Division(s):

CABINET – 18 DECEMBER 2018

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

Report by the Director of Finance

Recommendations

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

(a) note the report;

(b) approve the virements set out in Annex 2a and note the virements set out in Annex 2b; and

(c) approve the bad debt write-offs as set out in paragraphs 67 and 68.

Executive Summary

2. This report sets out the forecast position of the revenue budget as at the end of October 2018. This report also includes an update on the delivery of savings, plus forecast reserves and balances.

3. There is an overspend of **£7.2m** by directorate services partially offset additional interest of **£0.5m** and additional business rates of **£0.5m** to give an overall Council overspend of **£6.2m**. It may be possible to reduce the overspend further by using the unallocated corporate contingency of **£6.9m**. The report to Cabinet at the same time last year anticipated a directorate overspend of **£11.0m**.

Directorate	Latest Budget 2018/19 £m	Forecast Outturn 2018/19 £m	Forecast Outturn Variance 2018/19 £m	Forecast Outturn Variance 2018/19 %
People	290.0	297.1	+7.1	2.5%
Communities	105.4	104.7	-0.7	0.7%
Resources	36.0	36.8	+0.8	2.2%
Total Directorate Position	**431.4**	**438.6**	**+7.2**	**1.7%**
Strategic Measures	-431.4	-432.4	-1.0	-0.2%
Overall Surplus/Deficit	**0**	**6.2**	**6.2**	

Main variations

4. An overspend of **£6.7m** is forecast for Children's Services which mainly relates to Children's Social Care. An additional **£9.5m** was included in the budget for Children's Social Care in 2018/19 due to significant increase in demand. Savings of **£3.0m** were also included in the budget to reflect the work of the Children's Services Programme that was established with focus on addressing demand management; strengthening early help and prevention including closer partnership working; strengthening staffing resources and building community resilience. Despite the additional funding demand for Children's Social Care continues to rise beyond expectations, both locally and nationally and savings are taking longer to deliver than anticipated, although are still expected to be met in the Medium Term Financial Plan period.

5. There is also a **£8.0m** 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 **£4.9m** DSG reserves but the remaining overspend will need to be either carried forward with a recovery plan produced which aims to bring the reserve back into balance.

6. As per the Council's Financial Regulations, an action plan is being developed for the Children's Services overspend as it is greater than **£1.0m** by the Director for Children's Services. This will be discussed with the Director for Finance and the Cabinet Member for Finance and will be presented to Cabinet in a future report.

Grants

7. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling **£338.8m**. The decrease of **£5.6m** since the last report reflects the latest grant notifications for the Dedicated Schools Grant, PE Grant and Asylum Grant.

Reserves

8. Annex 4 sets out the forecast earmarked reserves position as at 31 March 2019. These are held for specified one-off projects, contractual commitments and to support the Medium Term Financial Plan. Reserves are forecast to reduce from **£96.6m** to **£69.4m** at 31 March 2019.

General Balances

9. As set out in Annex 5 the current forecast for general balances as at 31 March 2019 is **£25.3m.** This is **£9.0m** higher than the risk assessed level of **£16.3m** as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2018.

Strategic Measures

10. The current forecast outturn position for in house interest receivable and external fund returns is **£0.5m** above budget. In addition, the

Council is estimated to receive **£0.5m** from the gain on the business rates pool.

Medium Term Financial Plan Savings

11. 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 stage of the year, at least **91%** of the planned savings of **£41.0m** are expected to be delivered.

Revenue Commentary

12. 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

13. Commentary on key variations greater than £0.1m for each service are provided below.

People – Children

14. An overspend of **£6.7m (6.4%)** is reported for Children's services.

Education & Learning – £0.8m

15. Special Educational Needs Home to School Transport is currently forecast to overspend by **£0.8m.** Savings of **£1.2m** are included in the budget for 2018/19. **£0.8m** of these savings are forecast not to be achieved. **£0.3m** relating to existing students and **£0.7m** in relation to Meadowbrook, post 16 and Special Schools which is offset by an overachievement of **£0.2m** on new student eligibility. This position is being reviewed to identify whether any mitigation can be put in place to reduce the overspend. An update will be included in future reports.

16. Analysis of activity to date has shown an increase in spend on SEN transport to the end of August 2018 which is 15% higher than last year. This is in line with the increase in demand for special school places and the need to place children at independent non-maintained special schools reflected in paragraph 27. This leaves the budget at risk of a further overspend of **£1.2m** due to demographic growth. The on-going effect of this pressure is addressed in the 2019/20 Service & Resource Planning Report elsewhere on the agenda.

Children's Social Care - £2.2m overspend

17. **£1.2m** of the overspend relates to an increase in staffing levels within the Social Care Teams due to the increase in demand. In 2017/18 it was possible to manage these pressures within the overall service due to a significant underspend within Family Solutions due to posts being

held vacant. Due to increased caseloads there has been a need to fill these vacancies with both permanent and agency staff.

18. In addition, there are overspends and risks within the Leaving Care Service totalling **£0.4m**. This relates to Leaving Care Allowances which reflects a growth in client numbers. This is likely to become a greater pressure in the future, as the increase in looked after children numbers move into Leaving Care services. In addition, an increase in the statutory age from 21 to 25 from 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. No additional funding has been received in relation to additional allowances and other support also required by the increase in statutory age. Further work needs to be completed to identify the likely pressure due to the additional requirements once demand can be measured more accurately.

19. As reported previously there is also an overspend of **£0.8m** on Unaccompanied Asylum Seeking Children due to costs exceeding grant funding received.

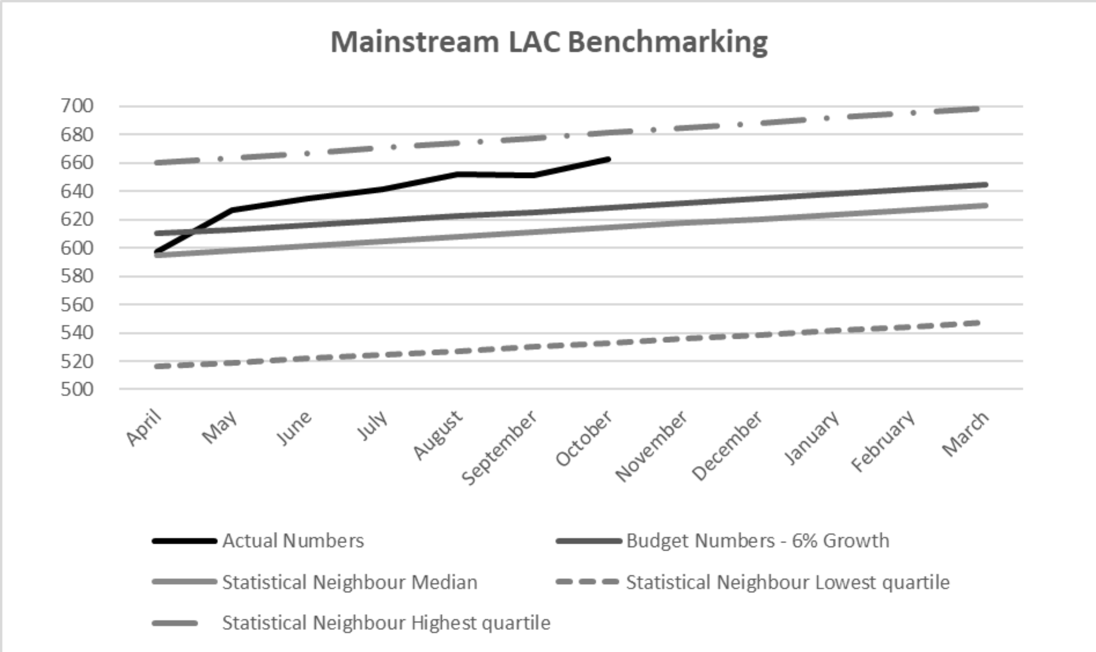
20. Troubled Families has been set an increased target, to increase payment by results income by **£0.2m**. This is a challenging target which would require targets to be achieved and evidenced in an additional 188 families. The outcome will not be known until the final claim is submitted in March 2019.

Children's Social Care Countywide – £3.5m overspend

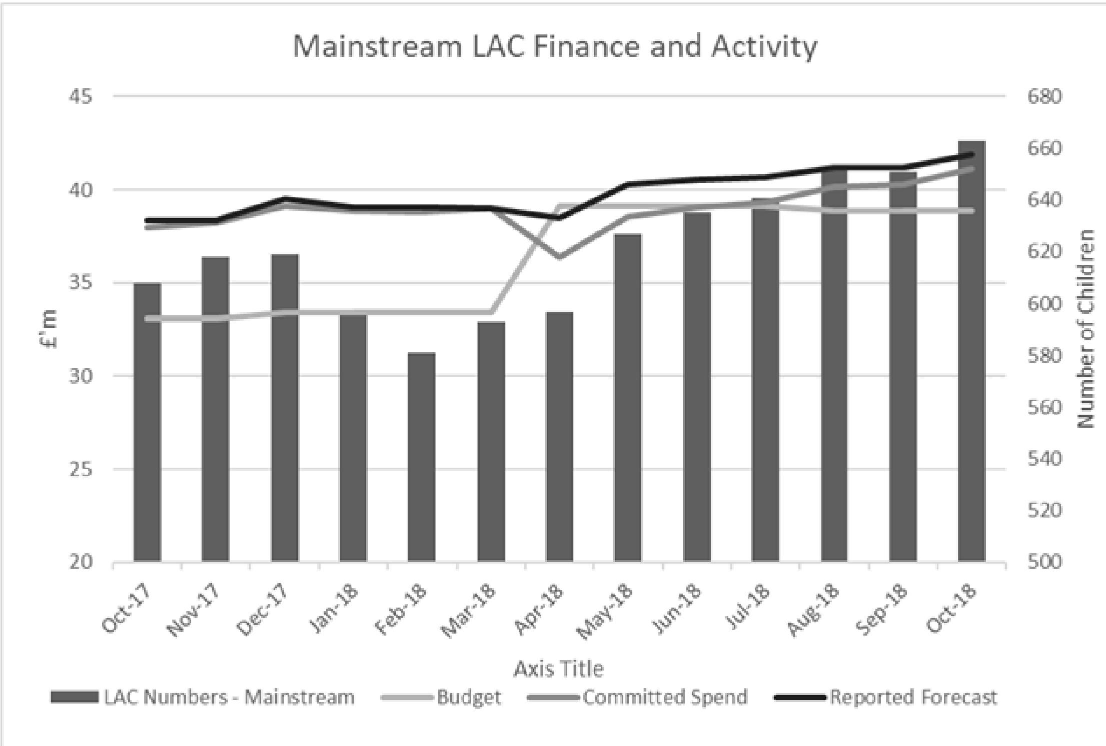
21. Corporate Parenting is forecasting an overspend of **£3.5m** of which **£2.3m** relates to an increase in demand. Growth in the number of mainstream looked after children in the first five months of the year has been significantly higher than anticipated, which has put a pressure on the budget for this year.

22. An increase of 70 mainstream looked after children from April 2018 to the end of October takes the number of children looked after to 663. Budget provision for 2018/19 was 610 children, a **£1.3m** growth from 2017/18. Demand growth this month has been offset by a reduction of **£0.4m** in relation to the reprofiling of prudential borrowing over a longer term. If demand continues to rise in line with current trends this would give actual growth for the year of approximately 20% against the budgeted growth of 6%. This would add an additional overspend of **£0.6m** to the current forecast.

23. The following graph shows how Oxfordshire compares to statistical neighbours, based on the latest information available. At present Oxfordshire is not an outlier, although numbers are higher than the statistical neighbour average.



24. The following graph shows the link between the number of mainstream looked after children and the cost of providing placements over a 12-month period.



25. A further **£1.1m** overspend relates to savings which aren't expected to be achieved in 2018/19 as set out in more detail in paragraphs 70 and 71.

DSG Funded Services

Directorate Service Area	Latest Budget	Forecast Outturn	Forecast Variance	
DSG	**£m**	**£m**	**£m**	**%**
Schools DSG	127.6	127.6	0.0	0.0%
High Needs DSG	37.4	45.4	8.0	21.4%
Early Years DSG	50.7	50.7	0.0	0.0%
Central DSG	4.0	4.0	0.0	0.0%
Total DSG	**219.7**	**227.7**	**8.0**	**3.6%**

26. The high needs block is forecast to overspend by **£7.0m** to **£8.0m** in 2018/19, mainly due to increasing demand for special school places and the need to place children at independent non-maintained special schools. There has been a significant increase in the demand for Independent Non-Maintained Special School placements (INMSS) and post-16 independent education provision for children with Special Education Needs and Disabilities. The Education Sufficiency Strategy is in place to manage future demand but immediate demographic pressures are now leading to further projected overspends for 2018/19.

27. The INMSS and post 16 independent provision accounts for **£1.7m** of the budget increase since the last report in September 2018. There were 33 new placements made with INMSS in September and a further 14 placements for post-16 provision. Projections still need to fully take into account the 37% increase in Education, Health and Care Plan assessments that the service has undertaken in 2018/19. A proportion of these assessments will add further pressure into the 2018/19 budget. The increased forecast has been due to actual increases in September/October resulting from the new academic year. An updated position should be available by the end of December 2018 taking account of the majority of demand changes for the financial year.

28. Any overspend needs to be netted off against DSG underspends, carried forward to 2018/19 with a recovery plan produced which aims to bring the reserve back into balance. At this time there are not any forecast underspends elsewhere in DSG and it is forecast this will be partly funded from brought forward balances, which is estimated to be sufficient to fund **£4.9m** of the overspend at this time.

29. The increase in the reserves available relates to the local authority's transfer of DSG underspends from the Schools and Early Years DSG Blocks for 2017-18 (totalling **£0.9m**). This was confirmed by Schools Forum on 7 November 2018 to reduce the deficit incurred by the High Needs budget.

People – Adult Services

30. Adult Services is forecasting an overspend of **£0.4m (0.2%)**.

31. As noted in the report to Cabinet in September the agreement of the pooled budget risk shares for 2018/19 has been impacted by the forecast position on both pools and on-going risks around Continuing Health Care expenditure. Further to on-going discussions there is now joint agreement between the council and Oxfordshire Clinical Commissioning Group (OCCG) to align the ownership of variations on the Better Care Fund Pooled budget, so that each partner will manage the variations on their own elements of the pool, on a one – off basis in 2018/19.

32. The Adults with Care and Support Needs Pool is fully pooled with combined budgets supporting health and social care needs. Using the same weighted risk share approach as for 2017/18, 87% of the variation would have been met by the council and 13% by OCCG. However, to enable agreement of the wider risk share the council will manage 100% of the variation on a one – off basis in 2018/19. The **£1.2m** element relating to service users falling outside the scope of the Mental Health Outcome Based Contract will continue to be shared 50:50 between both partners.

33. As noted in the Provisional Outturn Report for 2017/18, **£0.7m** was passed to the council by Oxfordshire Clinical Commissioning Group (OCCG) and held in reserves at the end of 2017/18 to be used to support work to mitigate winter pressures across the health and social care system. A plan for the use of this funding in 2018/19 has now been agreed with health partners and is being utilised for a range of actions to improve system flow, reduce delayed transfers of care, and avoid hospital admissions over the winter.

34. In late October the council was notified that it will receive a **£2.3m** share of **£240m** social care grant announced for 2018/19. The funding is intended to help councils alleviate winter pressures on the NHS, get patients home quicker and free up hospital beds. The grant conditions were received at the end of November and set out that the funding should be used in addition to planned spending on adult social care services in 2018/19 to support the local health and social care system to manage demand pressures on the NHS between November 2018 and March 2019. The planned use needs to discussed with local NHS partners, including local acute hospital trusts, ahead of submission to the Department of Health and Social Care by 14 December 2018. An update will be included in the next report.

Better Care Fund Pool £0.9m overspend (1.1%)

35. 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

36. The forecast position reflects a **£0.8m** relating to an increase in the bad debt impairment for care homes service user debt. The 2018/19 budget includes a one – off saving of **£0.3m** based on a forecast reduction in Adult Social Care bad debt over six months old. Since the level of bad debt requiring impairment has instead increased by over **£0.5m** since April 2018 work is underway to try and improve collection rates. Two additional recovery officers are now in post which will help address this increasing figure. Further updates will be provided throughout the year but it is not expected that the saving relating to the impairment will be achieved in 2018/19 with the benefit of the additional capacity more likely to impact from 2019/20 onwards.

Adults with Care and Support Needs (ACSN) Pool - £3.0(3.7%) overspend

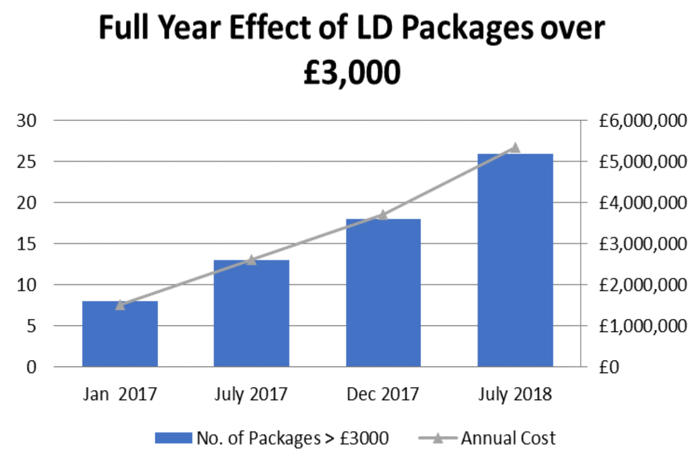
37. The forecast reflects the agreed risk share as noted above. The Adults with Care and Support Need Pooled Budget is currently reporting an overspend of **£3.0m**. This is a 3.7% variance on a **£81.2m** budget.

38. **£2.1m** funding for demographic growth was added to this budget as part of the 2018/19 Medium Term Financial Plan. Savings of **£1.0m** that need to be achieved while continuing to meet assessed needs are also built into the budget but while costs are being avoided, cashable savings are not likely. Part of the Adult Social Care precept was used to reduce the original planned saving by **£1.0m** but the achievement of the remaining saving in 2018/19 looks unlikely. The on-going impact is being considered through the Service & Resource Planning process.

Learning Disabilities

39. There is a forecast overspend of **£2.9m**. This reflects a number of package changes within care homes and the supported living areas which overall have financial effect on the current forecast.

40. 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 packages and changes agreed during 2017/18 as well as new changes in 2018/19. Overall the number of service users has not increased but average package sizes are larger as is reflected in the following table. The increased forecast represents the new risk share agreement noted earlier in the report.



Other Non-Pool Services - £3.4m underspend

41. All other non-pool Adult Social Care Services are currently forecasting an underspend of **£3.4m**, -19.3% of the **£17.8m** budget.

42. The Domestic Violence and Abuse Support Service is now reporting an underspend of **£0.2m** as a result of a new contract being awarded to provide this service resulting in a saving on the original contract value. The underspend will be removed from the service and utilised to meet pressures elsewhere on an on-going basis.

43. There is currently a one – off forecast underspend of **£0.8m** against the **£2.9m** available through the Adult Social Care precept and **£0.7m** of unallocated base budget held since 2015/16 relating to the Care Act and Independent Living Fund funding. Both of these amounts continue to be held outside of the pools but are offsetting part of the pressure on the ACSN pooled budget. A virement to move the **£0.7m** one-off funding into the ACSN pooled budget to aid the forecast position on the pool is requested and will be included within the next cabinet report.

44. There is also **£1.7m** underspend being reported relating to funding previously being earmarked to cover inflationary increases within the Pools no longer being required due to more up to date figures being available, and the utilisation of **£1.8m** iBCF to fund inflationary increases for providers in 2018/19.

People – Public Health

45. There is currently a breakeven position forecast for Public Health after the transfer of **£0.4m** to the Public Health Reserve. 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

46. An underspend of **£0.7m (0.7%)** is forecast for the Communities directorate

Infrastructure Delivery - £1.5m underspend

47. The forecast position reflects an anticipated pressure of **£0.8m** 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, with implementation due to start in February 2019. However, the benefits will not be realised in time to reduce the 2018/19 pressure.

48. The forecast position also reflects an anticipated pressure on the Defect Repairs budget of **£1.0m** due to the significant increase in road defects following the abnormal winter weather. Further investment is being sought which could reduce this pressure but at present an overspend is anticipated. These pressures will be mitigated by **£0.6m** through greater capitalisation of activities such as dragon patching, traffic signal and minor works.

49. The overspends above are offset by a forecast underspend on Waste Management of **£3.0m** due to the balance of waste stream tonnages differing from previous years and contract savings.

Property & Investment - £0.7m overspend

50. Supported Transport is 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.

51. Although a balanced budget is forecast for Property, 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 finalisation 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

52. Resources is forecast to overspend by **£0.7m** (0.6%). **£0.4m** of this this relates to Legal Services due to the cost of external Counsel fees. **£0.3m** relates to the costs (statutory entitled only) associated with making the previous Chief Executive post redundant partially offset by reduced costs due to the shared Chief Executive as set out in the joint funding agreement between Oxfordshire County Council and Cherwell District Council.

Corporate Measures

Virements and Supplementary Estimates

53. 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.

54. Virements to approve this month are set out in Annex 2a and include transfer of the unspent element of the Adult Social Care precept into the Adults with Care and Support Needs Pool on a one – off basis in 2018/19 to manage the forecast overspend. The on-going impact of the pressure is being considered through the Service & Resource Planning process. The Adult Social Care precept was initially held on SCS1-6. The elements relating to Workforce initiatives and on-going support to the voluntary sector following the implementation of the new Daytime Support service are requested to be moved to align with the spend in 2018/19. The virements also reflect the effect of the on-going effect of the 2017/18 price increase and the 2018/19 uplift within the Learning Disability Service. Funding set aside for inflationary increases has been held outside of the Pool within SCS1-6.

55. Annex 2b shows virements Cabinet need to note. These include remove the non-negotiable recharge income and expenditure budgets. The gross cost of support services such as Corporate Landlord, Corporate Finance and Corporate HR will now be shown within the service where they are managed rather than net of apportionment to other directorates. This is to ensure compliance with the CIPFA Code of Practice on Local Authority Accounting by reporting service costs within the directorate where the decisions about incurring those costs are made.

56. There are no supplementary estimates for Cabinet to approve in this report.

Grants

57. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling **£338.8m**. The decrease of **£5.6m** since the last report reflects the latest grant notifications for the Dedicated Schools Grant, PE Grant and Asylum Grant.

58. On 2 October 2018 the Department of Health and Social Care announced an additional **£240m** of funding for Adult Social Care for 2018/19. The Council will receive approximately **£2.3m**. The grant conditions were received at the end of November and set out that the use of the funding needs to be discussed with local NHS partners ahead of submission to the Department of Health and Social Care by 14 December 2018. An update will be included in the next report.

Reserves

59. 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 **£27.2m** from **£96.6m** to **£69.4m** at 31 March 2019.

General Balances

60. As set out in Annex 5 general balances were **£25.8m** as at 31 March 2018. The current forecast for general balances as at 31 March 2019 is **£25.3m** after taking into account the forecast directorate overspend of **£6.2m,** unallocated contingency of **£6.9m** and the supplementary estimates totalling **£1.1m** approved by Cabinet in October 2018. This is **£9.0m** higher than the risk assessed level of **£16.3m** as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2018.

Strategic Measures

61. There have been no changes to the lending list since the last update.

62. The following table sets out average in-house cash balances and average rates of return for September and October 2018. In house interest receivable for September and October 2018 was **£0.5m**. The current forecast outturn position for in house interest receivable is **£2.7m**, which is **£0.3m** above budget. Which is due to the bank rate increasing earlier than anticipated and higher cash balances than forecast.

Month	Average cash balance	Average rate of return
September	£346.7m	0.87%
October	£366.9m	0.91%

63. External Fund dividends are paid quarterly. The forecast outturn position for external fund returns is **£1m**, which his **£0.2m** above budget.

64. Interest payable is forecast to be in line with the budgeted figure of **£15.6m**.

65. From the latest forecast provided by the District Councils, the County Council is estimated to receive **£0.5m** from the gain on the business rates pool.

Debt and Loan Write-Offs & Impairments

66. There were **121** general write-offs to the end of October 2018 totalling **£86,721** and there were **97** Adult Social Care Client contribution write offs totalling **£156,198**. There have also been **3** Gypsy service rents & rates write offs for **£7,431**.

67. Under their constitutional powers Director for Law and Governance has agreed a financial settlement as part of a formal mediation negotiation relating to a highways overstay. Cabinet is recommended to approve the balance of **£60,000.**

68. Cabinet is also recommended to approve the write-off of an adult social care debt of **£10,433**. This debt relates to reclaim of a direct payment paid between 2011 and 2013. The direct payment ended when the service user moved area. Legal action was taken in 2013 and some funds were recovered by instalment as there were no assets. The debtor can no longer be located so the likeliness of the recovery of this debt is low.

Medium Term Financial Plan Savings

69. 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 stage of the year, at least **91%** of the planned savings of **£41.0m** are expected to be delivered.

70. In relation to Children's Services, it is anticipated that only 64% of the **£4.6m** planned savings for 2018/19 will be achieved in year. It is however still expected that all savings in the current MTFP will be delivered by the end of the MTFP period.

71. **£1.9m** of savings rated as red consists of **£0.8m** of savings which are currently not anticipated to be made in Home to School Transport, from a total of **£1.2m**. In addition, **£0.6m** of the **£1.6m** saving in relation to Entry to Care is forecast to not be met, although depending on progress to the end of the year this may still be possible, this relates to savings due to controlling entries to care. This is offsetting against significant increased demand, through stronger controls savings are being achieved by challenging high cost placement requests and entries to care. Finally, savings relating to Reconnecting Families of **£0.5m**, against a total of **£1.2m**, is currently forecast to not be achieved in 2018/19, due to a delay in implementation and difficulty in identifying suitable placements to enable children to step down.

72. Adult Social Care expects to achieve 77% of the savings built into 2018/19 budgets. **£1.4m** of the directorate savings are flagged red. These are made up of the **£0.3m** saving from the reduction in the income impairment noted above and the **£1.0m** saving built into the Learning Disabilities budgets. Savings are being achieved within the Learning and Disabilities budgets but they are being hidden by the pressure within the pool which has arisen due to growth in package sizes and activity not as a result of the non-delivery of savings. 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. At present it is expected that the saving will be achieved in both years. 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.

73. The Communities directorate is expected to achieve 95% of the planned savings. **£0.2m** of the directorate savings are flagged Red or Amber. This is due to a risk that additional income from solar panels on property sites and from bus lane enforcement cameras, the latter due to a delay in rolling out, will not be realised.

74. 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.

LORNA BAXTER
Director of Finance

Background papers:	Directorate Financial Monitoring Reports for June, September and October 2018
Contact Officers:	Katy Jurczyszyn, Strategic Finance Manager 07584 909518

December 2018