Introduction

1. This annex sets out the second financial monitoring update for the 2022/23 financial year and is based on information to the end of July 2022. Key issues, as well as risks relating to inflation, demand and other factors, plus areas of emerging pressure are explained below.

The following additional information is provided to support the information in this Annex:

Annex B – 1 (a) to (f)	Detailed directorate positions
Annex B – 2b	Virements to note
Annex B – 3	Earmarked reserves
Annex B – 4	Government grants
Annex B – 5	General Balances

Overall Financial Position

2. As shown below there is a forecast Directorate overspend of £7.2m or 1.4%. The overall forecast variation is £5.9m or 1.1% after taking account of an increase in interest receivable on balances held by the council. Further detail is set out below.

Directorate	Latest Budget 2022/23 £m	Forecast Spend 2022/23 £m	Variance July 2022 £m	Variance July 2022 %	Variance May 2022 £m	Change Since May £m
Adult Services	211.1	211.1	0.0	0.0	0.0	0.0
Children's Services	148.7	156.6	7.9	5.3	5.5	2.4
Public Health	2.4	2.2	-0.2	-8.4	0.0	-0.2
Environment & Place	62.8	61.5	-1.3	-2.1	0.0	-1.3
Commercial Development, Assets and Investments	48.6	49.6	1.0	2.1	0.4	0.6
Customers, Organisational Development & Resources	37.3	37.1	-0.2	-0.5	-0.4	0.2
Total Directorate Budgets	**510.9**	**518.1**	**7.2**	**1.4**	**5.5**	**1.7**
Budgets Held Centrally						
Capital Financing Costs	26.1	26.1	0.0	0.0	0.0	0.0
Interest on Balances	-13.0	-14.3	-1.3	-0.3	-1.1	-0.2
Inflation and Contingency	12.3	12.3	0.0	0.0	0.0	0.0
Un-ringfenced Specific Grants	-33.1	-33.1	0.0	0.0	0.0	0.0
Insurance	1.4	1.4	0.0	0.0	0.0	0.0
Contribution from COVID-19 Reserve	-8.4	-8.4	0.0	0.0	0.0	0.0
Budgeted contributions to reserves	24.2	24.2	0.0	0.0	0.0	0.0
Total Budgets Held Centrally	**9.5**	**8.2**	**-1.3**	**-0.3**	**-1.1**	**-0.2**
Net Operating Budget	**520.4**	**526.3**	**5.9**	**1.1**	**4.4**	**1.5**
Business Rates & Council Tax funding	-520.4	-520.4	0.0	0.0	0.0	0.0
Forecast Year End Position	**0.0**	**5.9**	**5.9**		**4.4**	**1.5**

3. In addition to the overspend against council budgets, the forecast 2022/23 deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £17.5m after taking account of £1.2m of COVID-19 costs being met from council resources. This has reduced compared to the forecast in the Budget & Business Planning report to Cabinet on 18 January 2022 which set out that the spend on High Needs was expected to exceed grant funding by £20.3m in 2022/23. In line with a change to the CIPFA code of practice on DSG High Needs deficits an unusable reserve was created in 2020/21 to hold negative High Needs DSG balances. The forecast deficit would increase the total accumulated negative balance for High Needs held in this reserve to £47.3m at 31 March 2023.

4. Issues and volatility in the wider economy, including inflation and workforce shortages, continue to increase the risk to the financial position for the council and the overall landscape looks much more challenging than when the budget was set in February 2022 or compared to the same point in 2021/22.

5. The forecast overspend for Children's Services is particularly volatile and there remains real concern over the level of demand and lack of care placements available in the system. There is significant underlying pressure of up to £11.5m requiring rapid and active intervention. The forecast for Environment & Place reflects current activity but that could be affected by changes in demand and inflationary pressures in the second half of the year.

6. Further action will be taken to manage expenditure so that the forecast overspend reduces by year end. An update will be provided in the next report.

7. Most of the £12.3m on-going budget held as contingency as part of the 2022/23 budget will be needed to meet the cost of additional on-going pay inflation. One - off funding in general balances can be used to support pressures in 2022/23. The forecast overspend of £5.9m reduces the total to £1.9m above the £28.9m risk assessed level for 2022/23. Any increase to the forecast overspend beyond £5.9m would require further use of balances.

Directorate Forecasts

Adult Services

8. Adult Services is forecasting to breakeven against a net budget of £211.1m.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Age Well Pooled Budget	68.2	0.0	0.0	0.0
Live Well Pooled Budget	122.0	0.0	0.0	0.0
Non- Pool Services	14.4	0.0	0.0	0.0
Commissioning	6.5	0.0	0.0	0.0
Total Adult Services	**211.1**	**0.0**	**0.0**	**0.0**

Age Well Pooled Budget

9. The Age Well pool combines health and social care expenditure on care homes, activity relating to hospital avoidance and prevention and early support activities for older people.

10. A breakeven position is forecast for the council elements of the pool. However, there are on-going risks and uncertainties around activity levels, the impact of the Hospital Discharge Scheme ceasing and the impact on the market of the continuing increase of inflation, particularly in relation to new placements. The position requires the delivery of £2.6m savings built into the 2022/23 budget.

11. The budget contributions for both pooled budgets in 2022/23 have yet to be agreed by the Joint Commissioning Executive (JCE). The Oxfordshire Clinical Commissioning Group (OCCG) ceased to exist from 30 June 2022 and was replaced by the Integrated Care Board (ICB) for Buckinghamshire, Oxfordshire and Berkshire West. A three month budget to the end of June 2022 was agreed with OCCG with the expectation that the remaining budget for the rest of the financial year would be agreed by the ICB. The expectation is that each partner will continue to manage their own variations against the agreed contributions for the whole of the financial year, which will be confirmed with a new Section 75 agreement.

12. The council's share of the Better Care Fund held within the pool is expected to be £27.7m in 2022/23 and has increased by £1.4m compared to 2021/22. This is based on an expected minimum increase of at least 5.3% nationally.

Live Well Pooled Budget

13. The pool supports a mix of health and social care needs for adults of working age with learning disabilities, acquired brain injury or mental health needs and adults with physical disabilities.

14. A breakeven position is forecast for the council elements of the pool. There are on-going risks and uncertainties around activity levels, complexity of new packages of care, the impact on the market of the continuing increase of inflation and the position requires the delivery of £2.5m savings agreed as part of the 2022/23 budget.

15. A £3.5m overspend on social care costs related to the Outcome Based Contract within the Mental Health element of the pool is anticipated. This pressure is on-going from 2021/22 and there are ongoing contract meetings between the council and the Oxford Health NHS Foundation Trust (OHFT) to further understand how this can be managed in 2022/23 and future years. £1.5m of the overspend will be met from on-going funding agreed as part of the 2021/22 budget. The remaining £2.0m is expected to be met from a one-off contribution from funding held in the Budget Priorities reserve.

16. An overspend of £0.4m relating to the cost of people with mental health needs falling outside the scope of the Outcome Based Contract with Oxford Health Foundation Trust (OHFT) is included within the forecast. Under the current risk share arrangement, the council is responsible for £0.3m of the pressure.

17. The budget for services for people with high functioning autism is currently forecasting a £0.3m underspend assuming the current level of activity is maintained until the end of the financial year.

18. The health contribution to the pool is £18.3m and is unchanged from the previous year. It has been agreed that the council will continue to manage the majority of any variation for the whole of the financial year as was the case in previous years. In addition each partner will manage their own variations against the agreed contributions to the physical disability area of the pool. This will be confirmed as part of a new Section 75 agreement.

19. Under Section 75 of the NHS Act 2006 Oxfordshire Clinical Commissioning Group (OCCG) and the Council has pooled health and social care commissioning budgets since April 2013. The arrangements from 1 April 2022 include the agreement of a single, fully integrated pooled budget and risk share for Live Well and Age Well services. While the other changes are being implemented, further discussions have taken place about the risk share in the context of the current development of the Buckinghamshire, Oxfordshire and Berkshire West (BOB) Integrated Care System (ICS). As noted in the Provisional Outturn Report considered by Cabinet on 21 June 2022, the risk share is currently continuing under the same arrangements as in 2021/22 except for the change noted in paragraph 18.

Non-Pool Services

20. A breakeven position is being reported for all non-pool services. The current assumption is that all staffing budgets will be fully utilised, although recruitment and retention through the year may impact on this position.

Health, Education and Social Care Commissioning

21. A breakeven position is being reported.

Reserves

22. £10.6m held in the council's Budget Priorities reserve is available to support pressures in 2022/23 and the risks as outlined above. £5.5m of the total relates to additional contributions made by OCCG over the last three financial years. This funding has been committed in agreement with OCCG through the Joint Commissioning Executive, with the majority of the funding expected to be used during 2022/23.

23. £5.1m is available to be used to meet future cost pressures within Adult Social Care (ASC). £2.0m is earmarked against the pressure related to the Outcome Based Contract for Mental Health as noted in paragraph 15. Updates on the use of the remaining £3.1m will be included in future reports.

24. £0.6m held within the Government Initiatives reserve relates to un-ringfenced grant funding allocated to Oxfordshire from the Omicron Support Fund in 2021/22. This will be used to provide further sustainability support to providers and an extension of the Recruitment and Retention scheme during this financial year.

Medium Term Financial Plan Savings

25. The 2022/23 budget includes planned savings of £5.6m. All of these savings are currently expected to be delivered by year end. The process to maintain the saving is on-going but any variation is expected to be managed within the funding available.

Grants

26. The Improved Better Care Fund Grant is £10.7m in 2022/23. 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 in addressing pressures such as delayed discharges.

27. A further £0.1m non-ringfenced grant funding has also been received to cover the planning and preparation costs associated with charging reform to recruit additional staff to manage the increased demand for assessments and the implementation of the care account module.

Virements

28. Cabinet is asked to note virements relating to the use of the Contain Outbreak Management Fund to support a homelessness project, budget reallocations within the Live Well pool and the movement of budget to the Live Well pool to cover the costs of the multi-disciplinary Home First team.

<u>Children's Services</u>

29. As at the end of July 2022, Children's Services is experiencing significant pressures in three of its budget areas – staffing (particularly agency staff), placement costs and high needs (Schools Budget). The service is undertaking in-year budget mitigation activity to manage these.

30. A £7.9m overspend compared to the 2022/23 budget of £148.8m is forecast. This has increased by £2.4m compared to the forecast at the end of May 2022. The overspend on Dedicated Schools Grant (DSG) budget remains unchanged at £17.5m and relates wholly to High Needs.

31. The forecast is very volatile; the underlying forecast overspend ranges up to £11.5m, but the forecast of £7.9m should be deliverable if all the planned mitigations deliver. There remains real concern over the level of demand and lack of placements in the system.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Education & Learning	36.5	-0.2	0.0	-0.2
Children's Social Care	35.8	0.0	1.5	-1.5
Children's Social Care Countywide	71.5	8.1	4.0	+4.1
Schools[1]	0.2	0.0	0.0	0.0
Children's Services Central Costs	4.8	0.0	0.0	0.0
Total Children's Services	**148.7**	**7.9**	**5.5**	**+2.4**
Overspend on DSG	**245.8**	**17.5**	**17.5**	**0.0**

32. The two main areas of financial pressure remain unchanged from the last report – front-line social work staff, in particular within Family Solutions Plus and placement costs arising partly from demographic changes in Children We Care For (CWCF).

Use of agency staffing to support statutory case allocation in the front-line social work team

33. The continued workload pressure, increased vacancies and recruitment difficulties within front-line services has necessitated a higher use of agency staff within the front-line teams undertaking assessment and safeguarding activity. This is essential to manage caseloads and to maintain safe working practices. The forecast additional spend on staffing is £5.3m of which £2.8m relates to managed teams.

34. Work is underway to reduce the overall staffing spend by;
    - Addressing the flow of referrals at the 'front-end' (Multi Agency Safeguarding Hub) by revising thresholds and working practices;
    - Reducing the backlog of assessments and intervention measures through the investment in managed teams in the Family Solutions Plus service. The forecast includes costs to mid-November at a cost of about £2.8m. This is expected to be funded via COVID-19 funding and the application of the Supporting Families reserve. Cabinet is recommended to agree to increase the funding from the COVID-19 reserve by £0.4m to extend funding for the managed teams until November 2022.
    - Developing a robust recruitment and retention policy.

35. In addition to the plans outlined above, the directorate is also undertaking in-year mitigation measures to ensure overall staffing costs are managed within the budget. These include:
    - Ensuring that maximum use is made of reserves and income streams including government grants and health income. A decision has been made to release some of the Supporting Families funding held in the Government Initiatives reserve, (money received by social care for meeting Troubled Families targets

[1] *Maintained Schools are funded by Dedicated Schools Grant

for intervention) towards staffing costs; and

- In-year vacancy management. In practice this means that all non-social work and Special Educational Needs (SEN) vacancies in Children's Services will be held until the overall staffing pressures are managed.

36. Work has begun to profile these mitigations and around £4.9m has already been identified and included in the forecast, including £2.7m from reserves, and continued management actions will be taken to find further savings. Further savings will also be identified to manage these staffing pressures should the need for additional agency expenditure continue.

37. Pressures are being addressed through a number of actions, including;
    - Reducing the backlog of assessments and intervention measures through the investment of managed teams in the Family Solutions Plus service;
    - Addressing the flow of referrals at the 'front-end' by revising thresholds and working practices;
    - Reviewing all high cost placements to enable children to move to more appropriate and more cost-effective placements;
    - Minimising non-essential spend, including a stringent process for approval to recruit to vacant posts (with exceptions for key areas); and
    - Ensuring that maximum use is made of reserves and income streams including government grants and health income.

Placement costs in Children We Care For (CWCF)

38. The service has had an exceptionally difficult period in finding suitable placements for some children, resulting in some being accommodated in very high-cost arrangements. It is not unusual to have one or two such arrangements, but the increase reported at the end of last financial year has further accelerated this year. There are now 14 (up from 10 in the previous report) placements that are currently included in the forecast for this financial year, with plans to arrange suitable placements as soon as possible.

39. To address the overall position of CWCF within Corporate Parenting, a brokerage action plan is being implemented to ensure more timely, suitable and cost-effective placements are sourced. The forecast includes provision for the current arrangements to be replaced by new placements during the rest of the year, with further provision for potential new arrangements to March 2023.

40. The unit cost of these placements varies, however, on average, there would be a net saving of about £9,000 per week per placement if suitable residential accommodation were found for these children. The forecast is based on both known and estimated dates for the current arrangements to end and for the children to move to more suitable and cost-effective placements. Beyond this, provision is made in the forecast for an average of two such arrangements.

41. The Dedicated Schools Grant (DSG) budget, which is ring-fenced specifically for schools, has a forecast variance of £17.5m, due to continuing pressures on High Needs. This is £2.8m lower than the forecast deficit for 2022/23 shared with Cabinet in January 2022.

42. It is too early in the financial year to fully assess the impact of inflationary pressures. However, broadly speaking, budget increases of 2.0% to 2.5% were anticipated. Some block contracts were agreed at these levels but other services, such as spot purchases, were subject to market conditions and requests for higher increases have started to arrive. The fuel price increase has particularly affected home to school transport, where the price of some contracts has increased by 12%. Further analysis is being undertaken to build up a more complete picture.

43. In addition to the measures to address the budget pressures agreed previously budgets are being reviewed 'line by line' to ensure that actions are taken to maximise savings, whilst avoiding any direct negative impact on front-line services.

44. There are significant 'business as usual' pressures. These include demographic factors, such as the increase in CWCF, cost of living price increases, and ongoing recruitment problems requiring agency backfill. These are being collated and reviewed corporately.

45. The following paragraphs highlight the main budget variances by service area.

Education & Learning

46. Within Education & Learning, the Home to School Transport and the Special Educational Needs (SEN) service continue to be 'high risk' areas in terms of budget variance.

47. This service area projects a small underspend of £0.2m reflecting held staffing vacancies.

48. There was a significant underspend of £1.5m in Home to School Transport in 2021/22 that was mainly due to the following:
    - Very stringent eligibility checks;
    - Increasingly efficient lets of mainstream contracts;
    - Increasing direct transport payments to families where it is cost efficient to do so; offset by
    - Increased SEN pupil usage arising from Education Health and Care Plans.

49. The 2022/23 budget includes an additional £1.3m for demography changes (which are still considered likely), a £1.0m savings target and £0.5m investment for active travel and green travel plans i.e. a net increase of £0.8m. The increase in fuel prices is having an impact on contract prices, with some increases as much as 12%. However, no overall variance is reported at this stage. Further information will be included in the next monitoring report.

50. Within the SEN service there are considerable ongoing pressures on the SEN casework team and Educational Psychologists due to the continued high number of requests for Education, Health and Care Plans. An additional £0.3m COVID-19 funding and an extra £0.9m have been included in the 2022/23 budget, for additional staff to manage the demand.

COVID-19 Impact – Education & Learning

51. Committed and agreed spend related to COVID-19 is forecast to be £1.7m. This includes £1.2m funding for High Needs (DSG), which is the same figure as applied in 2021/22. Last year, following representations to the Education and Schools Funding Agency (ESFA), permission was given to offset from council resources COVID-19 related High Needs (DSG) costs arising from increased demand for Education, Health and Care Plans, estimated at £1.2m per annum.

Social Care

52. The two key areas of pressure are staffing and placement costs.

53. On staffing, the main focus remains on the recruitment and retention of social workers, particularly in relation to those in the 'frontline' services of Family Solutions Plus, the Multi Agency Safeguarding Hub and Youth Justice and Exploitation services. This is primarily to address the caseload numbers, reduce the workflow, bring down the requirement for expensive agency staff and ultimately reduce the numbers of children coming into care.

54. The cost of these managed teams will be about £2.8m if they all remain in place until mid-November 2022. The plan is to phase out the teams as and when staffing and caseloads are considered to be sustainable.

55. Based on the current use of agency social workers to fill vacancies it is anticipated that there will be an overspend within the front-line social care teams of more than £5.3m in 2022/23. However, it is estimated that the actions referred to above should reduce agency staff costs, resulting in a break even position.

56. The regional Agency Worker Memorandum of Co-operation, which was re-instated on 1 April 2022, is coming under significant pressure. The agency social work market is also becoming increasingly problematic as many of the available staff are now opting to join project (or managed) teams. This is dramatically reducing the available supply of locum social workers across the region.

57. Non-staff costs include a forecast overspend on legal costs of £0.3m, a continuing pressure from 2021/22 and £0.4m on other costs. However, these budgets are being reviewed to identify potential offsetting savings.

58. Within the Youth service, there is a forecast underspend of £0.2m, as the new staffing budget is based on a full year and some appointments will start in September.

Social Care Countywide

Disabled Children services

59. There is a forecast overspend on services for disabled children of £1.3m, which largely reflects the increased number and complexity of placements during 2021/22, which has continued into 2022/23. The increase from April 2021 to March 2022 was 10 (49 to 59). In previous financial years there were lower rates of increase.

60. The average number of placements in 2021/22 was 52.5, which was about the number when the budget was set. An additional £0.2m was included in the budget in respect of demographic pressures, accounting for an average increase of about three placements.

Children We Care For (CWCF)

61. The forecast overspend on CWCF, excluding disabled children, is £7.7m. This incorporates a number of variances across placement types.

62. The number of CWCF at 31 March 2022 was 854. Figures are updated and backdated as the plans are captured in the system. Some children are recorded as 'Becoming Looked After' (BLA), and most of these will actually be CWCF but, because of a time lag, retrospective adjustments are made. Taking this into account, the total forecast number of CWCF included in the 2022/23 budget at 31 March 2022 was about 850, which includes disabled children and unaccompanied children and young people (UCYP).

63. However, the most significant variance (£6.7m overspend) relates to a few very high cost placements. There has been an unprecedented period of difficulty in finding suitable placements for some children, often at very short notice, and to meet the particular individual circumstances of the children. At the time the 2022/23 budget was prepared, there was only one such placement and a budget of £0.1m. These placements increased during the latter part of 2021/22 and have continued to increase in 2022/23. Including two placements at the start of June (one costing £12,000 per week and the other £20,000 per week), there are 14 such placements included in the forecast. The provision within the forecast is an estimated cost of £6.7m.

64. As part of a wider brokerage action plan, alternative, lower cost, placements are being sourced for these and other high cost placements.

65. Excluding UCYP, there was little difference between the forecast included within the budget and the actual position at 31 March 2022 (796). However, there was an increase in the more expensive placements offset by reductions in the less expensive placements. For example, the following table shows the difference in foster care placement mix and the additional annual cost of about £0.3m:

	Forecast number March 2022	Actual number March 2022	Variation to Forecast number	Unit cost per week £/w	Difference per annum £m
In house	156	121	-35	430	-0.8
Independent Foster Agencies (IFA)	197	221	24	890	1.1
Total	**353**	**342**	**-11**		**0.3**

66. The total number of CWCF at 31 July 2022 was 885 (excluding those with BLA status), made up as follows:

Children We Care For – category	April 2022	May 2022	June 2022	July 2022
Mainstream	722	737	741	758
Disabled Children	61	60	60	61
Sub-total	**783**	**797**	**801**	**819**
Unaccompanied Children and Young People (UCYP)	61	63	63	66
Total	**844**	**860**	**864**	**885**

67. The target number of UCYP is 102, in accordance with the Home Office threshold of 0.07% of the child population in Oxfordshire. The grant received for children under 18 is either £114 per day or a higher rate of £143 per day (subject to the threshold and for the National Transfer Scheme). So, a maximum of about £1,000 per week. When a child reaches 18, the funding falls to £237 per week. As many UCYP are 17 years old, this means that there will be a significant reduction in funding for them once they are 18. £0.1m is available in reserves to help mitigate costs this year.

68. The forecast for 2022/23 assumes that the number of placements remains the same for the rest of the financial year, excluding UCYP. However, certain assumptions that reflect the directorate plans are incorporated, including:
    - Finding alternative placements for the very high cost placements. The forecast assumes that current plans for individual placements are met, and the rest are found more suitable placements during the rest of 2022.
    - 'Step-down' from residential care to foster care; and
    - The recruitment of foster carers, resulting in a target net 12 increase in in-house placements and a corresponding reduction in Independent Foster Agency (IFA) placements.

69. There are signs that the number of CWCF should reduce, as the number of children subject to a child protection plan (CPP) is reducing. Furthermore, the work to both reduce the backlog of assessments and stem the flow of referrals should start to have some impact on caseloads and, ultimately, should lead to fewer children coming into care. However, until the impact of the actions described above is more certain, forecasts will be made based on current knowledge.

<u>COVID-19 Impact</u>

70. An additional £2.9m is included in the budget for COVID-19 related spend. This reflects both ongoing costs and the adverse impact on savings plans. Included within this figure is £1.1m that is being used to fund the costs of the managed teams within the Family Solutions Plus (FSP) service, £0.6m for the Multi Agency Safeguarding Hub (MASH) and £0.6m to offset unachievable foster care savings included in the previous Medium Term Financial Plan (MTFP).

Grant

71. The council have been awarded a ringfenced grant of £0.045m by the Department for Education. The grant will be used to deliver better value in SEND and data analysis.

Schools' Costs (other than DSG)

72. There are no significant variances to report

Children's Services Central Costs

73. There are no significant variances to report.

Dedicated Schools Grant (DSG)

74. The forecast £17.5m deficit for High Needs is unchanged from May and has reduced from the £20.3m deficit agreed at Cabinet in January 2022. The reduction is due to a lower number of expected independent placements than initially budgeted, due to lower numbers of young people in schools in 2021/22 and the expansion of resource bases. In addition, funding set aside for contract pressures is expected to be lower.

Summary of DSG funding	2022/23 Budget £m	2022/23 Projected Outturn £m	Variance July 2022 £m
Schools block	127.3	127.3	0.0
Central Services Schools block	4.8	4.8	0.0
High Needs block	74.5	92.0	17.5
Early Years block	39.2	39.2	0.0
Total	**245.8**	**263.3**	**17.5**

75. Key risks to the forecast are the number of additional placements in September 2022 (over and above those currently planned), tribunal challenges to placement decisions and the impact of inflation on providers' fees.

Virements

76. Cabinet is recommended to note the virements in Annex B-2b which include changes related to ring-fenced grants for Schools and High Needs DSG.

Public Health

77. Public Health is forecasting a £0.7m underspend. £0.5m of this will be transferred to the Public Health reserve at year end.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Public Health Functions	34.4	-0.7	0.0	-0.7
Public Health Recharges	0.6	0.0	0.0	0.0
Grant Income	-32.6	0.0	0.0	0.0
Transfer to Public Health Reserve	0.0	0.5	0.0	+0.5
Total Public Health	**2.4**	**-0.2**	**0.0**	**-0.2**

78. There is a £0.5m projected underspend in services funded by the Public Health ringfenced grant. £0.1m of the underspend relates to staff vacancies. The sexual

health service is forecasting a £0.3m underspend because of reduced activity linked to COVID-19 as well as the impact on providers of managing the outbreak of Monkeypox. The remaining £0.1m relates to NHS health checks, highlighting a low uptake of the service, and the level of General Practitioner staffing capacity available.

79. Comprehensive services for Domestic Abuse are being recommissioned in line with the Oxfordshire Domestic Abuse Strategy and the needs of the local population and the new contract will commence in April 2023. During this financial year, current service levels are being maintained and funded from the Department for Levelling Up, Housing and Communities (DLUHC) grant resulting in a £0.2m underspend from council funded budgets. This is a change from the breakeven position reported at the end of May.

Government Grants

80. The Public Health grant is £32.6m in 2022/23. This includes £0.2m awarded to Oxfordshire to support the delivery of routine commissioning in relation to pre-exposure prophylaxis (PrEP) for HIV.

Reserves

81. Public Health earmarked reserves are expected to be £5.6m at 31 March 2023. Work is ongoing to develop a plan to use this funding over the medium term in line with the grant conditions and the council's priorities.

Medium Term Financial Plan Savings

82. All savings within the 2022/23 budget are to be delivered by year-end.

Virements

83. The Cabinet is asked to note a budget virement between the Children's directorate and the Public Health directorate in relation to the Youth Justice and Exploitation Service. The budget that was held within Children's services for this provision has been transferred to Public Health where this service is being delivered.

Environment & Place

84. Environment and Place are forecasting an underspend of £1.3m against a budget of £62.8m.

85. The Directorate was previously made up of four service areas: Planning & Place, Community Operations, Growth & Economy, and directorate management. A new Directorate structure has been implemented since the last monitoring report to Cabinet in July 2022. The new service areas are: Transport & Infrastructure, Planning, Environment & Climate Change, Highways & Operations and Directorate Support.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Transport & Infrastructure	1.9	0.0	0.0	0.0
Planning, Environment & Climate Change	33.2	-1.5	0.0	-1.5
Highways & Operations	26.2	0.2	0.0	+0.2
Directorate Support	1.5	0.0	0.0	0.0
Total Environment & Place	**62.8**	**-1.3**	**0.0**	**-1.3**

Transport & Infrastructure

86. The Transport and Infrastructure service area is made up of Transport Policy, Place Making and Infrastructure delivery.

87. The Place Making service is currently forecasting an overspend of £0.4m due to additional priorities related to the Local Transport and Connectivity Plan which have required additional staffing and consultancy support. There are also permanent resourcing issues that have resulted in temporary staff being relied upon to fill vacancies at a higher rate. Action is being taken to reduce spend and increase income so the expectation is that the service will break even by year end.

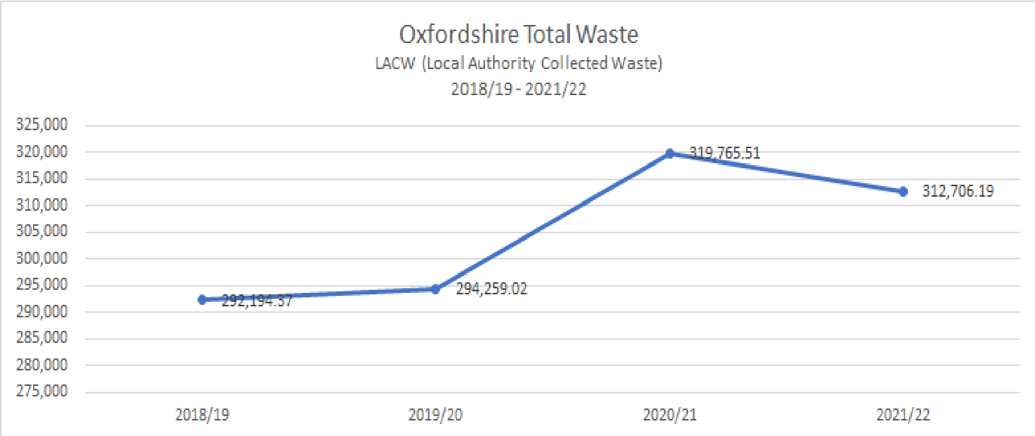
Planning, Environment & Climate Change

88. The Planning, Environment & Climate Change service area is made up of Strategic Planning, Climate Change and Environment & Circular economy. The service area is currently forecasting an underspend of £1.5m.

89. £0.1m is due to a senior management vacancy within Strategic Planning. This post is currently being advertised. The underspend is likely to reduce due to reliance on more expensive interim staffing to cover the recruitment period.

90. Climate Change is forecasting an underspend of £0.2m due to the impact of restructuring and delay in bringing new posts into the service.

91. Environment & Circular Economy is forecasting a £1.2m underspend due to reduced waste disposal tonnage trends that have not recovered to pre COVID-19 levels and appear to be impacted by the national economic situation and increasing cost of living. The forecast assumes that waste tonnages broadly remain at current levels for the rest of the year. There is a risk therefore that this forecast may change and the underspend will not be fully realised if tonnages increase from current levels.



Highways & Operations

92. Highway & Operations service area is made up of Highway Maintenance, Network Management and Supported Transport. The service is forecasting an overspend of £0.2m.

93. There is pressure in the Highway Maintenance service regarding the Street Lighting and Furniture energy budget where it is estimated that inflationary pressure on utility costs will increase costs by up to £1.2m.

94. Highway Operations are also reporting pressure due to abnormal contract inflation in highway maintenance for the current financial year. The service is currently exploring potential measures with the aim of mitigating this within the existing highway operations budget, though this is only likely if there are lower than average safety, incident and severe weather events. Any further mitigations will be through any further overachievements in income and the use of commuted sums.

95. Network management is currently forecasting an underspend of £0.5m. This is due to Parking and Network Coordination activity being greater than expected and generating more income with parking returning to pre-pandemic levels and new sources of parking income are now being realised.

96. Network Coordination is also seeing a greater level of work on the network, generating more permit income and network enforcement is bringing in greater returns than previously forecasted.

Directorate Support

97. The Directorate Support service area is currently forecasting a breakeven position.

<u>Commercial Development, Assets & Investment</u>

98. Services within Commercial Development, Assets and Investment are forecasting an overspend of £1.0m against a budget of £48.6m.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Property & Facilities Management	15.9	0.7	0.3	+0.4
Law & Governance	7.8	0.2	0.0	+0.2
Fire & Rescue and Community Safety	24.8	0.1	0.1	0.0
CDAI Management Costs	0.1	0.0	0.0	0.0
Total Commercial Development, Assets & Investments	**48.6**	**1.0**	**0.4**	**+0.6**

Property & Facilities Management

99. The Property & Facilities Management service is forecasting an overspend of £0.7m after taking account of action being taken to manage pressures.

100. Energy costs are forecast to be £0.4m above the assumptions in the budget agreed in February 2022, this is being closely monitored.

101. The Cleaning Service is projecting an overspend of £0.3m mainly due to savings targets that are not being delivered. However, a comprehensive review of service provision is being carried out by out. Currently, the Council provides cleaning services to about 120 sites throughout Oxfordshire including 9 schools. The review will include alternative delivery models, proposals to decrease cleaning hours and/or frequency due to reduced footfall in some buildings.

102. Joint Use Agreements (JUA) for leisure facilities are being impacted by a significant increase in costs due to higher general inflation with limited scope for increasing income. Additionally, there has been some reduction in swimming income from schools/academies during and post the COVID-19 pandemic which may continue into the current year as schools are also facing financial pressures. The JUA overspend is forecast at £0.2m, however, this is offset through lower rent and services charges in Landlord and Tenant.

103. Trading Standards has a large court case which is likely to result in an overspend of £0.1m.

Law and Governance

104. Law and Governance are forecasting an overspend of £0.2m. This overspend is mainly due to additional agency costs to cover staffing vacancies.

105. All other services are currently forecasting breakeven.

Customers, Organisational Development & Resources

106. The Customers, Organisational Development and Resources Directorate forecast is an underspend of £0.2m against a budget of £37.3m.

Service Area	2022/23 Latest Budget £m	Variance July 2022 £m	Variance May 2022 £m	Change Since May £m
Corporate Services	1.4	0.2	0.0	+0.2
Human Resources & Organisational Development	3.9	-0.1	-0.3	+0.2
Communications, Strategy & Insight	3.4	-0.3	0.0	-0.3
ICT & Digital	11.3	0.0	0.0	0.0
Culture & Customer Experience	10.4	0.0	-0.1	+0.1
Finance	6.9	0.0	0.0	0.0
Total Customers, Organisational Development & Resources	**37.3**	**-0.2**	**-0.4**	**+0.2**

107. Corporate Services is reporting an overspend of £0.2m which is mainly due to staffing pressures and recruitment costs.

108. Human Resources & Organisational Development is forecast to underspend by £0.1m as a result of unfilled posts. This is a one-off underspend this year, and it is anticipated that the budget will be fully utilised once the new staffing structure is fully embedded.

109. Communications, Strategy and Insight is reporting £0.3m underspend due to staff vacancies, caused by difficulties in recruiting in a challenging external market.

Medium Term Financial Strategy Savings

110. The 2022/23 budget agreed includes planned directorate savings of £17.4m. 70% (£12.3m) are on track to be delivered in the year compared to a target of 95% set out in the budget agreed by Full Council in February 2022.

111. £1.7m savings are assessed as red and relate to anticipated savings in Street Lighting. This pressure is currently forecast to be met by underspends elsewhere within the Environment and Place Directorate.

112. £1.4m transformation savings in Commercial Development, Assets and Investment for Property Services are assessed as amber. The service is reviewing how it can address this but forecast underspends elsewhere should mitigate this pressure.

113. There are also £1.5m savings classified as amber in Children's directorate. They are Home to School transport and Step down from residential placement to tier 4 Independent Fostering Agency.

114. As well as these savings there are four budget reductions within the Commercial Development, Assets & investments totaling £0.5m that are currently reported as red. These include a new cleaning contract and efficiency savings arising through digital solutions.

115. The anticipated delivery of the savings is built into the directorate positions reported above.

Debt Management

Corporate Debtors

116. The collection rate based on invoice volumes for June and July was 91.7% and 98% respectively. For July this is 3% above the 95% target. The collection rate based on the value of invoices within the two-month period is 98%.

117. At the end of 2021/22 total debt requiring impairment was £0.33m. This rose to £0.37m as at the end of July 2022, however this is still within the target range.

Adult Social Care Debtors

118. The 120-day invoice collection remains at 89%. This is below the 95% target, however remains in line with performance throughout last year. Processes are being reviewed and should improve collection rates through the rest of 2022/23. In addition, the proportion of people paying by direct debit continues to increase.

119. The final balance of bad debt as at the end of 2021/22 was £3.7m. The balance at the end of May 2022 increased to £4.1m. During 2021/22 the trailing impacts of COVID-19 had a significant effect on bad debt related to means tested social care contributions. In quarter four of 2021/22 Adult Services, with support from Finance, created an 18-month plan to reduce the levels of bad debt to £2.5m. Additional resources have been brought in and a task group has been assembled to ring-fence and clear the bad debt cases over the next 12 to 18 months. The task group went live in May 2022 but reductions to bad debt are not expected until quarter three of 2022/23 onwards following work to assess and prioritise the caseload and commence recovery activity. This is identified as a priority ahead of legislation changes to social care charging.

Budgets Held Centrally

120. There is a combined underspend of £1.3m against budgets held centrally.

Capital Financing Costs

121. The borrowing costs and minimum revenue provision for capital projects funded by Prudential Borrowing are either recharged to directorates where savings arising from the scheme are expected to meet them or met corporately from the budget for capital financing costs. Based on the position at the end of 2021/22 it is anticipated that there will be an underspend against this budget in 2022/23 but an update will be provided later in the year.

122. The budget for interest payable assumed new external borrowing of £46m would be taken during 2022/23. Slippage in the capital programme and an increase in the level of cash balances mean that it is unlikely any new external borrowing will be taken out during the year.

Interest on Balances

123. The current forecast outturn position for in house interest receivable is £3.8m,

which is £2.2m above budget. This is due to the council taking advantage of higher than forecast investment rates. Of the £2.2m overachievement, an estimated £1.5m will be applied to Developer Contribution balances. The reference rate at which interest is applied to Developer Contribution balances will be above zero during 2022/23 for the first time since 2019/20.

124. The forecast outturn position for external fund returns is £3.8m, in line with the budget.

Inflation and Contingency

125. Contingency budget is held to cover:

- the risk that demographic pressures are higher than forecast;
- any unfunded new burdens or unfunded elements of government grant;
- any potential pay awards beyond budgeted assumptions plus other inflationary risk; and
- the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.

126. The inflation and contingency budget for 2022/23 totals £12.3m. This includes £4.4m funding for pay inflation assumed at 2.5% in the budget approved in February 2022. In July 2022 National Employers offered an increase of £1,925 on all pay points with effect from 1 April 2022. This would cost an additional £6.3m and require £10.7m of the contingency budget to be moved to directorate budgets to support the on-going cost. The unions are considering this offer and an update will be provided in the next report.

127. Estimated costs arising from the termination of the 113 agreement regarding joint working between Oxfordshire County Council and Cherwell District Council will be met from the contingency budget if they cannot be absorbed within directorate budgets. The expectation is that any costs are included in the forecast position but work to confirm is on-going and an update will be provided in the next report. The on-going impact will be addressed through the Budget & Business Planning process for 2023/24.

128. The latest estimate from the Office for National Statistics indicates that CPI inflation was 10.1% for the 12 months up to July 2022 (up from 9.1% in May 2022). Inflation is likely to have a significant impact on the council's services that will need to be managed and mitigated as the year progresses and then be considered through the Budget & Business Planning Process for 2023/24.

Reserves

129. As set out in Annex B - 3 Earmarked Reserves are forecast to be £190.6m at 31 March 2023. Changes since the last report include a £1.5m expected drawdown from the Transformation Reserve consisting of £0.8m allocated to SEND transformation for 2022/23 plus £0.7m for estimated corporate transformation costs.

130. **Budget Priorities Reserve** – This includes £7.7m one - off funding to support the council's priorities that was agreed as part of the 2022/23 budget in February 2022. £0.250m has been agreed to be used to support the implementation of "Vision Zero". A further £0.250m has been agreed to be used to support partners

in the delivery of a food strategy action plan. This will seek to address food poverty, inequality, access to healthy food, and supporting/enhancing local food supply.

131. As set out in the Earmarked Reserves and General Balances Policy Statement for 2022/23 £7.0m from the Budget Priorities Reserve was agreed to be used to contribute to the Capital Reserve to help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes.

132. £10.6m of the total held in the reserve relates to Adult Social Care. £2.0m is earmarked against the pressure related to the Outcome Based Contract for Mental Health as noted in paragraph 15. A further £5.5m was released from the council's contribution to the Better Care Fund Pool as a result of additional contributions from OCCG over the last three financial years. As noted in paragraph 22 the majority of this funding is expected to be used during 2022/23.

133. **COVID-19 Reserve** - The balance held in the reserve after taking account of £8.4m agreed to be used to support directorate budgets in 2022/23 is £17.9m. A further £0.4m is proposed to be used to extend the funding for the managed teams in the Family Solutions Plus (FSP) service (see paragraph 34).

134. £11.7m has been agreed to be used to fund COVID-19 related pressures in future years as part of the Medium Term Financial Strategy. £0.5m is being used to fund IT equipment delivered in April 2022 that was originally agreed to be spent in 2021/22 and £0.1m has been committed for additional costs within the Coroner's service.

135. The uncommitted balance of £5.1m is available to support further COVID-19 pressures on a one–off basis.

136. **Council Tax Collection Fund Reserve –** as part of the 2022/23 budget, £3.0m of the £6.0m balance held in this reserve was agreed to be used to contribute to the Capital Reserve to help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes.

137. **Business Rates Reserve** – This reserve is held to manage fluctuations in Business Rate income that the Council receives. As noted in the budget agreed by Council in February 2022, Business Rate income for 2022/23 was estimated as information about both the 2022/23 income and 2021/22 deficit position was received from the district councils after the budget was agreed. The in - year income is £5.9m more than estimated in the budget. This has been added to the Business Rates Reserve pending agreement about the use of this funding. A further update will be provided later in the year when grant funding for the council's share of the 2021/22 deficit is confirmed.

138. An unusable reserve was created in 2020/21 to hold **negative High Needs DSG balances** in line with a change to the CIPFA code of practice on DSG High Needs deficits. The net deficit of £17.5m for 2022/23 (see paragraph 72) will increase the total deficit related to High Needs held in the reserve to £47.3m as at 31 March 2023. The overall forecast balance including all DSG funding held in the reserve is £42.3m as at 31 March 2023.

Grants

139. As set out in Annex B - 4 government grants totalling £403.6m are expected to be received by the Council during 2022/23.

<u>Homes for Ukraine</u>

140. The Homes for Ukraine scheme was launched on 14 March 2022. The scheme is open to Ukrainian nationals who were residents in Ukraine prior to 1 January 2022 and their immediate family members. Guests will be able to live and work in the UK for up to 3 years and access benefits, healthcare, employment, and other support. Local councils are responsible for initial accommodation and safeguarding checks, including at least one in person visit, payments to sponsors and an initial £200 payment to guests on arrival, social care assessments and ongoing support, school places, and information about the local area.

141. Grant funding of £10,500 per guest is being provided to upper tier councils to enable them to work with district councils and other partners to provide support to families to rebuild their lives and fully integrate into communities. This funding is un-ringfenced but has a number of conditions attached which are continuing to evolve as the scheme develops.

142. Funding for ‘thank you’ payments of £350 per month per sponsoring household is being provided through a separate ringfenced grant. As at the end of July there were 371 sponsoring households in Oxfordshire.

143. The Department for Education (DfE) is allocating funding to councils on a per pupil basis to provide education services and support for children with special educational needs and disabilities (SEND) for children from families arriving from Ukraine.

144. To date the council have received £0.7m grant funding for education services and support. The first payment which was received in August 2022 is a payment in arrears to cover all arrivals in the authority in the time period 1 March 2022 to 31 May 2022.

145. As at 31 July 2022, 1,585 Ukrainian nationals had moved into Oxfordshire. £10.6m grant funding based on the number of guests at the end of May has been received to date and is being used to support costs related to the scheme incurred by both the county and district councils. The next tranche of grant funding will be based on the number of guests who have arrived by the end of August and will increase the total funding to over £17m. Work is continuing to identify and assess future costs and risks related to the scheme generally and particularly the impact of guests moving on to alternative accommodation.

General Balances

146. General Balances were £39.2m as at 31 March 2022 and increased to £40.2m after taking account of a budgeted contribution of £1.0m. The risk assessed level of balances for 2022/23 is £28.9m.

147. £3.0m is being used to support the help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes. A further £0.5m is being used to fund a schools’ condition survey.

148. After taking account of the projected overspend of £5.9m, balances will reduce to £30.8m. This is £1.9m above the risk assessed level.

Changes for the Dissolution of the Joint Working Partnership with Cherwell District Council

149. Following implementation of the dissolution of the joint working partnership with Cherwell District Council (and specifically the cessation of a shared senior management team) a review of costs and senior accountabilities has been undertaken and functions within the Commercial Development, Assets and Investment directorate have been redistributed. Community Safety will move to Public Health with the remaining services will be combined with the services within Customers, Organisational Development and Resources to create “Customers, Culture and Corporate Services”. The next report will reflect the revised structure.