#### CABINET - 19 DECEMBER 2017

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

## Report by the Director of Finance

#### Introduction

1. This is the third financial monitoring report for 2017/18 and focuses on the delivery of the 2017/18 budget based on projections at the end of October 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 +£11.0m or +2.7% 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 +£5.6m. 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 (SEN) 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	Forecast	Forecast	Forecast
	Budget	Outturn	Outturn	Outturn
	2017/18	2017/18	Variance	Variance
			2017/18	2017/18
	£m	£m	£m	%
People	301.0	310.6	+9.6	+3.0%
Communities	93.2	94.1	+0.9	+1.0%
Resources	18.0	18.5	+0.5	+3.0%
Total	412.2	423.2	+11.0	+2.7%

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 +£9.6m, which represents a variation of +3.0% against the budget.

## People - Children's Services

7. Children's Services is forecasting an overspend of +£8.6m which represents a variation of +7.9% against a budget of £108.4m. In addition, an overspend of £3.5m on Dedicated Schools Grant (DSG) funded services is forecast.

## **Education and Learning**

8. As previously reported an overspend of +£1.0m 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 in the longer term. These include provision of independent travel training and implementation of an improved eligibility process.

9. SEN is reporting an overspend of +£0.3m relating to a saving which is not expected to be achieved due to the pressures within this service at this time. The £0.3m relates to three savings agreed for 2017/18, which focussed on reducing spend support and management costs within the SEN service. Since the savings were agreed there has been a significant increase in demand on the SEN service and it hasn't been possible to meet these savings in 2017/18

#### Children's Social Care

- 10. Children's Social Care is forecast to overspend by +£7.6m (+10.9%) an increase of £0.2m 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 in the main addressed the 2016/17 underlying overspend of £5.9m<sup>1</sup>. However, the growth in the number of children requiring services from Children's Social Care is continuing in 2017/18 and is increasing workloads and placement numbers across most services. At 31 October 2017, there were 704 looked after children compared to 667 at 31 March 2017.

- 12. An overspend is forecast on Corporate Parenting and External Placements of +£5.3m, which reflects the increased number of children looked after and therefore placements. In house provision is not able to meet this increase in demand, which has led to an increased use of external provision, particularly independent fostering agencies. These placements are significantly more expensive than in house options, with a national shortage of placements increasing this pressure. A programme has been established with the aim of addressing the demand and needs of looked after children over the medium-term, however due to the current level of demand and the time needed to deliver the changes there is not expected to be a significant financial impact in the current year.
- 13. The remainder of the overspend is due to: an overspend on Leaving Care of +£0.4m due to an increased number of Care Leavers placements, linked to the increase in looked after children, an overspend of +£1.0m 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, and an overspend of +£1.0m on placements for children with disabilities, due to increasing complexity and therefore cost of these placements.
- 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 +£3.5m for SEN, an increase of +£0.6m since the last report. The overspend predominantly relates to a significant increase in the number of out of county placements. The increase since the last report reflects 15 new placements being made during this period. A range of actions is being taken to minimise costs in the service including: reviews of the SEN and Early Years SEN services; local authority support for new special free school applications; 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.

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

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 +£1.0m at this stage of the year against a net council budget of £192.6m.

#### Better Care Fund Pool

19. The Better Care Fund Pool is forecast to overspend by +£0.3m of which +£0.2m is the Council's share under the risk share arrangements. Within this position, Council commissioned services are forecast to underspend by -£0.5m. This primarily reflects market capacity for home support with total hours delivered remaining broadly stable rather than increasing as budgeted. The Council is continuing to make care home placements at an average of 13 per week. Work is continuing to understand and quantify potentially significant emerging pressures on the forecast expenditure for Continuing Health Care on the health side of the pool. This is not included in the forecast to the end of October but an update will be provided in the next report.

## Adults with Care and Support Needs Pooled Budget

The Adults with Care and Support Needs Pooled Budget has a forecast overspend of +£1.9m of which +£1.7m falls to the County Council under the risk share arrangements. The majority of the overspend relates to the Learning Disabilities budget which is forecast to overspend by +£1.5m. 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 forecast. There is also a forecast overspend of +£0.4m for the health Acquired Brain Injury budget. This is due to activity above the budgeted levels. The forecast this month includes one person who has transferred from 100% Continuing Health Care funding with the Better Care Fund Pool due to improvement in the person's rehabilitation potential.

## Adult Social Care Non-Pool

- 21. There is a forecast net underspend of -£0.8m 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 posts being held vacant within the team.
- 22. £1.0m of unallocated base budget funding arising from the balance of the 2016/17 and 2017/18 precepts plus funding held since 2015/16 relating to Care Act and Independent Living Fund funding continues to be held outside of the pools. This is reported as an underspend and is offsetting some of the overspend from the pooled budgets. There is no further unallocated funding to utilise.

## **People - Public Health**

23. Public Health<sup>2</sup> 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**

- 24. The Communities Directorate consists of Planning and Place, Infrastructure Delivery, and Property and Investment together with Community Safety and the Fire & Rescue Service. The directorate is forecasting an overall overspend of +£0.9m on a budget of £93.2m which represents +1.0% against budget.
- 25. An overspend of £0.5m 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. These are offset by a one-off underspend in Highways Operations due to lower supervision costs in the 2016/17 final invoices (-£0.3m). Planning and Place are forecasting an underspend of -£0.1m reflecting an increase in planning application fee income.
- 26. Property & Investment is reporting an overspend of +£0.5m in relation to the Integrated Transport Unit. Work is ongoing to validate the reasons for this and to identify one off costs relating to the implementation of the new Day Time support service. Once agreed these transitional costs will be recharged to Adult Social Care.
- 27. Community Safety and Fire & Rescue Services continue to forecast year end breakeven positions.

#### Resources

- 28. The Directorate is forecasting a revenue overspend of +£0.5m on a budget of £18.0m, a variation of +3.0%.
- 29. 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.

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<sup>&</sup>lt;sup>2</sup> Public Health is funded by a ring-fenced grant of £31.3m from the Department of Health

# **Virements and Supplementary Estimates**

- 30. 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.
- 31. A virement of £0.3m is requested in relation to a grant from the Department for Education in relation to the School Improvement Monitoring & Brokering Grant. This is an unringfenced grant which is required by Children's services to carry out statutory work. This virement does not represent a change in policy as the service is unchanged.
- 32. Annex 2b shows virements Cabinet need to note.
- 33. There are no supplementary estimate requests included in this report.

# **Medium Term Financial Plan Savings**

- 34. 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.
- 35. 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**

- 36. There were 159 general write-offs to the end of October 2017 totalling £37,997, and 170 Adult Social Care Client contribution write offs totalling £176,095.
- 37. Cabinet is recommended to write off an outstanding debt of £69,994 that relates to a Town Council's liability under the historical Joint Use Agreement. Legal Services have confirmed that the Council has no legal basis to pursue the outstanding debt contractually so it is recommended that the debt is written off.
- 38. It is also recommended that Cabinet agree to write off a balance of £31,929 owed by a School in relation to the use of the facilities under the joint use agreement. Negotiations have been taking place to reach a resolution to the issues. The result is that the school will accept charges going forward at a 40% discount to the commercial rate; however, it is recommended that the outstanding balance is written off.
- 39. The two debt write-off's relating to joint use sports agreements totalling £101,923 will be met from the Joint Use Reserve
- 40. There are also adult social care client contribution debts totalling £32,773 relating to two service users. Both relate to insolvent estates and are recommended to be written off.

#### **Treasury Management**

- 41. The latest treasury management approved lending list is shown in Annex3. There have been no changes to the lending list since the last report.
- 42. The following table sets out average in-house cash balances and average rates of return for September and October 2017. In house interest receivable for 2017/18 is currently forecast as £2.0m, exceeding the budgeted figure of £1.3m by £0.7m. Of the forecast £2.0m interest receivable, £1.8m had been realised as at the 31 October 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
September	£367.5m	0.63%
October	£367.4m	0.65%

- 43. 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.
- 44. The additional income of £1.0m forecast in relation to Treasury Management is reflected in the general balances position referred to at paragraph 48 below.
- 45. Interest payable is currently forecast to be in line with the budgeted figure of £17.1m.

## Part 2 - Balance Sheet

- 46. 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 £49.1m at 31 March 2018.
- 47. 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.

#### Balances

48. As set out in Annex 5 general balances were £20.0m as at 31 March 2017. The forecast outturn position is £18.8m. This position includes the budgeted contribution of £4.7m, the forecast additional interest of £1.0m, and the forecast directorate overspend (after the use of contingency funds) of £6.9m. Directorate overspends are expected to be reduced by management action or the use of one – off funding during the year. However, if demand continues to increase in Children's and Adult Social Care this may reduce balances to less than the risk assessed level of £17.6m.

# Part 3 – Capital Programme

## **Capital Monitoring**

- 49. The capital monitoring position set out in Annex 6a, shows the forecast expenditure for 2017/18 is £118.0m (excluding school's local capital). This has decreased by £7.2m compared to the latest approved capital programme.
- 50. 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.

	Last	Latest	
Directorate	Approved	Forecast	Variation
	Programme *	Expenditure	
	£m	£m	£m
People: Children	34.2	34.2	0.0
People: Adults & Public Health	7.4	7.4	0.0
Communities: Transport	61.3	55.0	-6.3
Communities: Other Property	6.9	6.1	-0.8
Resources	15.4	15.3	-0.1
<b>Total Directorate Programmes</b>	125.2	118.0	-7.2
Schools Local Capital	1.4	1.4	0.0
Earmarked Reserves	3.0	3.0	0.0
Total Capital Programme	129.6	122.4	-7.2

<sup>\*</sup> Approved by Cabinet 17 October 2017

- 51. Within Communities, the Transport programme reports a variation of £6.3m which includes the rephasing of projects linked to major developments at Wantage, Crab Hill (£2.5m), Bicester Perimeter Road (£0.7m) and Witney Downs Road (£0.8m) into later years. A further £1.1m has been rephased from the Network Rail Betterment budget and £0.7m for Cowley Road.
- 52. There has been a rephasing of £0.8m in the in-year forecast relating to the Broadband scheme.

## **Four Year Capital Programme Update**

53. The total four-year capital programme (2017/18 to 2020/21) is £430.6m, an increase of £1.5m 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	Latest Updated	
	Total	Total	
	Programme	Programme	Variation
Directorate	(2017/18 to	(2017/18 to	£m
	2020/21) *	2020/21)	
	£m	£m	
People: Children	132.5	133.8	+1.3
People: Adults & PH	26.2	26.2	0.0
Communities: Transport	137.7	137.6	-0.1
Communities: Other	30.7	30.8	+0.1
Resources	16.6	16.6	+0.0
<b>Total Directorate Programmes</b>	343.7	345.0	+1.3
Schools Local Capital	3.8	3.8	+0.0
Earmarked Reserves	81.6	81.8	+0.2
Total Capital Programme	429.1	430.6	+1.5

<sup>\*</sup> Approved by Cabinet 17 October 2017

- 54. The variation to the Children's programme is the result of the inclusion of additional s106 funding towards individual projects within the Basic Need programmes.
- 55. Additional financing and match funding has been secured towards the Salix programme of £0.1m.
- 56. Cabinet is recommended to delegate authority to contractually commit to the construction of the new 600 place 11-16 Secondary School at South West Bicester. Contract close is expected to be in March 2018 and the new school building is expected to be open from September 2019. The stage 1 pre-planning budget is £16.0m and is expected to be funded from s106 contributions.
- 57. The capital programme current includes £0.2m for initial preliminary fees towards the construction of the south facing slip road at the A34/A4183 Lodge Hill junction. Cabinet is recommended to approve the total project budget provision of £15.8m including the release of £4.2m towards the project development budget and early contractor works. The overall budget will be funded from the Local Growth Fund and S106 developer contributions.
- 58. Cabinet is recommended to increase the provision for the construction of the Salt Barns and associated site works at Drayton and Deddington Depots by £1.4m to £4.5m for delivery during 2018. The increase is due to an extension in the scope of the project to include remodelling and better utilisation of depot layouts and provision of office accommodation. A number of funding options are being considered and Cabinet is recommended to delegate authority to the Director of Finance to approve the final funding option.

#### RECOMMENDATIONS

- 59. 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 37 to 40;
  - (e) note the Treasury Management lending list at Annex 3;
  - (f) approve the updated Capital Programme at Annex 7 and the associated changes to the programme in Annex 6c;
  - (g) approve the contractual commitment for construction of the new Secondary School in South West Bicester, with a total budget of £16.0m;
  - (h) delegate to the Director of Finance and Strategic Director for Communities in consultation with the Leader of the Council to approve the stage 2 Full Business Case and the award of the construction contract for the new Secondary School in South West Bicester;
  - (i) approve the total project budget of £15.8m, including the release of £4.2m towards the delivery of the slip road at A34/A4183 junction at Lodge Hill; and
  - (j) approve an increase in the capital programme to reflect the budget for the master site plans for Drayton and Deddington Depots to £4.5m and delegate authority to the Director of Finance on the funding option to support the capital investment.

#### **LORNA BAXTER**

Director of Finance

Background papers: Directorate Financial Monitoring Reports October

2017

Business Case - Lodge Hill Slip Roads

Business Case - Master Site Plans for Drayton and

**Deddington Depots** 

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