

CABINET – 17 OCTOBER 2017

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

Report by the Director of Finance

Introduction

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

Summary Position

2. The forecast directorate variation is an anticipated overspend of +£11.8m or +2.9% against a net budget of £412.2m as shown in the table below. Whilst management action may reduce the anticipated overspend it is expected that the use of contingency and general balances will be required to bring the budget into balance by the year-end. The report to Cabinet at the same time last year anticipated an overspend of +£5.8m. The final year end position for 2016/17 was an under spend of -£1.0m.
3. Despite putting an additional £7.8m into the budget for Children's Services in 2017/18 for Children's Social Care and Special Educational Needs Home to School Transport due to significant demand increases, both services are experiencing continuing rises in demand and are forecasting overspends. It is acknowledged that the continuing rising demand is not sustainable and that there is a need to refocus work on earlier intervention wherever possible. A Children's Services Programme has been established with a focus on addressing demand management; strengthening early help and prevention including closer partnership working; strengthening staffing resources and building community resilience. Whilst the programme will take time to deliver, it is anticipated that the benefits will begin to materialise by the end of the financial year with a financial impact expected in 2018/19.

| Directorate | Latest Budget 2017/18 £m | Forecast Outturn 2017/18 £m | Forecast Outturn Variance 2017/18 £m | Forecast Outturn Variance 2017/18 % |
|--------------|-----------------------------|--------------------------------|---|--|
| People | 301.3 | 311.6 | +10.3 | +3.4% |
| Communities | 91.5 | 92.4 | +0.9 | +1.0% |
| Resources | 19.4 | 20.0 | +0.6 | +3.1% |
| Total | 412.2 | 424.0 | +11.8 | +2.9% |

4. The following annexes are attached:

| | |
|---------|---|
| Annex 1 | Original and Latest Estimates for 2017/18 |
| Annex 2 | 2017/18 Virements & Supplementary Estimates |
| Annex 3 | Treasury Management Lending List |
| Annex 4 | Forecast Earmarked Reserves |
| Annex 5 | Forecast General Balances |
| Annex 6 | Capital Programme Monitoring |
| Annex 7 | Updated Capital Programme |

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

People

6. The People Directorate consists of Children's Services, Adult Services and Public Health. The directorate is forecasting an overall overspend of +£10.3m, which represents a variation of +3.4% against the budget.

People – Children's Services

7. Children's Services is forecasting an overspend of +£8.4m which represents a variation of +7.7% against a budget of £108.7m. In addition an overspend of £2.9m on Dedicated Schools Grant (DSG) funded services is forecast.

Education and Learning

8. As previously reported an overspend of +£1m is forecast by the service.

Home to School Transport is forecasting an overspend of +£0.7m relating to a higher rise in the number of children with special educational needs than forecast and an increase in the number of children who need a passenger assistant. A number of measures are to be implemented in this financial year that are expected to reduce this overspend. The forecast will be refined as new arrangements are embedded at the start of the next academic year in September and an update will be provided in the next report.

9. Special Educational Needs services is reporting an overspend of +£0.3m relating to a saving which is not expected to be achieved. A full review of SEN services is planned for 2017/18 with a view to achieve this saving in 2018/19.

Children's Social Care

10. Children's Social Care is forecast to overspend by +£7.4m an increase of £0.7m since the last report.
11. As a result of the significant increase in the number of children becoming looked after over the last two years, additional ongoing funding of £5.3m was agreed by Council in February 2017 as part of the 2017/18 budget and medium term plan. This additional funding has partly addressed the

2016/17 underlying overspend of £5.9m¹. However, the growth in the number of children requiring services from Children's Social Care is continuing in 2017/18 and is increasing workloads and placement numbers across most services.

12. The largest area of overspend is within External Placements, which is forecasting an overspend of +£4.4m; mainly within independent fostering agencies and residential placements. There is a forecast overspend on Looked After Children and Leaving Care of +£0.2m.
13. Corporate Parenting is forecasting an overspend of +£0.9m, the majority of which relates to internal fostering allowances. An overspend of +£1.0m is forecast on Unaccompanied Asylum Seekers, where the grant funding received from the Home Office is not sufficient to reimburse the full cost of many of the placements. In addition there is an overspend of +£1.0m on Placements for Children with Disabilities.
14. The forecasts above are based on the assumption that demand continues to grow at the same pace as recent years. A number of actions are planned to manage demand, with the aim to bring this budget back to a balanced position over the medium-term.

Dedicated Schools Grant (DSG)

15. There is a forecast overspend of +£2.9m for Special Education Needs, an increase of +£0.3m since the last report. The overspend predominantly relates to significant increases in the number of out of county placements. A range of actions are being taken to minimise costs in the service including: reviews of the SEN and Early Years SEN services; local authority support for new special free school applications; more capital schemes, including the provision of additional classrooms in special schools and new resource base provision. The increase from the previous report relates to the decrease in an underspend within the SEN Post 16 Colleges budget.
16. Any overspend needs to be set against DSG underspends, carried forward to 2018/19, or funded by the Local Authority. At this time there are not any forecast underspends elsewhere in DSG and it is expected that this overspend will need to be carried forward into 2018/19.
17. The pressures in SEN Out of County Placements are expected to continue and increase in future years. From 2017/18, early years DSG is ring-fenced and the expected National Schools Funding Formula is likely to ring-fence the Schools block making it increasingly difficult to manage such overspends within DSG going forward.

People – Adult Services

18. Adult Services is forecasting an overspend of +£1.9m at this stage of the year against a net council budget of £192.6m.
19. The Section 75 Report (Item 59/17) to Cabinet on 18 July 2017 set out the council's outline agreement with Oxfordshire Clinical Commissioning

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

Group for the pooled budget arrangements for 2017/18 to 2018/19. The following pools were agreed:

- the '**Better Care Fund**' pool, incorporating the majority of the Older People's Pool and Physical Disabilities pool and reflecting the national Better Care Fund requirements, and;
- The '**Adults with Care and Support Needs**' pool, incorporating the Learning Disabilities Pool, Mental Health Pool and budgets supporting people with Acquired Brain Injuries (previously reported in the Physical Disabilities Pool).

20. Cabinet agreed to delegate responsibility for approving the detail of the schedules to the Section 75 agreement for 2017/18, including the final contributions and risk share arrangements, to the Director for Adult Services in consultation with the Cabinet Member for Adult Social Care. These will also need to be formally agreed by Oxfordshire Clinical Commissioning Group.
21. Since the report to Cabinet in July, draft agreement has been reached between the County Council and the Clinical Commissioning Group on the risk shares. For 2017/18, the risk share for both pools has been calculated based on gross expenditure weighted to take account of the relative risk of the budgets within the pool. The level of risk varies substantially as some budgets fund block contracts, which are effectively set at a fixed agreed level, while other budgets are demand driven and expenditure can vary significantly as a result. The Better Care Fund Pool will be risk shared on a 70:30 basis and the Adults with Care and Support Needs pool will be risk shared on an 85:15 basis. The exception to this is any variation against the budget for services for some service users with needs falling outside of the Outcome Based Contract with Oxford Health Foundation Trust which will be shared 50:50. In both cases the Council will take the greater share of the risk, reflecting the nature and relative size of the budgets.
22. Cabinet will be asked to note the virements required to facilitate the budget changes in the next report to Cabinet in December 2017. For the purposes of this report, variations are reported in the existing pool structures but have been adjusted to take account of the risk shares.

Older People and Equipment Pool

23. The Older People Pooled Budget is reporting an underspend of -£0.1m within which there is an overspend of +£0.4m relating to social care offset by an underspend on health services of -£0.5m. This forecast includes an overspend of +£0.3m on Care Homes with other budgets broadly expected to breakeven.

Physical Disabilities Pool

24. An overspend of +£1.3m is for forecast for the Physical Disability Pooled Budget. Under the risks share arrangements +£0.9m falls to the County Council. Within the overall position, social care funded services are forecast to overspend by +£0.7m and health funded services are forecast to overspend by +£0.6m. This position is after the addition of £2.0m of Precept funding intended to address the increase in demand. Work is on-going to understand and update the assumptions for future growth and to validate the continued increase to the forecast.

Learning Disabilities Pool

25. The Learning Disabilities Pooled Budget has a forecast overspend of +£2.6m of which +£2.2m falls to the County Council. There were a number of new high cost placements and also some high cost packages for service users transitioning from Children's Social Care late in 2016/17 which have impacted on the spend and forecast for 2017/18.

Adult Social Care Non-Pool

26. There is a forecast net overspend of +£0.3m for Adult Social Care services outside of the Pools. This includes a forecast overspend of +£0.4m on the Emergency Duty Team and Approved Mental Health Professional Specialists service due to short-term use of agency staff whilst the new structure that was consulted on earlier in 2017 is implemented. The Deprivation of Liberty Safeguards service is contributing an underspend of -£0.2m due to delays in recruitment.

Adult Social Care Precept Funding

27. In accordance with the Department of Communities and Local Government requirement to demonstrate that the precept is spent on Adult Social Care it is proposed that the £1.6m balance of the funding be transferred to the new Adults with Care and Support Needs pool to fund the Learning Disabilities pressure.
28. £0.7m of unallocated base budget funding from 2015/16 continues to be held outside of the pools. It is anticipated that the funding will be required to meet pressures within the Pooled Budgets during the year.

People - Public Health

29. Public Health² is forecasting an underspend of -£0.2m. In accordance with accounting requirements, any underspend at the end of the year will be placed in the grants and contributions reserve and will be used to meet Public Health expenditure in future years.

Communities

30. The Communities Directorate consists of Infrastructure Planning, Infrastructure Delivery, and Property and Investment together with Community Safety and the Fire & Rescue Service. The directorate is forecasting an overall overspend of +£0.9m on a budget of £91.5m which represents +1.0% against budget.
31. An overspend of £0.8m is forecast for Infrastructure Delivery. This relates to the Highways service not being expected to fully deliver savings agreed as per the Medium Term Financial Plan (+£0.5m), and a projected overspend on defects of £0.3m due to data in management information systems for the previous financial year being inaccurate. Infrastructure Planning are also forecasting an overspend of +£0.1m due to partially unrealisable savings.
32. Property and Investment had previously reported an underspend of -£0.5m. This is not now expected to materialise as the underspend on

² Public Health is funded by a ring fenced grant of £31.3m from the Department of Health

prudential borrowing costs, Corporate Landlord and the early achievement of asset utilisation savings are mostly offset by pressure in repairs and maintenance as well as the termination and transition costs associated with partial termination of the contract with Carillion.

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

Resources

34. The Directorate is forecasting a revenue overspend of +£0.6m on a budget of £19.4m, a variation of +3.1%.
35. An overspend of +£0.4m is forecast for Legal services. This is due to increased Counsel spend as a result of the number of Childcare proceedings.

Virements and Supplementary Estimates

36. Virements larger than £0.5m or that relate to un-ringfenced grants requiring Cabinet approval under the Virement Rules agreed by Council on 14 February 2017 are set out in Annex 2a.
37. A virement of £33,000 is requested in relation to a grant from the Department for Education in relation to Key Stage 2 moderation and phonics. This is an unringfenced grant which is required by Children's services to carry out statutory work. There is also a virement requested to transfer £1.6m of Adult Social Care precept funding to partially offset the overspend on the Learning Disabilities Pooled Budget. None of these virements represent a change in policy as the service is unchanged.
38. Annex 2b shows virements Cabinet need to note.
39. There are no supplementary estimate requests included in this report.

Medium Term Financial Plan Savings

40. The forecasts shown in this report incorporate savings included in the medium term financial plan agreed by Council in February 2017 and previous years. At least 91.9% of the planned savings of £61.1m are expected to be delivered.
41. Progress against delivery of savings will be monitored on a regular basis and action taken where savings are not expected to be achieved.

Bad Debt Write Offs

42. There were 77 general write-offs to the end of August 2017 totalling £37,903 and there were 139 Adult Social Care Client contribution write offs totalling £107,708.
43. Cabinet are recommended to write off four adult care fees debts totalling £46,268.06. Two of the debts relate to cases where the estate was insolvent and the remaining two cases relate to individual exceptional circumstances where it has been agreed that legal action is not appropriate.

44. A refund of £32,333 relating to insurance premiums was made to a school in error when they converted to academy status. Negotiations have been taking place to recover the refund but it has been concluded that it is not possible to recover the debt in full. The Council have subsequently agreed a settlement of £14,549 leaving the balance of £17,784 to be written off.

Treasury Management

45. The latest treasury management approved lending list is shown in Annex 3. Following a review by the Treasury Management Strategy Team, Nordea Bank AB and Australia and NZ Banking Group have been reinstated to the list. Increases to the lending limits for all Singaporean banks and Close Brothers Ltd were also agreed. These changes were based on a range of considerations, including current credit ratings and changes in the global economy.
46. The following table sets out average in-house cash balances and average rates of return for June, July and August 2017. In house interest receivable for 2017/18 is currently forecast as £1.8m, exceeding the budgeted figure of £1.3m by £0.5m. Of the forecast £1.8m interest receivable, £1.0m had been realised as at 31 August 2017. The increased interest received is due to the achievement of higher than forecast average interest rates. For example, an additional £0.1m has been generated by entering into a Revolving Credit Facility with a Registered Provider which was not factored into the 2017/18 budget.

| Month | Average cash balance | Average rate of return |
|--------------|-----------------------------|-------------------------------|
| June | £355.2m | 0.64% |
| July | £377.2m | 0.63% |
| August | £375.0m | 0.64% |

47. Dividends payable from external funds in 2017/18 are forecast as £0.9m, £0.3m above the 2017/18 budget of £0.6m. This increase is due to higher than anticipated performance by the CCLA Property Fund.
48. Interest payable is currently forecast to be in line with the budgeted figure of £17.1m.

Part 2 – Balance Sheet

49. Annex 4 sets out the earmarked reserves brought forward from 2016/17 and the forecast position as at 31 March 2018. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan. Directorate reserves are expected to reduce from £55.9m to £49.8m at 31 March 2018.
50. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £46.4m at 31 March 2018. This includes £1.2m in the Budget Reserve, £2.0m in the Efficiency Reserve and £0.5m in the Transformation Reserve.
51. The new Community Support Service within Adult Services will begin on 1 October 2017. This new service will incorporate the existing Health and

Wellbeing Centres and Daytime Support Service. Amenity funds relating to these services will be transferred into the new Community Support Service. Cabinet are requested to approve a new Community Support Service reserve to hold the balance of the amenity funds and enable the service to manage future donations so that they can be used in 2018/19 and beyond.

52. Cabinet are also requested to approve a new Children, Education & Families Projects earmarked reserve to set aside funding for projects within Children, Education & Families as part of the work to manage demand. The projects are likely to cross financial years, so a reserve enables the funds to be available when needed by the projects.

Balances

53. As set out in Annex 5 general balances were £20.0m as at 31 March 2017. This compares to £17.8m as set out in the Medium Term Financial Plan approved by Council in February 2017. The forecast outturn position is £17.8m (after allowing for the forecast directorate overspend after the use of contingency funds of £7.6m). Directorate overspends are expected to be reduced by management action or the use of one – off funding during the year. However, if further cost reductions are not made and demand continues to increase in Children’s and Adult Social Care this may reduce balances to less than the risk assessed level.

Part 3 – Capital Programme

Capital Monitoring

54. The capital monitoring position set out in Annex 6a, shows the forecast expenditure for 2017/18 is £125.2m (excluding school’s local capital). This has decreased by £1.7m compared to the latest approved capital programme.
55. Significant in-year variations for each directorate are listed in Annex 6b. New schemes and total programme/project budget changes are listed in Annex 6c.

| Directorate | Last Approved Programme * £m | Latest Forecast Expenditure £m | Variation £m |
|---------------------------------------|---------------------------------|-----------------------------------|-----------------|
| People: Children | 35.4 | 34.2 | -1.2 |
| People: Adults & Public Health | 7.4 | 7.4 | +0.0 |
| Communities: Transport | 60.9 | 61.3 | +0.4 |
| Communities: Other Property Resources | 7.9 | 6.9 | -1.0 |
| | 15.3 | 15.4 | +0.1 |
| Total Directorate Programmes | 126.9 | 125.2 | -1.7 |
| Schools Local Capital | 1.4 | 1.4 | +0.0 |
| Earmarked Reserves | 3.0 | 3.0 | +0.0 |
| Total Capital Programme | 131.3 | 129.6 | -1.7 |

* Approved by Cabinet 18 July 2017

56. Within the Children’s Services Programme, the total expenditure for the basic need programme is £1.2m lower than previously forecast to reflect the current project delivery timeframes for the projects within the basic

need programme. The expansions at Matthew Arnold School and Faringdon Community College have commenced this year. However, a number of projects are currently awaiting contract prices.

57. Within Communities, the Transport programme incorporates the inclusion of the new project at Henley Road (Flowing Springs) at £1.0m and the £0.7m of re-profiling on the National Productivity Investment Fund programme for works scheduled on Woodstock Road that will be delivered in 2018/19. In the Property programme, £1.0m of expenditure on the Salt Stores project has been re-profiled to 2018/19.

Four Year Capital Programme Update

58. The total four-year capital programme (2017/18 to 2020/21) is £429.1m, an increase of £0.1m when compared to the latest approved capital programme. The updated capital programme is set out in Annex 7. The following table summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

| Directorate | Last Approved Total Programme (2017/18 to 2020/21) * £m | Latest Updated Total Programme (2017/18 to 2020/21) £m | Variation £m |
|-------------------------------------|--|---|-----------------|
| People: Children | 132.3 | 132.5 | +0.2 |
| People: Adults & PH | 26.2 | 26.2 | +0.0 |
| Communities: Transport | 136.9 | 137.7 | +0.8 |
| Communities: Other | 30.7 | 30.7 | +0.0 |
| Resources | 16.6 | 16.6 | +0.0 |
| Total Directorate Programmes | 342.7 | 343.7 | +1.0 |
| Schools Local Capital | 3.8 | 3.8 | +0.0 |
| Earmarked Reserves | 82.5 | 81.6 | -0.9 |
| Total Capital Programme | 429.0 | 429.1 | +0.1 |

* Approved by Cabinet 18 July 2017

59. The £1.0m budget provision for the Henley Road (Flowing Springs) project is funded by a transfer of £0.3m from the annual carriageway maintenance programme and the remainder from earmarked reserves.

RECOMMENDATIONS

60. **The Cabinet is RECOMMENDED to:**
- (a) note the report;
 - (b) approve the virement requests set out in Annex 2a;
 - (c) note the Virements set out in Annex 2b;
 - (d) approve the bad debt write offs set out in paragraphs 43 and 44;
 - (e) agree the requests for new reserves set out in paragraphs 51 and 52;
 - (f) note the Treasury Management lending list at Annex 3;
 - (g) approve the updated Capital Programme at Annex 7 and the associated changes to the programme in Annex 6c.

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Background papers: Directorate Financial Monitoring Reports August
2017

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