

CABINET – 19 JULY 2016

2016/17 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Chief Finance Officer

Introduction

1. This is the first financial monitoring report for 2016/17 and focuses on the delivery of the Directorate Business Strategies that were agreed as part of the Service and Resource Planning Process for 2016/17 – 2019/20. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of May 2016. Capital Programme monitoring and update is included at Part 3.

Summary Position

2. The forecast directorate variation at this early stage in the year is an anticipated overspend of +£5.5m or +1.3% against a net budget of £410m as shown in the table below. As in previous years, overspends are expected to be reduced by management action or the use of one – off funding during the year. In July 2015, the report to Cabinet anticipated an overspend of +£5.6m. The final year end position for directorates was an over spend of only +£0.7m or 0.2%.

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)	106.6	110.4	+3.8	+3.5%
Social & Community Services (S&CS)	213.3	213.7	+0.4	+0.2%
Environment & Economy (E&E)	82.6	83.8	+1.2	+1.5%
Corporate Services (CS)	7.5	7.6	+0.1	+1.0%
Public Health (*)	0.0	0.0	0.0	0.0%
Total	410.0	415.5	+5.5	+1.3%

Public Health (*)				
Expenditure	32.1	32.1	0.0	0.0%
Grant and Other Income & Transfer to Reserves	-32.1	-32.1	0.0	0.0%
Total ¹	0.000	0.000	0.000	0.0%

3. There were no carry forwards from 2015/16. The proposed use of the underspends in Social & Community Services, Environment & Economy and Corporate Services to offset the overspend in Children, Education & Families will be considered by Council on 12 July 2016 alongside the request to vire £1.5m from Corporate Contingency to Children, Education & Families as set out in the Provisional Outturn Report. Because some of

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

CA8

the virements required to offset over and underspends are larger than £1m they required approval by Council under the council's Financial Procedure Rules.

4. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2016/17
Annex 2	2016/17 Virements & Supplementary Estimates
Annex 3	Treasury Management Lending List
Annex 4	Forecast Earmarked Reserves
Annex 5	Forecast General Balances
Annex 6	Government Grants 2016/17
Annex 7	Capital Programme Monitoring
Annex 8	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

Children, Education & Families (CE&F)

6. The directorate is forecasting an overspend of +£3.8m, which represents a variation of +3.5% against budget.

CEF1 Education and Early Intervention

7. The Education & Early Intervention service is forecasting to overspend by +£0.8m.
8. Home to School Transport is reporting a forecast overspend of +£1.0m. The variation of +£1.1m on Special Educational Needs Transport is made up of a +£0.5m funding shortfall relating to prior year growth, +£0.3m of anticipated demographic growth and +£0.3m in relation to increased costs as a result of market conditions and the complex needs of clients. Mainstream Home to School Transport is forecasting to have a small underspend of -£0.1m. These figures are likely to change once the new academic year starts. The service currently has plans in place to fully achieve the savings target of £1.4m in 2016/17, mainly through the Route Efficiency Programme, and this is reflected in this forecast.
9. The overspends set out above are partly offset by forecast underspends on Service Management and Central Costs (-£0.1m) due to staffing savings and School Organisation and Planning (-£0.1m) due to savings on the Academies Conversion Costs.

CEF2 Children's Social Care

10. Children's Social Care is forecast to overspend by +£3.0m.
11. An overspend of +£2m is forecast on the Placements budget; primarily within Independent Fostering and Mainstream Residential placements.
12. The overspend is partly caused by the completion of the new Children's Homes being behind schedule thereby delaying the savings which will

CA8

arise from reducing the number of external placements. The delay is due in part to the sub-contractor delivering two of the homes going into administration. The Council will be seeking compensation from the main contractor for the delay.

13. There were 59 clients in mainstream residential placements at the end of May 2016, compared to 55 at the end of March 2016. There were 103 clients in independent foster agency placements at the end of May 2016, an increase of 14 since the end of March 2016. The forecast does not include +£1.8m which it is estimated could arise from new placements during the rest of the year.
14. The Asylum service is reporting a forecast overspend of +£0.9m. This reflects the full year effect of the increased client numbers at the end of 2015/16 who are expected to be in the Council's care during 2016/17. Client numbers have slightly reduced during the first two months of this financial year. There are 55 unaccompanied asylum seeking children (UASC) aged under 18 and 35 UASC Care leavers aged 18 to 25 as at the end of May 2016, compared to 55 and 40 at the 31 March 2016. There is a difference in costs between this report and the "Unaccompanied Asylum Seeking and Refugee Children – Transfer Scheme" report which is elsewhere on this agenda. This forecast includes £0.1m costs for All Rights Exhausted (ARE) clients.
15. The Government is committed to a transfer scheme to move unaccompanied asylum seeking children from Kent to other local authorities so there is a more even distribution across the country. Whilst this is expected to increase numbers of UASC over time, Oxfordshire already has a greater percentage of UASC compared to other authorities. No authority will be expected to accommodate more than 0.07% of its existing child population, which in Oxfordshire would be equivalent to 99 UASC.

Dedicated Schools Grant (DSG)

16. Services funded from DSG are forecast to be on budget. However, the Special Educational Needs (SEN) service has a potential overspend of up to +£1.6m 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; and through the capital programme, additional classrooms in special schools and new resource base provision. As this is a volatile budget it is likely that this forecast will vary in future months. In the event of an overspend there are three options; to carry the overspend forward into 2017/18, to fund it from DSG balances subject to discussion with Schools Forum or for the Council to fund the overspend. The preference is to fund from DSG balances, but this requires the agreement of Schools Forum.
17. The expected National Schools Funding Formula is likely to ring-fence the various DSG funding blocks making it increasingly difficult to manage such overspends within DSG going forward.

Social & Community Services (S&CS)

18. The directorate is forecasting an overspend of +£0.4m, a variation of +0.2% against the budget. This 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 and Physical Disabilities Pooled Budgets. These remain subject to the formal agreement through the Section 75 agreement as noted in paragraph 22.

S&CS1 Adult Social Care

19. The majority of the variation for the directorate relates to Adult Social Care which is forecast to overspend by +£0.6m. The largest element of this is a forecast overspend of +£3.4m on the Older People and Equipment Pooled Budget. Most of this is offset by the assumed use of funding currently held outside the pool. The Physical Disabilities Pooled Budget is forecasting an overspend of +£0.2m. Under the risk share agreement there is a forecast underspend of -£0.2m on the Learning Disability Pooled budget.

Older People and Equipment Pool

20. The Older People and Equipment Pool is forecast to overspend by +£2.9m. Of this, an overspend of +£3.4m is reported for Adult Social Care commissioned services and -£0.5m relates to health services.
21. The primary pressure within the pool reflects a forecast overspend of +£3.6m for care home placements. There is some pressure from increased prices, but the main driver is demand. Early indications are that the number of care home placements has remained at 12.1 per week which was the average for 2015/16 but further work is required to assess the expected number of placements for the rest of the year.
22. In light of the final position for 2015/16 (as set out in the Provisional Outturn Report to Cabinet in June 2016) and the continuing pressure on care home expenditure being reported, Oxfordshire Clinical Commissioning Group's Finance committee Finance Committee has not approved the risk shares for 2016/17 set out in the Section 75 agreement. The situation is being discussed with the Clinical Commissioning Group with the intention of resolving this prior to the Cabinet meeting in September when the next monitoring report will be considered along with a further report setting out proposals for the use of the Adult Social Care precept (in paragraphs 24 – 26 below).
23. Unringfenced DCLG funding for Care Act Implementation of £0.5m is outside of the pools and has yet to be allocated in 2016/17. In addition, there is a surplus of £0.3m of funding received from the transfer of the Independent Living Fund. It is assumed that this £0.8m of unallocated funding will be used to offset pressures in other areas of the budget.
24. The 2% Adult Social Care Precept agreed by Council in February 2016 has resulted in a budget of £5.9m to fund pressures within Adult Social Care including the National Living Wage. So far, £0.9m has been allocated to the Older People's Pool to fund the outcome of the Care Home Fee Consultation, Home Support Price Review and new Help to

CA8

live at Home contracts. This leaves a balance of £5.0m, currently held outside the pool, which has to be used to support Adult Social Care.

25. The Council launched a consultation with providers on the impact of the National Living Wage and the potential use of Adult Social Care precept to support that in June 2016. Subject to evidence about pressure on pay costs provided through the consultation over the summer and the decision by Cabinet in September, it is assumed that there will be a requirement to use some of the funding to support increased rates paid to providers to meet evidenced pressures in their pay costs arising from the impact of the National Living Wage.
26. Subject to agreement, any remaining balance could potentially be used to meet other pressures in Adult Social Care. This will include pressures such as the Care Home budget within the Older People Pool where providers are likely to have already priced in the National Living Wage through spot prices and where demand has exceeded projections.

Adult Social Care: Non – Pool Services

27. There is a forecast overspend of +£0.5m for services outside of the Pools. This includes a forecast overspend of +£0.2m on the Emergency Duty Team and a consultation is underway to redesign this service. The overspend on the Mental Health Pooled budget contribution is estimated at +£0.3m. This reflects an anticipated overspend on service users who do not fall within the Outcomes Based Contract but are eligible for Social Care and are appropriately care managed by the Community Mental Health Teams. This list of service users is currently under review by the Clinical Commissioning Group as part of the contract management process.

SCS4 Fire & Rescue and Emergency Planning

28. There is an underspend of -£0.3m forecast, all of which relates to Fire & Rescue. The underspend reflects vacancies for whole time firefighters and a forecast underspend on fuel costs.

Environment & Economy (E&E)

29. The directorate is forecasting an overspend of +£1.2m which represents +1.5% against budget.

EE1 Strategy & Infrastructure and EE2 Commercial Services

30. The Strategy & Infrastructure and Commercial Services areas are reporting a breakeven position, with pressures from infrastructure growth, the Highways Services Review, Concessionary Fares, Property & Facilities Management and identified unrealised MTFP savings being resolved by management action and funded through service budgets.

EE3 Oxfordshire Customer Services

31. Oxfordshire Customer Services is forecasting to overspend by +£1.2m. This relates to forecast income from Schools being lower than expected (+£0.6m). ICT is forecasting an overspend of +£0.6m due to rationalisation savings not being fully realised and continuing pressure from the cost of the data centre.

Corporate Services

32. There is a small forecast overspend of +£0.1m in Corporate Services. This mainly reflects overspends on Corporate Services and Business Support (+£0.2m) being partly offset by underspends on Law and Governance (-£0.1m) and Policy (-£0.1m).

Public Health

33. A breakeven position is expected.

Virements and Supplementary Estimates

34. Virements larger than £0.5m or that relate to un-ringfenced grants requiring Cabinet approval under the Virement Rules agreed by Council on 16 February 2016 are set out in Annex 2a. Cabinet is recommended to approve the transfer of Oxfordshire Customer Services (from E&E) and Strategy, Performance and Public Engagement (from S&CS) to Corporate Services as part of the Transformation agenda as set out in annex 2f. None of these virements represent a change in policy as the service is unchanged.
35. Annex 2d shows virements Cabinet need to note.
36. There are no supplementary estimate requests included in this report.

Government Grants

37. As set out in Annex 6, ring-fenced grants totalling £297.6m are included in Directorate budgets and will be used for the specified purpose. After the budget was agreed by Council in February 2016, notification was received of the Public Health Grant for 2016/17. It was confirmed as £32.1m, £1.7m more than estimated. 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.
38. At the time of setting the 2016/17 budget in February 2016 several unringfenced grant notifications still had not been received. Annex 6 also sets out the latest unringfenced grant allocations.

Business Strategy Savings

39. The forecasts shown in this report incorporate Business Strategy savings that were agreed by Council in February 2016 and previous years. At this early stage of the year, at least 89% of the planned savings are expected to be delivered. Progress against delivery of savings will be monitored on a regular basis by the Delivery Board and action taken where savings are not expected to be achieved. A further update will be provided in the report to Cabinet in September. Any on-going pressures will be considered as part of the 2017/18 Service & Resource Planning process.

Bad Debt & Loan Write Offs

40. There were four general write - offs to the end of May 2016 and these totalled £976. In addition Adult Social Care has written off 28 Client Charge debts totalling £18,507.
41. Cabinet is recommended to approve the write off of a foster care adaptation loan to the value of £50,000. These loans are provided to people to make adaptations to their homes to enable them to foster or adopt children. There are five early agreements where there was no legal charge against the property. These five loans will be written off where the children reach 18 without a breakdown in the placement. Funding to meet the write off of the early loans has been set aside in an earmarked reserve for this purpose.

Treasury Management

42. The latest treasury management approved lending list (as at 13 June 2016) is shown in Annex 3.
43. The following table displays average in-house cash balances and average rates of return for April and May 2016. Interest receivable for 2016/17 is currently forecast to be in line with the budgeted figure of £3.2m. Interest payable is currently forecast to be in line with the budgeted figure of £17.6m.

Month	Average cash balance	Average rate of return
April	£313.9m	0.90%
May	£328.3m	0.88%

Part 2 – Balance Sheet

44. 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 £44.4m at 31 March 2017.
45. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £52.2m at 31 March 2017. This includes £8.7m in the Budget Reserve and £2.9m in the Efficiency Reserve.

Balances

46. 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. Anticipated balances were based on the forecast outturn at end December 2015 as reported to Cabinet in February 2016.

Part 3 – Capital Programme

Capital Monitoring

47. The capital monitoring position set out in Annex 7a, shows the forecast expenditure for 2016/17 is £143.0m (excluding schools local capital). This has increased by £9.7m compared to the latest approved capital programme. The table below summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	52.4	53.2	+0.8
Social & Community Services	11.2	15.9	+4.7
Environment & Economy - Transport	47.7	50.3	+2.6
Environment & Economy - Other	11.7	11.1	- 0.6
Corporate Services	10.3	12.5	+2.2
Total Directorate Programmes	133.3	143.0	+9.7
Schools Local Capital	1.2	1.8	+0.6
Earmarked Reserves	5.3	5.5	+0.2
Total Capital Programme	139.8	150.3	+10.5

* Approved by Council 16 February 2016

48. The variations in 2016/17 take into account the impact of the 2015/16 outturn position and schemes that have been re-profiled accordingly. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes are listed in Annex 7c.
49. In the Children, Education & Families programme the increase is due to the inclusion of the £1.5m for the Children & Family Centres Transformation programme with £0.8m profiled to be spent in 2016/17.
50. Cabinet is recommended to approve an increase of £2.2m to the budget for the Great Western Park Primary School in Didcot (GEMS Academy) which is due to be open in September 2016. Increased construction and site costs mean that a total budget of £11.2m is now required for the scheme. The increase will be funded from the capital programme earmarked reserves. An out of tolerance report is available as a background paper.
51. The Social & Community Services programme now includes the £4.5m Disabled Facilities Grant received for 2016/17, an increase of £2.1m from 2015/16. The funding, which is part of the Better Care Fund (and reflects the removal of the ring-fenced capital grant for Adult Social Care), is issued to the County Council but passed straight to the District Councils. This is being used to expand the Disabled Facilities Grant programme which includes support for the provision of preventative adaptations and equipment to service users.
52. In the Transport programme, £1.0m of the increase is due to the inclusion of the Pothole Action Fund grant to the Highways Maintenance surface treatments programme. £0.5m of re-profiling on Major Improvement schemes from 2015/16 following outturn is included in 2016/17 to reflect

CA8

latest work programmes. In addition, new project development budgets for A34 Lodge Hill Slips (£0.2m) and Queen's Street pedestrianisation (£0.1m) have been included in the programme.

53. In both the Environment & Economy (non-Transport) and Corporate Services programmes, the in-year changes are all due to the re-profiling of expenditure budgets following the 2015/16 outturn position.

Five Year Capital Programme Update

54. The total forecast 5-year capital programme (2016/17 to 2019/20) is now £484.3m, an increase of £24.1m compared to the last capital programme for this period approved by Council in February 2016. The full updated capital programme is set out in annex 8. Taking into account the outturn position for 2015/16, the overall size of the capital programme has increased by £13.3m. 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 (2016/17 to 2019/20) * £m	Latest Updated Total Programme (2016/17 to 2019/20) £m	Variation £m	Variation in the size of the overall programme (including 2015/16) £m
Children, Education & Families	153.3	156.4	+3.1	+2.4
Social & Community Services	33.2	38.8	+5.5	+4.0
Environment & Economy - Transport	144.5	148.6	+4.1	-2.1
Environment & Economy – Other	28.2	30.7	+2.5	+0.2
Corporate Services	15.1	17.6	+2.5	+1.9
Total Directorate Programmes	374.3	392.1	+17.7	+6.4
Schools Local Capital	4.1	4.9	+0.8	+0.6
Earmarked Reserves	81.7	87.3	+5.6	+6.3
Total Capital Programme	460.1	484.3	+24.1	+13.3

* Approved by Council 16 February 2016

55. In addition to the £1.5m increase in the CEF programme for the Children & Family Centres Transformation programme, a further £0.7m is included from the DSG underspend to the Early Years Entitlement for Disadvantaged 2 year olds programme and there is an additional £0.2m from the confirmation of the School Structural Maintenance grant allocation for 2016/17.
56. The overall size of Transport programme has decreased by £2.1m compared to the programme approved by Council in February 2016 due to the removal of the £3.6m Bicester London Road pedestrian and cycle bridge project (funded by the Local Growth Fund) from the programme. This is partly offset by the inclusion of the additional £1.0m budget for Milton Interchange approved by Cabinet in February 2016.

57. Design work for the City Deal project to construct the new Harwell Link Road has been completed and construction is due to start in September 2016. This scheme will increase the capacity of the local road network and relieve Harwell Village of through traffic. The total budget required is £11.6m, an increase of £0.3m from the previously approved budget. The increased budget can be contained within the overall borrowing requirement agreed for OxLEP schemes. Cabinet are recommended to approve to contractually commit to the construction of this scheme with the increased budget. A full business case is available as a background paper.
58. Cabinet are also recommended to approve to contractually commit to the construction of the Access to Headington scheme, which will reduce congestion and improve the overall accessibility of the area by enabling conditions for a more comprehensive bus service to operate and encourage greater uptake in walking and cycling. The first phase of construction is due to start in August 2016. The total budget remains within the previously approved £11.2m, however firm costs are not yet available for all elements of the programme of works. Costs will be closely monitored and de-scoping of the project will be considered to remove elements that have the least detriment of the project objectives to ensure costs remain within the overall project budget. Proposed changes to the scope will be agreed by the Acting Director for E&E, with any significant changes to scope or budget reported back to Cabinet for approval in line with the requirements of the Financial Procedure Rules. A full business case detailing the current scope is available as a background paper.

RECOMMENDATIONS

59. **The Cabinet is RECOMMENDED to:**
- (a) note the report;**
 - (b) approve the virement requests set out in Annex 2a;**
 - (c) approve the virement requests set out in Annex 2f;**
 - (d) approve the foster care loan write-off as set out in paragraph 41;**
 - (e) note the Treasury Management lending list at Annex 3;**
 - (f) approve the updated Capital Programme at Annex 8 and the associated changes to the programme in Annex 7c;**
 - (g) approve the increase of £2.2m in the budget for the Great Western Park Primary School in Didcot;**
 - (h) approve the contractual commitment for construction of the Access to Headington Project, with a total budget of £11.2m; and**
 - (i) approve the contractual commitment for construction of the Harwell Link Road Project, with a total increased budget of £11.6m.**

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Background papers: Directorate Financial Monitoring Reports to the end of May 2016
Great Western Park Primary School, Didcot Out of Tolerance Report
Access to Headington Business Case
Harwell Link Road Business Case

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