding school's local capital). This has decreased by £1.5m compared to the latest approved capital programme.
58. The in-year variations for each directorate are listed in Annex 6b. New schemes and total programme/project budget changes are listed in Annex 6c.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
People: Children	33.8	33.3	-0.5
People: Adults & Public Health	6.2	6.2	0.0
Communities: Transport	48.2	47.3	-0.9
Communities: Other Property Resources	5.3	5.3	0.0
	14.0	14.0	0.0
<b>Total Directorate Programmes</b>	<b>107.5</b>	<b>106.1</b>	<b>-1.4</b>
Schools Local Capital	1.4	1.4	0.0
Earmarked Reserves	5.2	5.2	0.0
<b>Total Capital Programme</b>	<b>114.1</b>	<b>112.7</b>	<b>-1.4</b>

\* Approved by Council 13 February 2018

59. Within Children's Services annual programmes, £0.2m has been returned to the capital programme earmarked reserves from unused project contingencies. The other variances within the overall capital programme

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come from rephrasing from Schools Growth Portfolio, City Deal and Local Growth Fund projects into later years of the programme.

60. Cabinet are recommended to approve to the inclusion of the budget provision of £0.825m (plus interest and Indexation), to the Vale Academy Trust to support the cost of providing additional secondary and sixth form pupil place capacity at King Alfred's School. The budget is funded through S106 funding. To date £0.627m of this funding is held by the Council. The remaining value is currently secured but not yet received, this will not be made available until it has been received by the Council. The S106 funding has been secured by the Council for the specific purpose of increasing Secondary and Sixth form provision serving Wantage and Grove.

### **RECOMMENDATIONS**

61. **The Cabinet is RECOMMENDED to:**
- (a) note the report;**
  - (b) approve the virement requests set out in Annex 2a;**
  - (c) note the Virements set out in Annex 2b;**
  - (d) approve the bad debt write offs set out in paragraphs 48 and 49;**
  - (e) note the Treasury Management lending list at Annex 3;**
  - (f) approve the changes to the capital programme in Annex 6c;**
  - (g) approve the inclusion of £0.825m towards additional pupil places at King Alfred's School as set out in paragraph 60.**

**LORNA BAXTER**  
Director of Finance

Background papers: Directorate Financial Monitoring Reports January 2018

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March 2018