

**CABINET – 21 FEBRUARY 2017**  
**2016/17 FINANCIAL MONITORING &**  
**BUSINESS STRATEGY DELIVERY REPORT**

**Report by the Director of Finance**

**Introduction**

1. This report focuses on the financial management of the 2016/17 budget. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of December 2016. Capital Programme monitoring is included at Part 3.
2. The forecast directorate position for the year is currently an anticipated overspend of +£5.6m (+1.4%) against a net budget of £411.4m as shown in the table below, the same as that reported to Cabinet in December 2016. This position includes the use of the £1.0m remaining in corporate contingency. This is requested as a virement in this report but is reflected in the position.
3. The impact of the recruitment freeze and the planned reduction in the use of agency and interim staff may reduce costs in the last quarter of the year. However, if further cost reductions are not made the remaining overspend will need to be met from general balances. This will reduce balances to less than the risk assessed level. However, the proposed budget for 2017/18, to be agreed at Council on 14 February 2017, includes a contribution to balances of £2.7m to bring them back to the risk assessed level if required when the final end of year position is known.
4. The proposed 2017/18 budget also includes additional funding of £7.8m for Children's Services including £5.3m for placements of Looked After Children and legal costs and £2.5m for Special Educational Needs (SEN) Home to School Transport. There is also additional funding of £1.6m for ICT to address the ongoing pressures in this area. The investment in these services will address the underlying pressures. It also provides for expected growth in both Children's Services and SEN Home to School transport.
5. The use of contingency and balances to bring the budget back into balance will be set out in the Provisional Outturn Report to Cabinet in June 2017.

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Directorate	Latest Budget 2016/17 £m	Forecast Outturn 2016/17 £m	Forecast Outturn Variance 2016/17 £m	Forecast Outturn Variance 2016/17 %
Children, Education & Families (CE&F)	106.5	114.5	+7.0	+6.6
Social & Community Services (S&CS)	212.5	212.0	-0.5	-0.7
Environment & Economy (E&E)	70.5	69.1	-1.4	-1.9
Corporate Services (CS)	21.9	22.4	+0.5	+2.4
Public Health (*)	0.0	0.0	0.0	0.0
<b>Total</b>	<b>411.4</b>	<b>418.0</b>	<b>+5.6</b>	<b>+1.4</b>

<b>Public Health (*)</b>				
Expenditure	32.5	32.0	-0.5	-0.7
Grant and Other Income & Transfer to Reserves	-32.5	-32.0	+0.5	+0.7
<b>Total</b> <sup>1</sup>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

6. The following annexes are attached:

- Annex 1 Original and Latest Budget for 2016/17
- Annex 2 2016/17 Virements & Supplementary Estimates
- Annex 3 Government Grants 2016/17
- Annex 4 Treasury Management Lending List
- Annex 5 Forecast Earmarked Reserves
- Annex 6 Forecast General Balances
- Annex 7 Capital Programme Monitoring

7. 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

### Children, Education & Families

8. The directorate is forecasting an overspend of +£7.0m, which represents a variation of +6.6% against budget.

#### CEF1 Education & Learning

9. The Education & Learning service is forecasting to overspend by +£1.7m.

10. Home to School Transport is reporting a forecast overspend of +£1.9m. The overspend is mainly due to Special Educational Needs (+£1.6m). As previously reported, the cost of transporting SEN students is increasing for a number of reasons including a rise in the number of children with SEN and an increase in the number of children who need a passenger assistant. There remains risk around this budget with demand continuing to change.

11. The overspend is partly offset by a forecast underspend on Academy Conversion Costs.

<sup>1</sup> In 2016/17 Public Health is funded by a ring-fenced grant of £32.1m from the Department of Health.

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### CEF2 Children's Social Care

12. Children's Social Care is forecast to overspend by +£3.9m. This position is after a £1.0m transfer from CEF reserves and a £1.0m virement from corporate contingency.
13. The growth in the number of children requiring services from Children's Social Care has increased workloads across most services. The majority of the overspend in Management and Central Costs (+£0.7m) is the result of significant growth in the legal costs relating to Children's Social Care.
14. Referral and Assessment and Family Support teams are forecasting an overspend of +£1.3m due to increasing agency staff and a planned increase in establishment for the move to the new Integrated Children's Service.
15. The Early Intervention Service (including Hubs, Children's Centres, Youth and Engagement and Thriving Families) is forecast to underspend by -£1.7m. This is due to the current remodelling of the service.
16. Looked After Children and Children Leaving Care are forecasting an overspend of +£0.8m based on current client numbers. There is a risk demand will increase over the remainder of the year and careful monitoring will continue to identify any further growth in the forecast.
17. An overspend of +£3.6m is forecast on the Placements budget. The overspend is partly caused by the completion of the new Children's Homes being behind schedule thereby delaying the savings which will arise from reducing the number of external placements. The Council is seeking compensation of £0.9m from the contractor.
18. The forecast includes +£0.2m which it is estimated could arise from new placements during the rest of the year. There were 49 clients in mainstream residential placements at the end of December 2016 compared to 48 at the end of October 2016. There were 109 clients in independent foster agency placements at the end of December, an increase of six since October 2016.
19. The Asylum service is reporting a forecast overspend of +£1.0m. Although the Home Office has increased the rates paid for clients who arrived in the UK after 1 July 2016, there is still a significant shortfall between the cost of each client and the grant received from the Home Office.

### CEF3 Children's Social Care County wide Services

20. Children's Social Care Countywide is forecast to overspend by +£1.1m, with the largest elements of this relating to Corporate Parenting (+£0.4m) and Children with Disabilities (+£0.5m). The children with disabilities overspend is due to an increase in the total number of placements required and the need to place more children with independent fostering agencies, rather than in-house fostering.
21. Both the Safeguarding and Youth Offending Service areas are forecasting an overspend of +£0.1m.

Dedicated Schools Grant (DSG)

22. Services funded from DSG are forecast to be on budget. However, as reported to Cabinet in December 2016, the Special Educational Needs (SEN) service has a potential overspend relating to significant increases in the number of out of county placements. Schools Forum has agreed that £1.0m of DSG balances can be used to offset part of the forecast overspend of £1.5m. A range of actions are being taken to minimise these costs. However, any remaining overspend would need to be netted off against DSG underspends or carried forward to 2017/18.
23. The pressures in High Needs DSG are expected to continue and increase in future years. The National Schools Funding Formula is likely to ring-fence the various DSG funding blocks making it increasingly difficult to manage any overspends within DSG going forward. Schools Forum has agreed that a full review of High Needs provision will be undertaken. On 31 January 2017 the Council received notification of an un-ringfenced grant for 2016/17 of £0.3m for High Needs Strategic Planning. Cabinet are recommended to approve that this grant is allocated to the service to fund the full review of High Needs provision. The funding is unlikely to be fully spent within this financial year and Cabinet are also recommended to approve that the remaining balance of this funding is added to the Special Education Needs and Disabilities (SEND) reserve to spend in the 2017/18 financial year.

**Social & Community Services**

24. The directorate is forecasting an underspend of -£0.5m. Fire & Rescue and Community Safety are forecasting an underspend of -£0.7m. This is offset by Adult Social Care forecasting a +£0.2m overspend. The Adult Social Care forecast is after assuming the use of some of the Pooled Budget reserves and the Adult Social Care precept, to manage pressures. The position after the use of this funding is shown in the table below:
- 25.

Adult Social Care & Joint Commissioning	Forecast Outturn Variance 2016/17 £m
Older People & Equipment Pool	+0.8
Physical Disabilities Pool	+0.3
Learning Disabilities Pool	- 0.1
Mental Health Pool	+0.5
Use of remaining Social Care Precept	-1.3
Other (ASC non pool, Joint Commissioning)	0.0
<b>Total Adult Social Care</b>	<b>+0.2</b>

S&CS1 Adult Social Care

26. Adult Social Care includes the Council's element of the joint Council and Oxfordshire Clinical Commissioning Group (OCCG) variation on the Older People and Equipment Pooled budget along with the risk based shares of the variations on the Learning Disabilities, Physical Disabilities and Mental Health Pooled budgets.

Older People and Equipment Pooled Budgets

27. The County Council element of the Older People and Equipment Pool is forecast to overspend by +£0.8m. This is after the permanent

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contribution of +£3.0m from the Adult Social Care precept agreed by Cabinet in September 2016 following the completion of the National Living Wage consultation and after the use of the Older People pooled budget reserve. The balance of £1.3m from the Adult Social Care Precept is being assumed to be required to support the pressures reported against the pooled budgets and therefore is being wholly spent on pressures within Adult Social Care.

28. There is continuing pressure within the pool relating to care home placements where the forecast outturn is an overspend of +£2.6m after the use of funding from the Adult Social Care Precept. The average number of new placements is 12 per week, above the budgeted level of 10 per week. This is offset by forecast underspends elsewhere within the pool.

### Physical Disabilities Pooled Budget

29. The Physical Disabilities Pool is forecast to overspend by +£0.3m. This is after transferring all of the £0.5m funding held in the Physical Disabilities Pooled Budget reserve. The underlying forecast reflects additional demand for home support.

### Learning Disabilities Pooled Budget

30. The Learning Disabilities Pool is forecast to underspend by -£0.1m. This is after offsetting the risk shared pressure of +£0.2m against the -£0.3m underspend in relation to the budget that was added to reflect the impact of the National Living Wage on the costs relating to night time care.

### Mental Health Pooled Budget

31. The Council's share of the Mental Health Pool overspend is forecast to be +£0.5m. This reflects the costs of those service users who fall outside of the Outcomes Based Contract, but eligible for social care.

### Adult Social Care: Non – Pool Services

32. Non-pooled services are forecast to overspend by +£0.6m. This includes a forecast overspend of +£0.4m on the Emergency Duty Team and Approved Mental Health Professional Specialists service, with a consultation underway to redesign this service. Joint Commissioning is forecasting an overspend of +£0.3m. Based on the forecast at the end of December, unallocated base budget funding of £0.9m will be required to offset the pressures in the Non - Pool Services and in Joint Commissioning on a one-off basis.

### SCS3 Fire & Rescue, Emergency Planning and Community Safety

33. There is a forecast underspend of -£0.7m, for Community Safety, Fire & Rescue and Emergency Planning. This includes an underspend of -£0.5m relating to vacancies for whole time firefighters and a forecast underspend on fuel costs. There is also a -£0.2m underspend forecast for Gypsy and Traveller sites.

### **Environment & Economy**

34. The directorate is forecasting a projected underspend of -£1.3m which represents -1.9% against budget.

### EE1 Strategy & Infrastructure

35. Strategy & Infrastructure is forecasting an underspend of -£ 0.1m.

**EE2 Commercial Services**

36. Commercial Services is forecasting to underspend by -£1.2m. This is due to -£0.8m Corporate Facilities Management (staffing savings and Corporate Landlord savings from the early release of Unipart). There is -£0.6m within Supported Transport, from the early realisation of bus subsidy savings which has been partly offset by an overspend on concessionary fares.

**Corporate Services**

37. Corporate Services is forecasting an overspend of +£0.5m which represents +2.4% against budget.
38. Transformation is forecasting to overspend by +£0.9m relating to ICT. This is due to rationalisation savings not being fully realised and continuing pressure from the cost of the data centre. The Transformation overspend is partly offset by staffing vacancies in other areas.
39. Legal services is forecasting a breakeven position. However, there is increased counsel spend as a direct result of a significant number of childcare proceedings coming to Legal Services. In October 2016 Cabinet approved a supplementary estimate of £0.3m. There is a further pressure of £0.2m which Cabinet is recommended to fund from council balances.

**Public Health**

40. Public Health is forecasting an underspend of -£0.5m. 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.

**Virements**

41. Annex 2a shows virements larger than £0.5m or that relate to un-ringfenced grants that require Cabinet approval under the Virement Rules agreed by Council on 16 February 2016. These relate to allocating the Highways Operations contingency budget to offset over spends in defective repairs and emerging pressures on the Highways contract management and supervision fees (as reported to Cabinet in December).
42. Annex 2d shows virements Cabinet need to note.

**Government Grants**

43. As set out in Annex 6, ring-fenced grants totalling £400.6m are included in Directorate budgets and will be used for the specified purpose. Any grants unspent at year end will be held in the Grants & Contributions Reserve for use in 2017/18, or returned to the funding body.
44. At the time of setting the 2016/17 budget in February 2016 several un-ringfenced grant notifications still had not been received. Annex 6 also sets out the latest un-ringfenced grant allocations.

**Business Strategy Savings**

45. The forecasts shown in this report incorporate Business Strategy savings that were agreed by Council in February 2016 and previous years. Of the £53m savings included in the budget for 2016/17, 89% has now been achieved or is on track to be achieved by the end of the year. This has improved by 2% since the end of October where 87% of the savings were expected to be delivered (as reported to Cabinet on 20 December 2016).
46. Within the Directorates, £6.9m of planned savings are flagged as Amber or Red for not being fully delivered in this financial year. However, £1.1m will be partly delivered in 2016/17 and £2.7m will be delivered in the next financial year. Taking into account those savings that will be delivered in part in 2016/17 and 2017/18, 94% of planned savings will be achieved.
47. This leaves only £2.9m (6%) of the £53m savings that are not achievable and have all been addressed through the Service & Resource Planning process.

**Bad Debt Write-Offs**

48. There were 60 general write-offs to the end of December 2016 and these totalled £9,914. In addition Adult Social Care has written off 90 Client contribution debts totalling £99,862.
49. A highways works overstay notice was issued to a utility connection company for a charge of £46,500. The company responded late due to staff sickness. The highways service agreed a lesser payment of £25,000 because not all the evidence to support the original charge was available. As the Council cannot confirm that the original charge was correct, Cabinet is recommended to write off the balance of £21,500.

**Treasury Management**

50. The latest treasury management approved lending list (as at 30 September) is shown in Annex 4. There have been no changes to the list since the last report.
51. The table below shows average in-house cash balances and average rates of return for November and December 2016. Interest receivable for 2016/17 is currently forecast to be in line with the budgeted figure of £3.2m. The reduction in interest rates is being offset by a higher than forecast average cash balance. Interest payable is currently forecast to be in line with the budgeted figure of £17.6m.

<b>Month</b>	<b>Average cash balance</b>	<b>Average rate of return</b>
November	£322.2m	0.72%
December	£303.8m	0.71%

**Part 2 – Balance Sheet**

52. Annex 4 sets out earmarked reserves brought forward from 2015/16 and the forecast position as at 31 March 2017. 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 £52.9m to £44.9m at 31 March 2017.

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53. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £45.8m at 31 March 2017. This includes £1.3m in the Budget Reserve and £2.9m in the Efficiency Reserve.
54. Included in the Environment & Economy budget is £2.2m of one-off funding for projects that are contributing towards making savings. A number of the projects are ongoing and the full £2.2m will not be spent within this financial year. Cabinet is recommended to approve the creation of an Investment Reserve to hold the balance of this funding for projects.

### Balances

55. As set out in Annex 6 general balances were £19.0m as at 31 March 2016. This compares to £17.5m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2016. The Annex also sets out the position including the supplementary estimates agreed by Cabinet in October. The forecast outturn position is £15.1m after allowing for the forecast directorate overspend of £5.6m (after the use of contingency) and the supplementary estimate requested below.
56. Cabinet is recommended to approve a further supplementary estimate of £0.2m for Legal Services as requested in Annex 2e. This is due to the increase in the number of childcare proceedings coming to Legal Services.
57. As set out in paragraph 3, this forecast position is less than the risk assessed level. However, the proposed budget for 2017/18, to be agreed at Council on 14 February 2017, includes a contribution to balances of £2.7m to bring them back to the risk assessed level if required when the final end of year position is known.

### **Part 3 – Capital Monitoring**

58. An updated capital programme is being considered by Council on 14 February 2017. This reflects forecast expenditure as at the end of December 2016, so effectively also forms the monitoring position for this report.
59. A summary of the changes since the last programme considered by Cabinet on 24 January 2017 as part of the Service & Resource Planning Process is set out overleaf.



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<b>Directorate</b>	Last Approved Programme * £m	Last Reported Programme ** £m	Latest Forecast Expenditure *** £m	Variation to Last Reported Programme £m
Children, Education & Families	53.9	50.7	50.7	0.0
Social & Community Services	15.8	15.2	15.2	0.0
Environment & Economy – Transport	50.2	48.6	46.7	-1.9
Environment & Economy – Other	11.1	10.0	9.8	-0.2
Corporate Services	12.6	15.2	15.2	0.0
<b>Total Directorate Programmes</b>	<b>143.6</b>	<b>139.7</b>	<b>137.6</b>	<b>-2.1</b>
Schools Local Capital	1.8	1.8	1.8	0.0
Earmarked Reserves	1.6	0.7	0.7	0.0
<b>Total Capital Programme</b>	<b>147.0</b>	<b>142.2</b>	<b>140.1</b>	<b>-2.1</b>

\* Approved by Cabinet 18 October 2016

\*\* Considered by Cabinet 24 January 2017

\*\*\* As per proposals to Council 14 February 2016

60. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes for Cabinet to note are listed in Annex 7c. For completeness this shows the latest forecast position compared to the last capital programme approved by Cabinet on 18 October 2016.

### **Actual & Committed Expenditure**

61. As at the end of December actual capital expenditure for the year to date (excluding schools local spend) was £72m. This is 52% of the total forecast expenditure of £137.6m. Actual and committed spend is 79% of the forecast.

### **Five Year Capital Programme Update**

62. The total forecast 5-year capital programme (2016/17 to 2020/21) is now £525.7m. This has not changed compared to the programme considered by Cabinet on 24 January 2016 as shown in the table overleaf.

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Directorate	Last Approved Total Programme (2016/17 to 2019/20)* £m	Last Reported Total Programme (2016/17 to 2020/21)** £m	Latest Updated Total Programme (2016/17 to 2020/21)*** £m	Variation to Last Reported Programme £m
Children, Education & Families	160.5	176.5	176.5	0.0
Social & Community Services	38.8	38.8	38.8	0.0
Environment & Economy – Transport	150.0	169.8	169.8	0.0
Environment & Economy – Other	30.8	31.1	31.1	0.0
Corporate Services	17.6	24.0	24.0	0.0
<b>Total Directorate Programmes</b>	<b>397.9</b>	<b>440.2</b>	<b>440.2</b>	<b>0.0</b>
Schools Local Capital	4.9	5.6	5.6	0.0
Earmarked Reserves	89.3	79.9	79.9	0.0
<b>Total Capital Programme</b>	<b>491.9</b>	<b>525.7</b>	<b>525.7</b>	<b>0.0</b>

\* Approved by Cabinet 18 October 2016

\*\* Considered by Cabinet 24 January 2017

\*\*\* As per proposals to Council 14 February 2017

63. The £36.5m A40 Science Transit Phase 2 scheme is funded through the Local Growth Fund (LGF). The release of the funding is subject to the Department for Transport (DfT) agreeing the final business case for the scheme to commence in the summer of 2018. Development and design funding is needed to develop the final business case for DfT approval. Cabinet is recommended to approve the release of £3.2m for preliminary and detailed design work. The Council will forward fund this requirement until the LGF funding is received from DfT. However, there is a risk that the DfT will not approve the scheme and the Council will need to meet the cost of this work. The DfT have agreed to fund £1.0m towards the development work but this will need to be repaid if the project doesn't go ahead.
64. To support the management of this risk and ensure that it is appropriately reviewed at key points, it is proposed that approval of the funds for the design stage is subject to staged releases to the project team. Therefore it is recommended that Cabinet approve the release of the full £3.2m of development funding and delegate the release of those funds to the Director of Finance and Strategic Director Communities in £0.5m tranches in line with their approval limits under the Financial Procedure Rules.
65. Following completion of the Milton Interchange scheme, the final account for the project has now been agreed with the contractor. The final project cost is £12.5m, an increase of £1.0m on the approved budget for the scheme. The increase in project cost is mainly as a result of the following:
- Higher than expected material, plant and labour costs (30%)
  - Additional Highway England requirements (40%)

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- Necessary changes to project scope (15%)
  - Design enhancements and changes (15%)
66. Although the Oxfordshire Local Enterprise Partnership (OxLEP) have approved to fund this increase from within the overall borrowing requirement of the LEP (which will be repaid through retained business rates), it is expected that there will be underspends on other schemes funded through this mechanism, therefore there is no change to the overall borrowing requirement. Cabinet are recommended to approve the increase of £1.0m on the Milton Interchange scheme to enable the payment of the final account.

## RECOMMENDATIONS

67. **The Cabinet is RECOMMENDED to:**
- (a) note the report;**
  - (b) approve the use of the High Needs Strategic Planning grant and increase to the Special Educational Needs and Disabilities (SEND) reserve for 2017/18 in paragraph 23;**
  - (c) approve the virements in annex 2a;**
  - (d) approve the debt write off detailed in paragraph 49;**
  - (e) note the Treasury Management lending list at Annex 4;**
  - (f) approve the creation of an Investment Reserve in paragraph 54;**
  - (g) approve the supplementary estimate in paragraph 56;**
  - (h) note the changes to the Capital Programme set out in Annex 7b and 7c;**
  - (i) approve the release of £3.2m of development funding for the A40 Science Transit Scheme and delegate the release of those funds to the Director of Finance and Strategic Director Communities in £0.5m tranches in line with their approval limits under the Financial Procedure Rules; and**
  - (j) approve the increase of £1.0m on the Milton Interchange scheme to enable the payment of the final account.**

**LORNA BAXTER**  
Director of Finance

Background papers: Directorate Financial Monitoring Reports to the end of November and December 2016  
A40 Science Transit Phase 2 Stage 1 Outline Business Case  
Milton Interchange Out of Tolerance Report

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