

CABINET – 25 APRIL 2017

2016/17 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Director of Finance

Introduction

1. This report is the penultimate for the 2016/17 financial year. The final directorate variations will be set out in the Provisional Outturn Report to Cabinet in June 2017. The forecast directorate position for the year is currently an anticipated overspend of +£5.2m (+1.3%) against a net budget of £411.4m as shown in the table below. This compares to an anticipated overspend of +£5.6m (+1.4%) reported to Cabinet in February 2017.
2. Directorates have continued to work to reduce the forecast overspend by management action which included a freeze on non-essential recruitment. The on-going impact of the increased demand particularly in placements for Looked After Children and legal costs, Special Educational Needs Home to School Transport, and additional funding to address ICT pressures have been reflected in the 2017/18 budget agreed by Council in February 2017.
3. It is anticipated that the use of general balances will be required to bring the budget back into balance. The 2017/18 budget includes an additional contribution to balances of £2.7m (based on the position at the end of December) to maintain them at the risk assessed level. Based on the current position, a contribution of £1.9m is required leaving £0.8m available as additional contingency in 2017/18. The final position will be set out in the Provisional Outturn Report to Cabinet in June 2017.

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)	106.5	113.7	+7.2	+6.8
Social & Community Services (S&CS)	212.5	212.4	-0.1	+0.0
Environment & Economy (E&E)	70.5	68.3	-2.2	-3.1
Corporate Services (CS)	21.9	22.2	+0.3	+1.1
Public Health (*)	0.0	0.0	0.0	0.0
Total	411.4	416.6	+5.2	+1.3
Public Health (*)				
Expenditure	32.5	31.7	-0.8	-2.6
Grant and Other Income & Transfer to Reserves	-32.5	-31.7	+0.8	+2.6
Total ¹	0.0	0.0	0.0	0.0

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

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4. The following annexes are attached:
 - Annex 1 Original and Latest Budget for 2016/17
 - Annex 2 2016/17 Virements & 2017/18 Virements
 - Annex 3 Treasury Management Lending List
 - Annex 4 Forecast Earmarked Reserves
 - Annex 5 Forecast General Balances
 - Annex 6 Fees and Charges
 - Annex 7 Capital Programme Monitoring
5. 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

6. The directorate is forecasting an overspend of +£7.2m, which represents a variance of 6.8% against budget.

CEF1 Education & Learning

7. The Education & Learning service is forecasting to overspend by +£1.7m.
8. The current forecast for SEN transport in 2016/17 is an overspend of +£1.6m. As reported previously, the overspend relates to a combination of growth in demand for services and an increase in the average cost per passenger journey. The increase cost of passenger journeys arises from an increase in the number of contracts and more single passenger journeys. There remains a risk around this budget with demand continuing to change.

CEF2 Children's Social Care

9. Children's Social Care is forecast to overspend by +£3.9m. This is after a £1m transfer from CEF reserves and the use of £1m from the corporate contingency.
10. 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.
11. The continuing growth in demand for Children's Social Care is a key concern. In January the Council commissioned iMPower to work with the service to gain a better understanding of the drivers for the increased demand in Children's Social Care. The review is due to conclude in late April. Key tasks and actions arising from the review will be implemented as part of the Council's Transformation Programme.
12. Referral and Assessment are forecasting an overspend of +£0.5m due to increasing agency staff.
13. Looked After Children and Leaving Care are forecasting an overspend of +£0.8m based on current client numbers. There is a risk demand will

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increase over the remainder of the year and careful monitoring will continue to identify any further growth in the forecast.

14. An overspend of +£4.2m 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. The forecast includes +£0.2m which it is estimated could arise from new placements during the rest of the year.
15. The Asylum service is reporting a forecast overspend of +£0.9m. This is due to the significant shortfall between the cost of each client and the grant received from the Home Office. However the forecast has reduced since the last report following a lower number of transfers under the National Transfer Protocol than had been forecast.
16. The Family Solutions Service are forecasting an overspend of +£0.5m due to use of agency staff and a planned increase in establishment prior to the move to the new Integrated Children's Service, which commenced on 1 March 2017.
17. 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 which was completed on 1 March 2017.

CEF3 Children's Social Care Countywide Services

18. Children's Social Care Countywide is forecast to overspend by +£1.2m, with the largest elements of this relating to Corporate Parenting (+£0.4m) and Children with Disabilities (+£0.5m).
19. Children Education and Families Central Costs is forecast to overspend by +£0.4m, +£0.3m of this relates to the implementation of the Senior Management review.

Dedicated Schools Grant (DSG)

20. The net overspend on DSG funded services is £0.4m. However the Council will need to seek Schools Forum approval to utilise -£0.6m underspend on the early Years Block to partly fund the £1.0m over spend on the High Needs Block to achieve this position. There are likely to be other requests to utilise this underspend and therefore the likelihood of achieving this is unclear at this time. Any remaining overspend would need to be carried forward to 2017/18.
21. The National Schools Funding Formula is likely to ring-fence the various DSG funding blocks making it increasingly difficult to manage any overspends within DSG going forward. The pressures in High Needs DSG are expected to continue and increase in future years. A range of actions are being taken to minimise these costs.

Social & Community Services

22. The directorate is forecasting an underspend of -£0.1m. Fire & Rescue and Community Safety are forecasting an underspend of -£1.3m. This is offset by the Adult Social Care overspend of +£1.2m. The Adult Social

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Care forecast is after assuming the use of all of the Pooled Budget 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	+0.2
Physical Disabilities Pool	+0.9
Learning Disabilities Pool	+0.6
Mental Health Pool	+0.8
Use of remaining Social Care Precept	-1.3
Other (ASC non pool, Joint Commissioning)	0.0
Total Adult Social Care	+1.2

S&CS1 Adult Social Care

23. 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.

Older People and Equipment Pooled Budgets

24. The County Council element of the Older People and Equipment Pool is forecast to overspend by +£0.2m. 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 and after the use of the Older People pooled budget reserve. The balance of £1.3m from the Adult Social Care Precept is required to support the pressures reported against the pooled budgets and therefore is being wholly spent on pressures within Adult Social Care.
25. There is continuing pressure within the pool relating to care home placements where the forecast outturn is an overspend of +£2.6m after the use of funding from the Adult Social Care Precept. The average number of new placements is 11 per week, above the budgeted level of 10 per week. This is offset by forecast underspends elsewhere within the pool.

Physical Disabilities Pooled Budget

26. The Physical Disabilities Pool is forecast to overspend by +£0.9m. This is after transferring all of the £0.5m funding held in the Physical Disabilities Pooled Budget reserve. The underlying forecast reflects additional demand for home support.

Learning Disabilities Pooled Budget

27. The Learning Disabilities Pool is forecast to overspend by +£0.6m. This is after offsetting the risk shared pressure of +£0.9m against the -£0.3m underspend in relation to the budget that was added to reflect the impact of the National Living Wage on the costs relating to night time care. There have been a number of high cost placements late in 2016/17 which have impacted on the forecast, along with high cost packages for service users transitioning from Children's Social Care.

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Mental Health Pooled Budget

28. The Council's share of the Mental Health Pool overspend is forecast to be +£0.8m. This reflects the costs of those service users who fall outside of the Outcomes Based Contract, but eligible for social care. Additional funding of £0.4m has been added to the budget in 2017/18 to cover the additional on-going costs that are contributing to the overspend.

Adult Social Care: Non – Pool Services

29. Non-pooled services are forecast to overspend by +£0.6m. This includes a forecast overspend of +£0.5m on the Emergency Duty Team and Approved Mental Health Professional Specialists service. Following the recent consultation, a new structure will be implemented on 1 April 2017 with the expectation that overall costs will reduce. Joint Commissioning is forecasting an overspend of +£0.2m. The Deprivation of Liberty Safeguards service is contributing an underspend of -£0.2m.
30. Based on the forecast at the end of December, unallocated base budget funding of -£0.7m will be required to offset pressures in the non-Pool Services and in Joint Commissioning on a one off basis. This unallocated funding is likely to need to be allocated to the pooled budgets on a permanent basis from 2017/18 to support on-going pressures.

SCS3 Fire & Rescue, Emergency Planning and Community Safety

31. There is a forecast underspend of -£1.3m, for Community Safety, Fire & Rescue and Emergency Planning. This includes an underspend of -£0.6m relating to vacancies for whole time firefighters and forecast underspends on fuel costs and Gypsy and Traveller sites. £0.4m of the planned contribution to the vehicle replacement reserve will not be made in 2016/17. Updates will be provided through the Financial Monitoring Reports in 2017/18 but the intention is that an additional contribution to replace the funding for future vehicles will be made in 2017/18.

Environment & Economy

32. The directorate is forecasting a projected underspend of -£2.2m which represents -3.1% against budget. The forecast underspend in E&E has increased from -£1.3m in December.

EE2 Commercial Services

33. Within the property contract, fixed management fees are recovered through the work carried out during the year. Due to a larger than average capital programme, the amount of fees recovered through the capital work has exceeded the fixed cost payable. The surplus of £0.7m would normally be transferred to the capital reserve but instead will be used in revenue. In addition, there is an increase in the underspend in Corporate Facilities Management of a further £0.2m.

Corporate Services

34. The directorate is forecasting an overspend of +£0.2m which represent +1.1% against budget. In Corporate Services, the £0.9m overspend in ICT is being partly offset by underspends as a result of staffing vacancies in other services in the directorate.

Public Health

35. Public Health is forecasting an underspend of -£0.8m. 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

36. No further 2016/17 virements are allowed to be requested for Cabinet approval after the end of the financial year. New virements for Cabinet to note are set out in Annex 2d.
37. Council approved the budget for 2017/18 on 21 February 2017. Annex 2b sets out virements that Cabinet are recommended to approve in relation to 2017/18. They cover a number of housekeeping adjustments within CEF, Adult Social Care and Corporate Services.

Fees and Charges (for 2017/18)

38. As set out in Annex 6a there are also two proposed amendments to: library charge for the daily charge for play sets; and land search fee charges which would be effective from May 2017.
39. Annex 6b also sets out a proposed new charge for the hire of library premises and would be introduced from May 2017.

Bad Debts Write Offs and Impairments

40. There were 71 general write-offs to the end of February 2017 and these totalled £17,053. In addition Adult Social Care has written off 120 Client contribution debts totalling £146,354.
41. A debt of £24,000 relates to an overpayment of care fees paid to a Care Home in Oxford. This company has since been struck off for failing to comply with the Companies Act and the Legal team have advised that as there are no assets the recovery of this overpayment is not possible. It is recommended that the debt is written off.
42. An impairment of £165,000 is included in the Adult Social Care forecast outturn. A large Home Care provider has recently gone into liquidation and the advance payments under the Help to Live at Home contract are unlikely to be recovered through the administration process. Updates will be provided in future reports.

Business Strategy Savings

43. The forecasts shown in this report incorporate Business Strategy savings that were agreed by Council in February 2016 and previous years. Of the £53m savings included in the budget for 2016/17, 83% has now been achieved or is on track to be achieved by the end of the year.
44. Within the Directorates, £8.9m of planned savings are flagged as Amber or Red for not being fully delivered in this financial year. However, £1.8m will be partly delivered in 2016/17 and £2.7m will be delivered in the next financial year. Taking into account those savings that will be delivered in part in 2016/17 and 2017/18, 92% of planned savings will be achieved.

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45. This leaves only £4.4m (8%) of the £53m savings that are not achievable and have all been addressed through the Service & Resource Planning process. An update on the final position will be included in the Provisional Outturn Report in June.

Treasury Management

46. The latest treasury management approved lending list (as at 30 September) is shown in Annex 4. There have been no changes to the list since the last report.
47. The table below shows average in-house cash balances and average rates of return for January and February 2017. 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
January	£305.8m	0.69%
February	£323.2m	0.88%

Part 2 – Balance Sheet

48. 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 £45.1m at 31 March 2017.
49. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £45.8m at 31 March 2017. This includes £1.3m in the Budget Reserve and £2.9m in the Efficiency Reserve.

Balances

50. As set out in Annex 5 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 forecast outturn position is £15.6m after allowing for the forecast directorate overspend of £5.2m.
51. As set out in paragraph 3, this forecast position is less than the risk assessed level. However, the proposed budget for 2017/18, to be agreed at Council on 14 February 2017, includes a contribution to balances of £2.7m to bring them back to the risk assessed level if required when the final end of year position is known. The final position will be set out in the Provisional Outturn Report to Cabinet in June 2017.

Part 3 – Capital Monitoring

52. The capital monitoring position set out in Annex 7a, shows the forecast expenditure for 2016/17 is £123.4m (excluding schools local capital), which is a decrease of £14.2m compared to the latest approved capital programme. The table overleaf summarises the variations by directorate.

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Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	50.7	50.1	- 0.6
Social & Community Services	15.2	15.2	0.0
Environment & Economy – Transport	46.7	45.3	- 1.4
Environment & Economy – Other	9.8	5.6	-4.2
Corporate Services	15.2	7.2	-8.0
Total Directorate Programmes	137.6	123.4	- 14.2
Schools Local Capital	1.8	1.8	0.0
Earmarked Reserves	0.7	0.4	-0.3
Total Capital Programme	140.1	125.6	- 14.5

* Approved by Council 14 February 2017

53. 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.
54. £0.5m has been re-profiled from the basic need programme to reflect the latest delivery timetable of the September 2017 basic need programme.
55. Within the Eastern Arc Phase 1 Access to Headington scheme, £1.7m has been re-profiled to 2017/18 to reflect the delivery timetable of the scheme.
56. The programme now includes the additional £1m on the Milton Interchange scheme, funded through the LEP, approved at Cabinet in February 2017.
57. There is a £3m reduction in Phase 1 of the Better Broadband project as the cost of providing 90% coverage across Oxfordshire was less than anticipated. The £3m of funding will be held within the earmarked reserves of the capital programme pending approval of further business cases requiring funding.
58. £8.5m of the externally delivered Didcot Station Car Park Extension project, funded through the Local Growth Fund, has been re-profiled to 2017/18 following a delay with the start of construction.

Actual & Committed Expenditure

59. As at the end of February actual capital expenditure for the year to date (excluding schools local spend) was £76.6m. This is 62% of the total forecast expenditure. Actual and committed spend is 82% of the forecast.

Five Year Capital Programme Update

60. The total forecast 5-year capital programme (2016/17 to 2020/21) is now £526.5m, an increase of £0.8m compared to the last capital programme for this period approved by Council on 14 February 2017. The table

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below 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 2020/21)* £m	Latest Updated Total Programme (2016/17 to 2020/21) £m	Variation £m
Children, Education & Families	176.5	177.1	+0.6
Social & Community Services	38.8	38.8	0.0
Environment & Economy - Transport	169.8	173.2	+3.4
Environment & Economy – Other	31.1	28.1	-3.0
Corporate Services	24.0	24.8	+0.8
Total Directorate Programmes	440.2	442.0	+1.8
Schools Local Capital	5.6	5.6	0.0
Earmarked Reserves	79.9	78.9	-1.0
Total Capital Programme	525.7	526.5	+0.8

* Approved by Council 14 February 2017

61. There is additional s106 funding of £0.6m towards individual projects within the Basic Need and Growth Portfolio programmes.
62. Following Cabinet approval in February 2017, the A40 Oxford Science Transit Phase 2 scheme now includes the additional £3.2m project development budget.
63. There is an additional £0.8m on Local Enterprise Partnership schemes following the completion of funding agreements including £0.6m on the Northway and Marston Flood Alleviation project.
64. In March, additional funding of £2.454m between 2018/19 and 2020/21 was announced as part of the Special Provision fund towards children with special educational needs and disabilities to enable school capacity to be increased and making it easier for them to access good school places. Authorities will be expected to consult on how their funding allocation should be used, and publish a short plan before they receive funding.
65. Cabinet are recommended to approve to contractually commit to the construction of the Didcot Great Western Park Primary School (Chalkhill) project, which will provide a 2 form-entry school for 60 children per year group in the seven year groups from Foundation 1 to Year 6 and a 26 full-time equivalent nursery for Foundation 2 children. The total budget is £7.150m which is down from the £7.577m approved at stage 1. The project is funded from s106 contributions.
66. In January 2017, the Government announced that the Council would receive £3.3m through the National Productivity Investment Fund for local highway and other local transport improvements which aims to reduce congestion at key locations, upgrade or improve the maintenance of local

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highway assets to improve access to employment and housing, to develop economic and job creation opportunities.

67. Cabinet is recommended to approve the following National Productivity Investment Fund programme for inclusion in the capital programme (next update to Cabinet in July 2017):

Scheme Name	£m
A4158 Oxford Road and Newman Road junction (DESIGN ONLY)	0.055
Microprocessor Optimised Vehicle Actuation (MOVA) (including Clifton Hampden A415 and M40 J11 if necessary)	0.410
A40 Sunderland Avenue (maintenance)	0.677
Urban Traffic Management & Control (UTMC) Integration	0.023
Oxford Variable Message Signs (VMS) – Car Park Guidance & Traffic Information Signs	0.350
Woodstock Road, Oxford (maintenance)	1.000
Smart Cycle Detection System (SCDS)	0.185
Access to Headington Complimentary (maintenance) Measures	0.100
Upgrade Bus Stops (various countywide)	0.335
Warwick Road, Banbury Pedestrian Crossing	0.080
Programme Contingency	0.037
TOTAL	3.252

RECOMMENDATIONS

68. **The Cabinet is RECOMMENDED to:**
- (a) note the report;
 - (b) approve the 2017/18 virements set out in Annex 2b;
 - (c) approve the debt write off in paragraph 43;
 - (d) note the impairment of the debt detailed in paragraph 44;
 - (e) note the Treasury Management lending list at Annex 4;
 - (f) approve the Fees and Charges set out in Annex 6;
 - (g) approve the changes to the Capital Programme set out in Annex 7b and 7c;
 - (h) approve the contractual commitment for construction of the Didcot Great Western Park Primary School (Chalkhill), with a total budget of £7.150m as set out in paragraph 65; and
 - (i) approve the £3.3m National Productivity Investment Fund Programme set out in paragraph 67 for inclusion in the capital programme.

LORNA BAXTER
Director of Finance

Background papers: Directorate Financial Monitoring Reports to the end of January and February 2017

Contact Officers: Background Papers: Nil
Katy Jurczynszyn, Strategic Finance Manager
Tel: 07584 909518 April 2017