

CABINET – 18 JULY 2017

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

Report by the Director of Finance

Introduction

1. This is the first financial monitoring report for 2017/18 and focuses on the delivery of the 2017/18 budget based on projections at the end of May 2017. Part 1 sets out the projections for revenue; part 2 includes the forecast position for reserves and balances; part 3 sets out the Capital Programme monitoring and update.

Summary Position

2. The forecast directorate variation at this early stage in the year is an anticipated overspend of +£7.6m or +1.8% against a net budget of £412m as shown in the table below. As in previous years, overspends will be reduced by management action or the use of one – off funding during the year. The report to Cabinet at the same time last year anticipated an overspend of +£5.5m. 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.

Directorate	Latest Budget 2017/18 £m	Forecast Outturn 2017/18 £m	Forecast Outturn Variance 2017/18 £m	Forecast Outturn Variance 2017/18 %
People	300.8	308.5	+7.7	+2.6%
Communities	91.4	90.9	-0.5	-0.6%
Resources	20.0	20.4	+0.4	+2.0%
Total	412.2	419.8	+7.6	+1.8%

4. No carry forwards from 2016/17 were agreed. The proposed use of the underspends in Social & Community Services and Environment & Economy to offset the overspend in Children, Education & Families will be considered by Council on 11 July 2017 as set out in the Provisional

Outturn Report for 2016/17 reported to Cabinet in June 2017. Because some of the virements required to offset over and underspends are larger than £1m they required approval by Council under the council's Financial Procedure Rules.

5. 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

6. 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

7. The People Directorate consists of Children's Services, Adult Services and Public Health. The directorate is forecasting an overall overspend of +£7.7m, which represents a variation of +2.6% against the budget. All of the forecast overspend is within Children's Services.

People – Children's Services

8. Children's Services are forecasting an overspend of +£7.7m which represents a variation of +7.9% against a budget of £97.4m. In addition an overspend of £2.6m on Dedicated Schools Grant (DSG) funded services is forecast.

Education and Learning

9. Education and Learning is forecasting an overspend of +£1m.
10. In 2016/17 Home to School Transport overspent by £2.3m. This was due to the increasing cost of transporting pupils with Special Educational Needs (SEN). The budget for 2017/18 was increased by £2.5m as part of the budget and medium term financial plan agreed by Council in February 2017. The current forecast is an overspend of +£0.7m relating to a higher rise in the number of children with special educational needs 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 and an update will be provided in the next report.
11. 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

12. Children's Social Care is forecast to overspend by +£6.7m.
13. 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 expected to continue in 2017/18 and will increase workloads and placement numbers across most services.
14. 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.
15. Corporate Parenting is forecasting an overspend of +£0.9m, the majority of which relates to internal fostering allowances. An overspend of +£0.7m 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 +£0.5m on Placements for Children with Disabilities.
16. 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 during 2017/18 and beyond, with the aim to bring this budget back to a balanced position over the medium-term.

Dedicated Schools Grant (DSG)

17. There is a forecast overspend of +£2.6m for Special Education Needs relating predominantly 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; increasing the capital programme, including the provision of additional classrooms in special schools and new resource base provision.
18. 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.
19. 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.

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

People – Adult Services

20. Adult Services is forecasting a break-even position at this stage of the year against a net council budget of £180.5m.
21. As set out in the report on the Section 75 Agreement elsewhere on the agenda, the County Council and Oxfordshire Clinical Commissioning Group are proposing to create two new pools bringing resources together to make a real difference to the people of Oxfordshire and to meet the national Better Care Fund requirements. The first pool for Adults with Care and Support Needs brings together the previous mental health and learning disability pools together with resources that support people living with acquired brain injury and autism. A Better Care Fund pool brings together elements of the former Older People's and Physical Disability Pooled Budgets.
22. The risk share arrangements for the pools are intended to drive better outcomes for service users and the wider system. Since they remain subject to agreement, the variations set out in this report only reflect forecast variations to the Adult Social Care contributions.

Older People and Equipment Pool

23. The Older People Pooled Budget is reporting a projected overspend of +£0.2m. This forecast includes an overspend of +£1.3m on Care Homes which reflects the full year effect of the price increases throughout 2016/17. This pressure is partly offset by a forecast underspend of -£0.9m on the Support at Home budget.

Physical Disabilities Pool

24. The Physical Disability Pooled Budget is reporting a projected overspend of +£2.5m in relation to Social Care home support and care homes. This pressure relates to the full year effect of the additional demand and increased size of packages agreed in 2016/17. Further work will be undertaken to identify any demographic element to the pressure and to update the assumptions in terms of future growth.

Learning Disabilities Pool

25. Based on contributions, the County Council's share of the forecast overspend is +£0.7m. 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.

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 is mainly due to a forecast overspend on the Emergency Duty Team and Approved Mental Health Professional Specialists.

Adult Social Care Precept Funding

27. It is planned that the pressures in both the Physical and Learning Disabilities Pooled Budgets will be met in part from the Adult Social Care Precept. An element of the 2016/17 Adult Social Care precept was vired on a temporary basis to meet pressures within adult social care. A

permanent virement of £1.0m is now requested to use this funding on an on-going basis to address part of the pressure on the Physical Disabilities Pooled budget.

28. In addition, £3.3m of 2017/18 adult social care precept funding is available to fund pressures within adult social care. A further virement of £1.7m is requested to utilise part of this funding to meet the council's share of the pressure on Learning Disability (£0.7m) and Physical Disability (£1.0m) budgets.
29. The £1.6m balance of the Adult Social Care precept funding and £0.7m of unallocated base budget funding will be used to meet pressures within Adult Services that may materialise later in the year. Currently, it is assumed that the £2.3m will be fully spent.
30. £1.5m funding from the additional 1.0% Adult Social Care precept agreed in February 2017 is available to support the daytime services transition, transformation and to grow, develop and build resilience in the external workforce. This is forecast to be fully spent at year end.

Improved Better Care Fund (iBCF)

31. In the Spring Budget 2017, the government announced an additional £2bn of funding over the next three years for adult social care to recognise the pressures facing local government nationally. The grant funding is ring fenced and must be used to meet adult social care needs. This includes contributing to the stabilisation of local care markets and supporting the NHS in addressing pressures such as delayed discharges. The Council will receive £6.3m in 2017/18.
32. Cabinet is recommended to approve the use of the grant in 2017/18 for:
 - £1.2m Improving Flow - investment in social work team capacity which will support flow in the hospital system, including front door prevention work and support to move through intermediate care and on to independence;
 - £1.7m Market Resilience – following the home care and care homes fee consultation, an increase in fee levels is proposed to ensure market stability;
 - £0.6m Strategic Review of Home Support - investment will support an overall strategic review of home care which seeks to increase capacity in the system through innovative and alternative delivery models;
 - £2.1m Additional Capacity - providing capacity at the back door of acute hospitals, including thirty short-stay care home beds and an extra thirty people in the Discharge to Assess service. This will provide additional capacity to ensure effective and timely hospital discharge; and
 - £0.7m balance to be allocated as required.

People - Public Health

33. Public Health² is forecasting an underspend of -£0.1m. In accordance with accounting requirements, any underspend at the end of the year will

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

be placed in the grants and contributions reserve and will be used to meet Public Health expenditure in future years.

Communities

34. The Communities Directorate consists of Infrastructure Planning and Commercial Services together with Community Safety and the Fire & Rescue Service. The directorate is forecasting an overall underspend of -£0.5m on a budget of £91.4m which represents -0.6% against budget.
35. The year end forecast underspend relates to Commercial Services, Corporate Landlord. This is due to early achievement of Asset Utilisation savings (rents, rates, landlord service charges and utilities costs) and the receipt of back rents.
36. Infrastructure Planning, Community Safety and Fire & Rescue Services are forecasting year end breakeven positions.

Resources

37. The Directorate is forecasting a revenue overspend of +£0.4m on a budget of £19.9m, a variation of +2.0%.
38. Legal services are forecasting an overspend of +£0.4m. This is due to increased Counsel spend as a result of the number of Childcare proceedings.

Virements and Supplementary Estimates

39. 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. None of these virements represent a change in policy as the service is unchanged.
40. A virement of £2.7m from the Adult Social Care Precept funding is requested to meet pressures reported in the Physical and Learning Disability Pooled Budgets. £0.7m will increase the County Council's contribution to the Learning Disability pool ahead of the new risk share arrangements. A further £2.0m will be used to meet the pressures arising from the 2016/17 demand increase on the Physical Disability pool.
41. Annex 2b shows virements Cabinet need to note.
42. There are no supplementary estimate requests included in this report.

Medium Term Financial Plan Savings

43. 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 this early stage of the year, at least 89% of the planned savings of £61.1m is expected to be delivered.
44. 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

45. There were no general write - offs in the current year to the end of May 2017. Adult Social Care has written off 39 Client Charge debts totalling £60,572.

Treasury Management

46. The latest treasury management approved lending list is shown in Annex 3. There have been reductions in lending limits to several Canadian banks and the National Bank of Canada has been suspended from the list as a result of changes in the global economy.
47. The following table sets out average in-house cash balances and average rates of return for April and May 2017. Interest receivable for 2017/18 is currently forecast to be in line with the budgeted figure of £1.8m. Interest payable is currently forecast to be in line with the budgeted figure of £17.1m.

Month	Average cash balance	Average rate of return
April	£334.8m	0.70%
May	£354.0m	0.68%

Part 2 – Balance Sheet

48. 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 £51.5m at 31 March 2018.
49. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £43.9m at 31 March 2018. This includes £1.2m in the Budget Reserve, £2.5m in the Efficiency Reserve and £2.1m in the Transformation Reserve.

Balances

50. As set out in Annex 6 general balances were £20.0m as at 31 March 2017. This compares to the risk assessed level of £17.8m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2017.

Part 3 – Capital Programme

Capital Monitoring

51. The capital monitoring position set out in Annex 6a, shows the forecast expenditure for 2017/18 is £126.9m (excluding school's local capital). This has increased by £19.5m compared to the latest approved capital programme. The table on the following page summarises the variations by directorate.

52. The variations in 2017/18 take into account the 2016/17 outturn position and schemes that have been re-profiled accordingly. 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	37.6	35.4	-2.2
People: Adults & Public Health	2.3	7.4	+5.1
Communities: Transport	54.1	60.9	+6.8
Communities: Other Property	7.5	7.9	+0.4
Resources	5.9	15.3	+9.4
Total Directorate Programmes	107.4	126.9	+19.5
Schools Local Capital	1.4	1.4	+0.0
Earmarked Reserves	9.4	3.0	-6.4
Total Capital Programme	118.2	131.3	+13.1

* Approved by Council 14 February 2017

53. Within the Children's Services Programme, the total expenditure for the basic need programme is £1.5m lower than previously forecast. A number of projects for September 2017 are currently awaiting contract prices. The revised budget provision is £19.5m.
54. Cabinet is recommended to approve to delegate authority to the Director of Finance and the Strategic Director for Communities, in consultation with the Leader of the Council, to contractually commit to the construction of the expansion of Faringdon Community College. The scheme will provide an additional two form-entry for 60 children per year group. It is anticipated that the contract will be signed in September 2017 and that the new school building is expected to be open from September 2018. The total budget is £6.290m (this will be confirmed at contract close) and is funded from section 106 contributions.
55. The Adult Social Care programme now includes the £5.0m Disabled Facilities Grant received for 2017/18. The funding, which is part of the Better Care Fund, is issued to the County Council but passed to the City and District Councils. This is used to support the provision of preventative adaptations and equipment to service users.
56. Within Communities, the Transport programme includes £3.6m of re-profiling on Local Growth Fund projects from 2016/17 into 2017/18 to reflect latest work programmes. An additional £3.2m of highway improvements (funded through the National Productivity Investment Fund grant) to be delivered in 2017/18 is also included.
57. Cabinet is recommended to approve a budget of £1.04m for the A4155 Henley Road embankment repair works. One lane of the A4155 Henley Road has been closed at Flowing Springs since March because of the danger of subsidence. Further movement has been detected recently. Stabilisation work is urgently needed, to prevent further deterioration and reverse the damage, and is planned for August 2017. Costs of the works are estimated at £1.04m. This will be funded from an earmarked capital

reserve for subsidence (£0.6m) and the balance of £0.4m will be funded by bringing forward future years' highways structural maintenance allocations.

58. Within the Resources Programme, £9.5m of financial contributions towards Local Growth Fund projects delivered by third parties have been re-profiled from 2016/17 to 2017/18 reflecting latest delivery timeframes.

Five Year Capital Programme Update

59. The total four-year capital programme (2017/18 to 2020/21) is now £429m, an increase of £24.1m compared to the capital programme approved by Council in February 2017. The updated capital programme is set out in Annex 7. Taking into account the outturn position for 2016/17, the capital programme has increased by £14.5m. 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	Variation in the size of the overall programme (including 2016/17) £m
People: Children	125.8	132.3	+6.5	+2.1
People: Adults & PH	19.6	26.2	+6.6	+4.9
Communities: Transport	123.0	136.9	+13.9	+6.8
Communities: Other	25.4	30.7	+5.3	-3.0
Resources	8.9	16.6	+7.7	+0.9
Total Directorate Programmes	302.7	342.7	+17.7	+11.7
Schools Local Capital	3.8	3.7	+0.8	+0.0
Earmarked Reserves	79.2	82.5	+5.6	+2.8
Total Capital Programme	385.7	428.9	+24.1	+14.5

* Approved by Council 14 February 2017

60. Following Cabinet approval in February 2017, the financial contribution and associated delivery costs towards The Swan Free School project of £2.1m has been included within the Capital Programme. A further £0.4m from Early Years Capacity grants have been received for two specific projects.
61. Following Cabinet approval in February 2017, an additional £3m was added to the development budget for the next stage of the A40 Science Transit project. This has funded through corporate resources pending project approval by the Department for Transport. If approved, it will then be funded through the Local Growth Fund. Further funding for the Transport programme is from the additional £3.2m from the National Productivity Investment Fund grant.
62. As reported to Cabinet in April 2017, due to the cost of coverage across Oxfordshire being less than anticipated, there is a reduction of £3m relating to the Broadband (Oxonline) project.

Capital Funding Update

63. During April 2017, the Department for Education published the 2019/20 School Places capital allocations. This confirmed Oxfordshire's allocation for 2019/20 as nil, compared to the forecast funding of £3.8m included in the Capital Programme to 2020/21 approved by Council in February 2017.
64. This will be reviewed when the Basic Need programme is updated to reflect the latest position of schemes and in particular the detailed delivery programmes. Further pressures and capital funding implications will need to be considered as part of the 2018/19 Service & Resource Planning process.
65. Also announced during April 2017, was the School Condition Allocation for 2017/18. This confirmed Oxfordshire's allocation of £4.2m for 2017/18, compared to the forecast funding of £3.3m included in the latest Capital Programme. Due to the basic need funding gap, the additional resources of £0.9m will be placed into earmarked reserves until the review of future basic need requirements is complete.

RECOMMENDATIONS

66. **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 use of the £6.3m improved Better Care Fund ring-fenced grant funding detailed in paragraph 32:**
 - **£1.2m Improving Flow**
 - **£1.7m Market Resilience**
 - **£0.6m Strategic Review of Home Support**
 - **£2.1m Additional Capacity**
 - **£0.7m balance to be allocated as required;**
 - (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) delegate authority to the Director of Finance and Strategic Director for Communities, in consultation with the Leader of the Council to contractually commit to the construction of the Faringdon Community College two form entry expansion project, with a total budget of £6.290m; and**
 - (h) approve the capital funding allocation of £1.04m for the A4155 Henley Road (Flowing Springs) embankment repair works.**

LORNA BAXTER
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Background papers: Directorate Financial Monitoring Reports May 2017

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