Division(s): NA

CABINET – 16 OCTOBER 2018

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

Report by the Director of Finance

1. The purpose of this report is to set out the forecast position of the revenue budget as at the end of August 2018. This report also includes an update on the delivery of savings, plus forecast reserves and balances.

2. The report sets out an expected overspend on revenue of **£3.3m**. This reflects an overspend of **£10.8m** by directorate services offset by unallocated contingency of **£6.5m,** additional interest of **£0.5m** and additional business rates of **£0.5m**. The report to Cabinet at the same time last year anticipated a directorate overspend of **£11.8m**.

Directorate	Latest Budget 2018/19 £m	Forecast Outturn 2018/19 £m	Forecast Outturn Variance 2018/19 £m	Forecast Outturn Variance 2018/19 %
People	315.9	323.4	+7.5	2.4%
Communities	98.6	101.2	+2.6	2.6%
Resources	19.6	20.3	+0.7	3.6%
Total Directorate Position	**434.1**	**444.9**	**+10.8**	**2.5%**
Contingency	7.7	1.2	-6.5	
Adjusted Directorate Position	**441.8**	**446.1**	**+4.3**	**1.0%**
Strategic Measures	-441.8	-442.8	-1.0	-0.2%
Overall Surplus/Deficit	**0**	**+3.3**	**+3.3**	

3. The following Annexes are attached and referenced in the report:

Annex 1	Directorate Budgets and Forecast Variation
Annex 2b	2018/19 virements to note
Annex 2c	2018/19 Supplementary Estimates to approve
Annex 3	Grants
Annex 4	Reserves
Annex 5	General Balances

Part 1 - Executive Summary

Revenue

4. Annex 1 provides a summary of the forecast position by directorate. Commentary on key variations greater than £0.1m for each service is provided in Part 2 of the report.

5. An overspend of **£6.6m** is forecast for Children's Services which mainly relates to Children's Social Care. An additional **£9.5m** was included in the budget for Children's Social Care in 2018/19 due to significant increase in demand. Savings of **£3m** were also included in the budget to reflect the work of the Children's Services Programme that was established with focus on addressing demand management; strengthening early help and prevention including closer partnership working; strengthening staffing resources and building community resilience. Despite the additional funding demand for Children's Social Care continues to rise beyond expectations, both locally and nationally and savings are taking longer to deliver than anticipated, although are still expected to be met in the Medium Term Financial Plan period.

6. The Communities directorate is forecasting an overspend of **£2.6m**. This relates to overspends on Street Lighting, Defects and Supported Transport.

7. As per the Council's Financial Regulations, action plans are being developed for overspends greater than **£1.0m** by the Director for Children's Services and the Director for Infrastructure Delivery. These are being discussed with the Director for Finance and the Cabinet Member for Finance and will be presented to Cabinet in the December 2018 report.

8. There is also a **£6.0m** overspend forecast on the Dedicated School Grant (DSG) – High Needs Block. This is mainly due to increasing demand for special school places and the need to place children at independent non-maintained schools. This overspend will be met partly by using the **£4.3m** DSG reserves but the remaining overspend will need to be either carried forward or met by council resources as in accordance with the terms of the grant.

Virements and Supplementary Estimates

9. Virements larger than £0.5m or that relate to un-ringfenced grants requiring Cabinet approval under the Virement Rules agreed by Council on 14 February 2018. There are no virements to approve this month. Annex 2b shows virements Cabinet need to note.

10. Supplementary requests this month are set out in Annex 2c. The request relates to two schools converting to academy status with deficit balances as set out in paragraph 40.

Grants

11. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling £344.4m. There are no new grants this month.

12. On 2 October 2018 the Department of Health and Social Care announced an additional £240m of funding for Adult Social Care for 2018/19, whilst allocations were not announced at the point this report was finalised, it is expected that the Council will receive approximately £2.3m. Terms and conditions on use of the funding is also still to be announced. An update will be included in the next report.

Reserves

13. Annex 4 sets out the earmarked reserves brought forward from 2017/18 and the forecast position as at 31 March 2019. These reserves are held for specified one-off projects, contractual commitments and to support the Medium Term Financial Plan. Reserves are forecast to reduce by **£27.2m** from **£96.6m** to **£69.4m** at 31 March 2019.

General Balances

14. As set out in Annex 5 general balances were **£25.8m** as at 31 March 2018. The current forecast for general balances as at 31 March 2019 is **£21.4m** after taking into account the forecast overspend of **£3.3m** and the supplementary estimates requiring Cabinet approval set out in paragraphs 10 and 40. This is **£5.1m** higher than the risk assessed level of **£16.3m** as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2018.

Strategic Measures

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

16. The following table sets out average in-house cash balances and average rates of return for June, July and August 2018. In house interest receivable for June, July and August 2018 was **£0.7m**. The current forecast outturn position for in house interest receivable is **£2.7m**, which is **£0.3m** above budget. Which is due to the bank rate increasing earlier than anticipated and higher cash balances than forecast.

Month	Average cash balance	Average rate of return
June	£338.6m	0.79%
July	£351.0m	0.79%
August	£359.0m	0.82%

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

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

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

Debt and Loan Write-Offs & Impairments

20. There were 76 general write-offs to the end of August 2018 totalling £5,132 and 53 Adult Social Care Client contribution write offs totalling £61,186.

21. Cabinet is recommended to approve the write-off of a debt of **£14,238** relating to an overpayment to a foster carer. Due to the circumstances surrounding the overpayment and after legal advice it is not considered reasonable to expect the foster carer to repay the overpayment.

22. Cabinet is also recommended to approve the write-off of two adult social care debts totalling **£59,212**. Both of these debt write-offs are required because the service users passed away before applications were made to take over finances and estate tracing agents have confirmed the estate is insolvent with legal services confirming there is no legal recourse.

Medium Term Financial Plan Savings

23. The forecasts shown in this report incorporate savings included in the medium term financial plan agreed by Council in February 2018 and previous years. At this stage of the year, at least **91%** of the planned savings of **£41.0m** are expected to be delivered.

24. In relation to Children's Services, it is anticipated that only 59% of the **£4.7m** planned savings for 2018/19 will be achieved in year. It is however still expected that all savings in the current MTFP will be delivered by the end of the MTFP period.

25. **£1.9m** of savings rated as red consists of **£0.8m** of savings which are currently not anticipated to be made in Home to School Transport, from a total of **£1.2m**. In addition, **£0.6m** of the **£1.6m** saving in relation to Entry to Care is forecast to not be met, although depending on progress to the end of the year this may still be possible, this relates to savings due to controlling entries to care. This is offsetting against significant increased demand, through stronger controls savings are being achieved by challenging high cost placement requests and entries to care. Finally, savings relating to Reconnecting Families of **£0.5m**, against a total of **£1.2m**, is currently forecast to not be achieved in 2018/19, due to a delay in implementation and difficulty in identifying suitable placements to enable children to step down.

26. Adult Social Care currently expects to achieve **77%** of the savings built into 2018/19 budgets. **£1.4m** of the directorate's savings are flagged red or amber. **£0.4m** saving reflecting an expected reduction in the total income impairment required at the end of 2018/19 is currently assessed as red. Saving of **£1m** built into Learning Disabilities budgets is flagged as amber because of the forecast pressures noted within the Adults with Care and Support Needs pooled budget. Revisions to the

Adult Social Care contributions policy were agreed by Cabinet on 22 May 2018 and will be implemented from 1 October 2018. Financial re-assessments are being offered to all service users as part of the implementation and an update on the part – year saving expected to be achieved in 2018/19, and on-going full year effect from 2019/20 will be provided later in the year. The **£2.6m** full year effect of the implementation of the council's new Daytime Support service which has been operating since October 2017 is also expected to be achieved but a further review of the financial position will be carried out later in the year.

27. The Communities directorate is expected to achieve **96%** of the planned savings. **£0.1m** of the directorate savings are flagged Red or Amber. This is due to a risk that additional income from solar panels on property sites will not be realised and reduced costs through joint working will not be fully delivered.

28. Resources are expected to achieve **91%** of the savings agreed. £0.3m of the directorate savings are flagged Red or Amber. This mainly relates to the unachievable target for ICT income from non-OCC users.

Part 2 – Revenue Service Commentary

People – Children

29. An overspend of **£6.5m (5.6%)** is reported for Children’s services.

Education & Learning – £0.5m

30. Home to School Transport is currently forecast to overspend by **£0.5m.** Savings of **£1.2m** are included in the budget for 2018/19 with **£0.8m** of these savings currently at risk. The savings at risk relate to transport for Northfield School and Meadowbrook. The current circumstances at Northfield have made savings more difficult to achieve. There is also a risk savings relating to Meadowbrook won’t be achieved in full.

31. Analysis of activity to date has shown in an increase in spend on SEN transport to the end of August 2018 which is 9% higher than last year. This is in line with the increase in demand for special school places and the need to place children at independent non-maintained special schools. If this continues, there is a risk of a further **£0.3m** overspend. To date, there is no material difference in mainstream home to school transport spend.

Children’s Social Care - £2.4m overspend

32. **£1.2m** of the overspend relates to an increase in staffing levels within the Social Care Teams due to the increase in demand. In 2017/18 it was possible to manage these pressures within the overall service due to a significant underspend within Family Solutions due to posts being held vacant. Due to increased caseloads there has been a need to fill these vacancies with both permanent and agency staff.

33. In addition, there are overspends and risks within the Leaving Care Service totalling **£0.4m**. This relates to Leaving Care Allowances which reflects to a growth in client numbers. This is likely to become a greater pressure in to the future, as the increase in looked after children numbers move into Leaving Care services. In addition, an increase in the statutory age from 21 to 25 from 1 April 2018 is expected to bring additional pressures. A grant of £25,802 has been received from the Department for Education in relation to this, to increase Personal Adviser support. No additional funding has been received in relation to additional allowances and other support also required by the increase in statutory age. Further work needs to be completed to identify the likely pressure due to the additional requirements once demand can be measured more accurately.

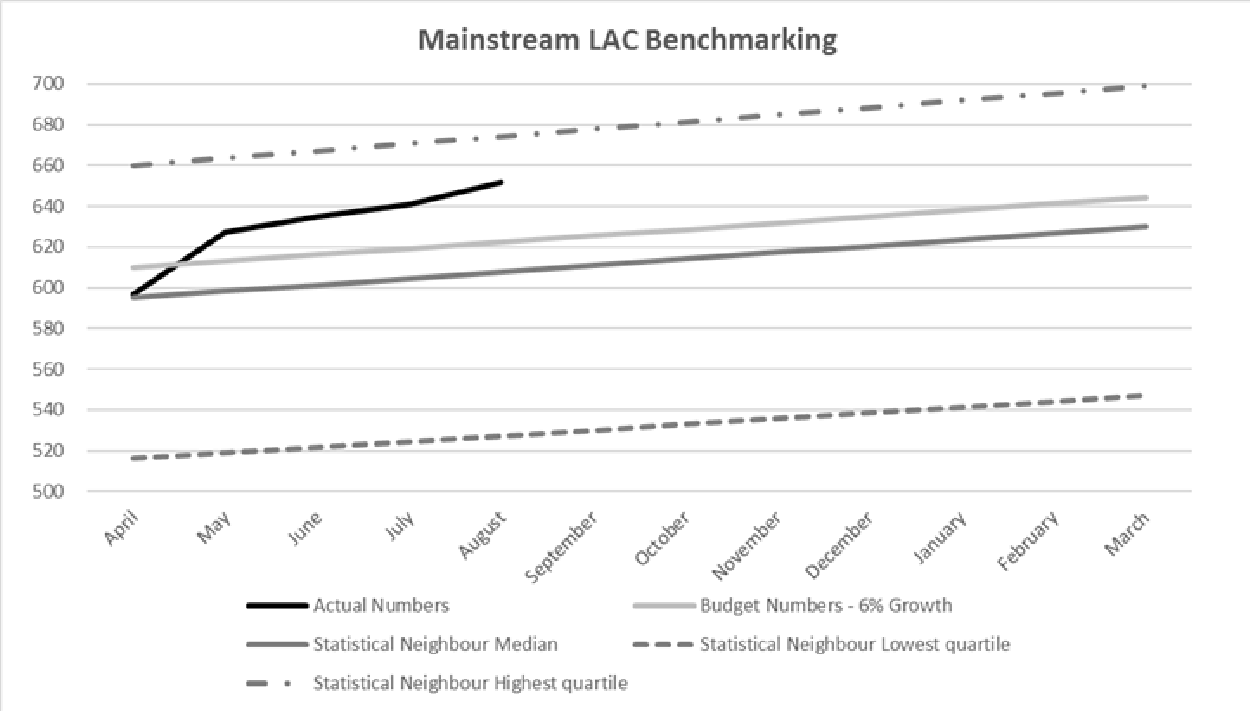
34. As reported previously there is also an overspend of **£0.8m** on Unaccompanied Asylum Seeking Children due to costs exceeding grant funding received.

Children's Social Care Countywide – £3.7m overspend

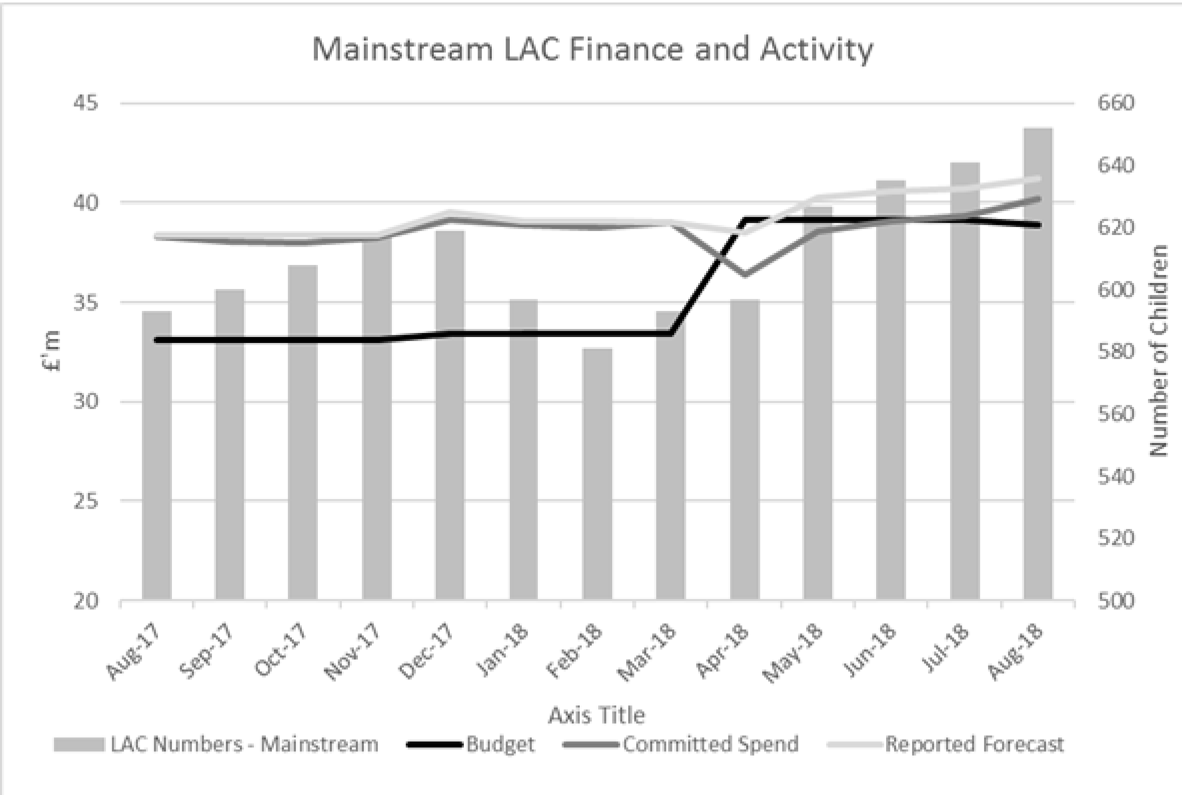
35. Corporate Parenting is forecasting an overspend of **£3.5m** of which **£2.3m** relates to an increase in demand. Growth in the number of mainstream looked after children in the first five months of the year has been significantly higher than anticipated, which has put a pressure on the budget for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

36. An increase of 57 mainstream looked after children from April 2018 to the end of August takes the number of children looked after to 652. Budget provision for 2018/19 was 610 children, a 6% or **£1.1m** growth from 2017/18. This increase means an overspend of **£1.1m** is expected. The forecast **£2.3m** overspend arises from the expectation that numbers will continue to rise a further 10% to the year end. This is in line with growth in the year to date and would give actual growth for the year of circa 24% (against budgeted growth of 6%). It also recognises that there is limited capacity in the system, resulting in the use of higher cost provision, such as independent foster agencies and residential care.

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



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



39. The remaining **£1.2m** overspend relates to savings which aren't expected to be achieved in 2018/19 as set out in more detail in paragraphs 24 and 25.

Schools

40. Rose Hill Primary School and Chiltern Edge Secondary School converted to academy status in August and September 2018. The schools currently have accumulated deficits of **£1.1m**, of which **£0.8m** relates to Chiltern Edge School and **£0.3m** relates to Rose Hill School. The conversion process requires the council to fund any accumulated deficits at the point of conversion. A supplementary estimate has been requested for Cabinet approval as set out in paragraph 10.

DSG Funded Services

41. The high needs block is forecast to overspend by **£6.0m** in 2018/19, mainly due to increasing demand for special school places and the need to place children at independent non-maintained special schools. The Strategic Review of High Needs, which will devise a long-term strategy to control demand and improve sufficiency of places, with the aim of reducing spend in the medium-term.

42. In addition, a decision is yet to be made regarding the long-term future of Northfield School, which increases the risk in this budget and is likely to increase spend in the medium term. Until this decision is finalised it will be difficult to calculate the impact on this budget. In order to keep the school open in the short term and to undertake works to the building, the total budget requirement is **£0.9m**, of which **£0.3m** is expected to be charged to revenue.

People – Adult Services

43. Adult Services is forecasting an overspend of **£0.9m (0.5%)**.

44. The pooled budget contributions and risk shares for 2018/19 are yet to be formally agreed with the Oxfordshire Clinical Commissioning Group (OCCG). These are expected to be considered by the relevant Joint Management Group in November 2018 and an update will be provided in the report to Cabinet in December 2018.

Better Care Fund Pool £1.8m overspend (2.3%)

45. Since the health contributions and associated risk share for 2018/19 are yet to be agreed with Oxfordshire Clinical Commissioning Group this report reflects variations for the council elements of the Pooled Budget and excludes any variations against health budgets. Future reports will reflect the position for the whole pool including updates on expenditure for Continuing Health Care. Reflecting the Section 75 agreement and outcomes sought by the Health & Wellbeing Board, the pool combines expenditure on care homes, activity relating to hospital avoidance and prevention and early support activities.

Care Homes

46. The forecast position reflects a **£0.9m** anticipated overspend on care homes placements based on expected activity, an increase of **£1.4m** since the last report. The change relates to a number of new block contracts for which the committed costs have now been included within the forecast and the inclusion of six new service users with the under 65's cohort with physical disabilities. The overspend represents a 0.9% variance on the gross budget for care home placements.

47. This is a demand led service based on need and availability and inevitably this fluctuates from month to month; a net increase of 10 placements at an average cost of £714 per placement per week would increase expenditure by **£0.2m** over the remaining 7 months of the year. The additional cost would potentially be higher than the average if prices are rising generally – often the cost of new placements is higher than ones ending. The average number of new care home placements each week has remained stable since April 2017, with spikes in activity showing in both directions at different times of the year.

48. The forecast also reflects a pressure arising from the **£0.4m** saving built into the Medium Term Financial Plan and previously expected to be achieved as a result of a forecast reduction in Adult Social Care bad debt over six months old. Since the level of debt over six months old has instead increased by **£0.9m** since April 2018 work is underway to take action to improve income collection rates. Further updates will be provided throughout the year.

Hospital Avoidance

49. The service is forecasting an overspend of **£0.7m** this includes an **£0.8m** forecast overspend based on expenditure to date and commitments for home support packages. If this does not reduce by year end **£0.5m** held in reserves for Adult Social Care pressures will be used to offset part of this pressure.

50. Equipment is forecasting an overspend of **£0.2m**. Work is being undertaken to validate this and to provide more assurance about the anticipated future costs.

51. These overspends are offset by an estimated reduction of **£0.3m** in the cost of interim beds which should not be required because of additional reablement activity.

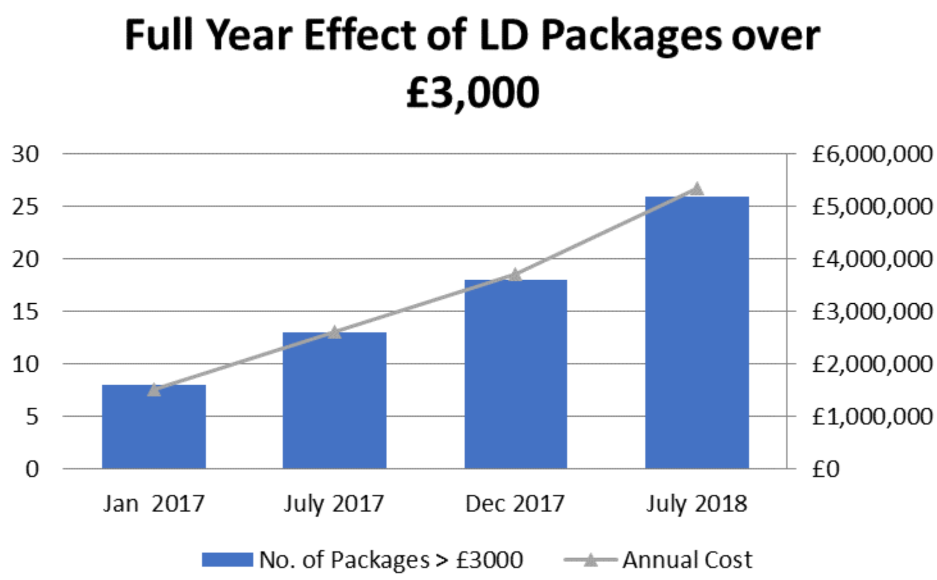
Adults with Care and Support Needs (ACSN) Pool - £2.5m (3.0%) overspend

52. As noted above the risk shares for the Pooled Budgets are yet to be agreed. Since it is not possible to separate the health and social care elements of Learning Disability expenditure within the pool this report assumes the budgets are risked shared on the same basis as in 2017/18 until the 2018/19 risk share has been agreed.

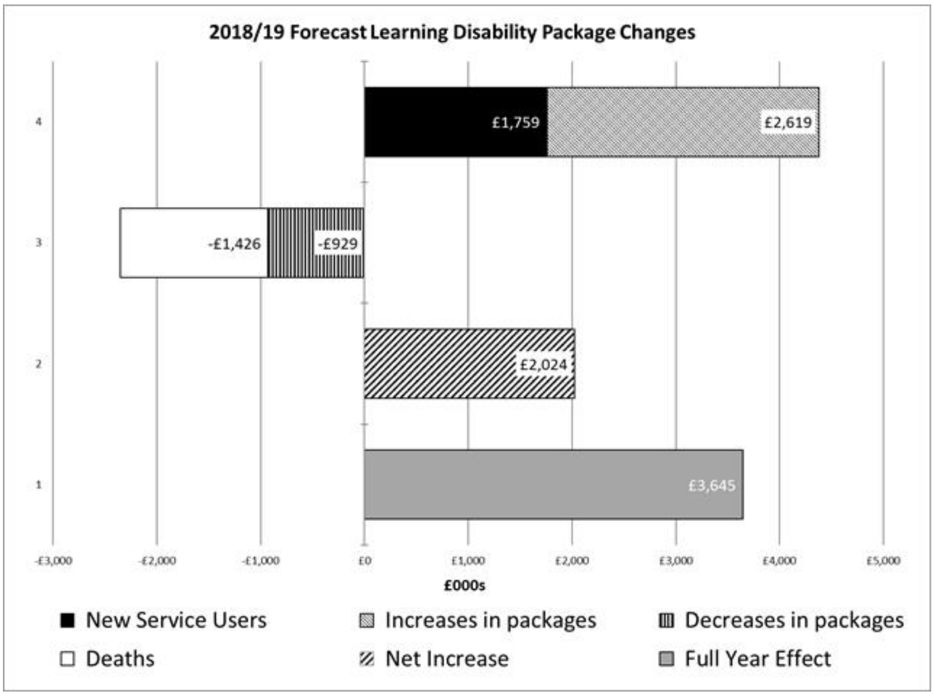
53. **£2.1m** demography has been added to this budget as part of the 2018/19 Medium Term Financial Plan. Savings of **£1.0m** that need to be achieved through reductions in package costs while continuing to meet assessed needs are also built into the budget. Part of the Adult Social Care precept was used to reduce the original planned saving by **£1.0m** but while cost avoidance is more likely the achievement of the remaining saving will be extremely challenging.

Learning Disabilities

54. The 2017/18 outturn for the Learning Disabilities element of the pool was an overspend of **£1.6m** and reflected increases in average placement costs and some high cost packages transferring from Children's Social Care late in 2016/17. The forecast position for 2018/19 reflects the continuing pressure from last year and the additional **£0.6m** full year effect of panel decisions made during 2017/18 as well as new changes in 2018/19. Overall the number of service users has not increased but the average size of packages is larger and reflects increasing service user need.



55. As noted in the last report the effect of Practice Forum decisions are currently forecast to outweigh the net **£1.1m** growth included within the budget by **£0.9m** as indicated in the table below.



56. Work is continuing to understand the cost drivers behind the growth in the average package size, what the on-going effect is and how future increases can be identified. Factors include a £29 per week (3.5%) increase in the average costs for each service. This partly reflects the number of packages costing over £3,000 per week which has risen by 50% since 2017/18. Updates on the on-going pressure will be provided through the 2019/20 Service and Resource Planning Process.

57. Action is being taken to review activity and packages within the pool and to ensure all known and expected changes to packages and moves to supported living placements, which are generally lower cost than residential placements, have been reflected in the forecast.

<u>Acquired Brain Injury</u>

58. Packages for service users with Acquired Brain Injury are often high cost (typically £4,000 per week) so while the number of users is small a change in one package can have a large impact on the forecast expenditure. There is currently a forecast overspend of **£0.6m** against the budget of £3.0m, a 10% variation. The overspend reflects an increase in service users. Future changes to existing service user packages are expected to reduce the pressure but this may be offset by new service users.

Other Non-Pool Services - £3.4m underspend

59. All other non-pool Adult Social Care Services is currently forecasting an underspend of **£3.4m**, **-19.2%** of the £17.8m budget.

60. The Provider and Support Service is forecasting an underspend of **£0.2m**, arising from vacant posts within the Financial Assessment and Money Management teams.

61. Vacant posts with the Responsible Localities teams are being recruited to and at this stage in the year it is anticipated that the staffing budgets will be fully utilised in 2018/19.

62. The Adult Protection and Mental Capacity service is also forecasting a breakeven position. Included within this forecast is a **£0.4m** overspend in relation to Approved Mental Health Professional Service, which is currently under review. This is offset by a **£0.4m** underspend within the Deprivation of Liberty Safeguards (DoLS) service because of posts agreed to be held vacant. It will be proposed that the budget for the DoLS service is adjusted to match the current team as part of the 2019/20 Service and Resource Planning Process. Funding held in reserves will be used to fund the backlog of out of county assessments on a one-off basis.

63. There is an underspend relating to **£0.7m** one-off funding from the **£2.9m** available through the Adult Social Care precept and **£0.8m** of unallocated base budget held since 2015/16 relating to the Care Act and Independent Living Fund funding which continues to be held outside of the pools but is offsetting part of the pressure on the ACSN pooled budget.

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

People – Public Health

65. There is currently a breakeven position forecast for Public Health. Under the terms and conditions of the ring-fenced Public Health grant require that any under spends are used in future years for Public Health purposes.

Communities

66. An overspend of **£2.6m (2.6%)** is forecast for Communities directorate

Infrastructure Delivery - £1.8m overspend

67. The forecast position reflects an anticipated pressure of **£0.7m** on Street Lighting due to significant increases in energy prices, including over 30% in the latter part of 2017/18. A plan is in place to invest in LED lighting across the Street Lighting network which will reduce energy costs down to an affordable level, with implementation due to start in February 2019. However, the benefits will not be realised in time to reduce the 2018/19 pressure.

68. The forecast position also reflects an anticipated pressure on the Defect Repairs budget of **£1.1m** due to the significant increase in road defects following the abnormal weather over the winter months. Further investment is being sought which could reduce this pressure but at present an overspend is anticipated.

Property & Investment - £0.7m overspend

69. Supported Transport is forecasting an overspend of **£0.7m**. The forecast position reflects a net pressure of £1.3m on the Fleet budget where its new operating model is still to be implemented, now that it mainly delivers transport for term time only SEN students. This has been offset by cost reductions of **£0.2m** due to reduced vehicle numbers and therefore reduced maintenance costs, amendments to staff contacts of **£0.1m** and additional short-term income of **£0.3m** (Bus Service Operators Grant) towards funding the Comet bus. An ongoing Fleet project is looking at ways to further reduce this pressure and the results will be reported in future months.

70. Although a balanced budget is forecast for Property, the business is still designing its operating model, and investing significantly in interim management to implement a new fit for purpose business as usual model. This coupled with the uncertainty over the finalisation of the liquidation of Carillion and the need to establish the condition of the council's estate, with yet unknown consequences, puts at risk the services ability to work within the agreed budgets set for the medium term.

Resources

71. Resources is forecast to overspend by **£0.7m (0.6%)**. This mainly relates to Legal Services due to the cost of external Counsel fees.

RECOMMENDATIONS

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

(a) note the report;
(b) note the virements set out in Annex 2b;
(c) approve the supplementary estimates set out in Annex 2c and paragraph 10;
(d) approve the bad debt write-offs as set out in paragraphs 21 and 22.

LORNA BAXTER
Director of Finance

Background papers: Directorate Financial Monitoring Reports for June, July and August 2018

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October 2018