

Division(s): N/A

**CABINET – 19 MARCH 2019**  
**FINANCIAL MONITORING AND MEDIUM TERM FINANCIAL**  
**PLAN DELIVERY REPORT – JANUARY 2019**

**Report by the Director of Finance**

## RECOMMENDATION

1. The Cabinet is RECOMMENDED to:
  - (a) note the report;
  - (b) approve the virements set out in Annex 2a and note the virements set out in Annex 2b; and
  - (c) approve the bad debt write-offs as set out in paragraphs 69 and 70;
  - (d) note the treasury management lending list as set out in Annex 6;
  - (e) approve the fees and charges set out in paragraph 77 and Annex 7;
  - (f) approve the Children's Services Action Plan as set out in Annex 8.

## Executive Summary

2. This report sets out the forecast position of the revenue budget as at the end of January 2019. This report also includes an update on the delivery of savings, plus a forecast of reserves and balances.
3. There is an overspend of **£8.1m** by directorate services partially offset by additional interest of **£1.0m**, additional government grant of **£0.2m** and additional business rates of **£0.5m** to give an overall Council overspend of **£6.4m**. The overspend will be reduced further by using the unallocated corporate contingency of **£6.9m**. The report to Cabinet at the same time last year anticipated a directorate overspend of **£10.4m**.

Directorate	Latest Budget 2018/19	Forecast Outturn 2018/19	Forecast Outturn Variance 2018/19	Forecast Outturn Variance 2018/19
	£m	£m	£m	%
Children's Services	107.4	115.1	+7.7	7.2%
Adult Services	184.4	184.5	+0.1	0.1%
Communities	105.4	105.3	-0.1	-0.1%
Resources	36.2	36.6	+0.4	1.1%
<b>Total Directorate Position</b>	<b>433.4</b>	<b>441.5</b>	<b>+8.1</b>	<b>1.9%</b>
Strategic Measures	-433.4	-435.1	-1.7	-0.4%
<b>Overall Surplus/Deficit</b>	<b>0</b>	<b>6.4</b>	<b>6.4</b>	

### Main variations

4. An overspend of **£7.7m** 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 **£3.0m** 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.
5. There is also a **£6.9m** 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 **£4.9m** DSG reserves but the remaining **£2.0m** overspend will be carried forward to 2019/20 via the DSG High Needs Block reserve.
6. As per the Council's Financial Regulations, an action plan has been developed for the Children's Services overspend as it is greater than **£1.0m** by the Director for Children's Services and is included in annex 8.

### Grants

7. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling **£342.9m**. The increase since the last report relates to **£2.3m** of Winter Pressures Grant, an increase in the DSG High Needs Block of **£1.5m** and additional School Improvement Grant of **£0.3m**.

### Reserves

8. Annex 4 sets out the forecast earmarked reserves position as at 31 March 2019. These are held for specified one-off projects, contractual commitments and to support the Medium Term Financial Plan. Reserves are forecast to reduce from **£96.6m** to **£70.7m** at 31 March 2019.

### General Balances

9. As set out in Annex 5 the current forecast for general balances at 31 March 2019 is **£28.0m**. This is **£8.7m** higher than the risk assessed level of **£19.3m** as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2019. It was agreed to transfer **£6.0m** from balances to the Transformation Reserve by Council in February 2019.

### Strategic Measures

10. The current forecast outturn position for in house interest receivable and external fund returns is **£1.0m** above budget. In addition, the Council is

estimated to receive **£0.5m** from the gain on the business rates pool. There is also an additional **£0.2m** in government grant relating to the reconciliation 2017/18 Section 31 business rate relief grants.

### **Medium Term Financial Plan Savings**

11. 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.

### **Revenue Commentary**

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

Annex 1	Directorate Budgets and Forecast Variation
Annex 2a	2018/19 virements to approve
Annex 2b	2018/19 virements to note
Annex 3	Grants
Annex 4	Reserves
Annex 5	General Balances
Annex 6	Treasury Management Lending List
Annex 7	Fees and Charges
Annex 8	Children's Services Action Plan

13. Commentary on key variations greater than £0.1m for each service are provided below.

### **People – Children**

14. An overspend of **£7.7m (7.2%)** is reported for Children's services.

#### **Education & Learning – £2.3m**

15. Special Educational Needs Home to School Transport is currently forecast to overspend by **£2.6m**, of which **£2.1m** relates to under 16 transport. Student numbers have increased by around 18% in the last 12 months. The number of lone transport or lower occupancy vehicles (5 or less students) have increased significantly. This is due to an increase in the number of students with higher complex needs who need to travel alone or in small groups. An average lone transport route costs £24,000 per annum, with the increase in lone routes during 2018/19 costing **£1.4m**. In addition, an overspend of **£0.5m** is forecast for Post 16 transport including **£0.3m** relating to savings not achieved and an increase in the number of students receiving this service. This is partly offset by an underspend on mainstream Home to School Transport of **£0.3m**.

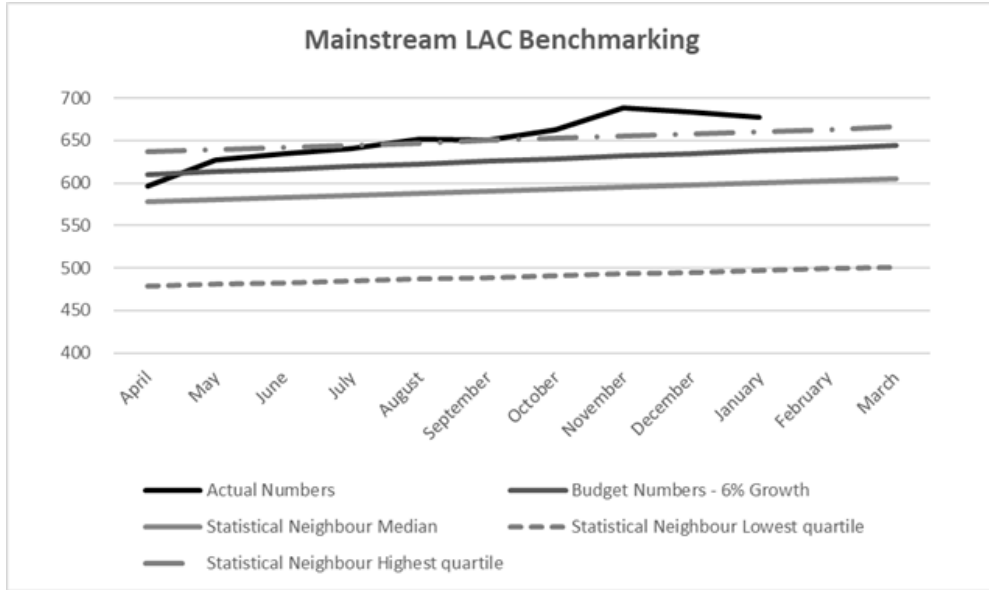
#### **Children's Social Care - £1.9m overspend**

16. **£0.9m** of the overspend relates to an increase in staffing levels within the Social Care Teams arising from the increase in demand. Due to increased caseloads there has been a need to fill these vacancies with both permanent and agency staff.

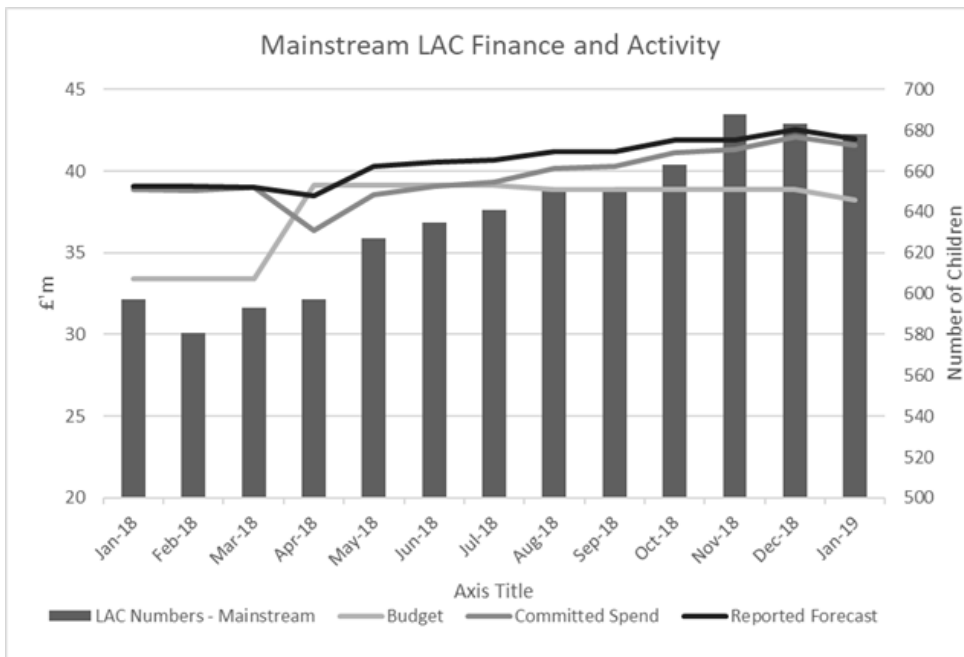
17. In addition, there are overspends and risks within the Leaving Care Service totalling **£0.4m**. This relates to Leaving Care Allowances which reflects a growth in client numbers. This is likely to become a greater pressure in the future, as the increase in looked after children numbers move into 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.
18. As reported previously there is also an overspend of **£0.8m** on Unaccompanied Asylum Seeking Children due to costs exceeding grant funding received. The Local Government Association (LGA) has called for the government to review funding for unaccompanied asylum seeking children as spending by local authorities has doubled with a four year period.
19. Troubled Families has been set an increased target, to increase payment by results income by **£0.2m**. This is a challenging target which would require targets to be achieved and evidenced in an additional 188 families. The outcome will not be known until the final claim is submitted in March 2019.

#### **Children's Social Care Countywide – £3.5m overspend**

20. 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 was been significantly higher than anticipated, which has put a pressure on the budget.
21. An increase of 85 mainstream looked after children from April 2018 to the end of January takes the number of children looked after to 678. Budget provision for 2018/19 was 610 children, a **£1.2m** growth from 2017/18. Demand growth has been offset by a reduction of **£0.4m** in relation to the reprofiling of prudential borrowing over a longer period. If demand continues to rise in line with current trends this would give actual growth for the year of approximately 17% against the budgeted growth of 6%. This would add an additional overspend of **£0.6m** to the current forecast.
22. 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.



23. 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.



24. A further **£1.1m** overspend relates to savings which aren't expected to be achieved in 2018/19 as set out in more detail in paragraphs 70 and 71.

## DSG Funded Services

Directorate Service Area	Latest Budget	Forecast Outturn	Forecast Variance		Variance Last	Direction of Travel	Change in Variance
DSG	£m	£m	£m	%	£m	↑ improving ↓ worsening	£m
Schools DSG	127.6	127.6	0.0	0.0%	0.0	→	0.0
High Needs DSG	37.4	44.3	6.9	18.5%	6.9	→	0.0
Early Years DSG	52.2	52.2	0.0	0.0%	0.0	→	0.0
Central DSG	4.0	4.0	0.0	0.0%	0.0	→	0.0
<b>Total DSG</b>	<b>221.2</b>	<b>228.1</b>	<b>6.9</b>	<b>3.1%</b>	<b>6.9</b>	<b>→</b>	<b>0.0</b>

25. The high needs block is forecast to overspend by **£6.9m** 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 reduction of **£1.1m** in the overspend from the last report reflects the additional **£1.5m** funding announced by the Secretary of State for Education offset by additional spend of **£0.4m**. This includes **£0.2m** of additional support likely to be provided by the end of the financial year. This amount reflects pending placements and outcomes from Education, Health and Care Plan assessments.
26. There has been a significant increase in the demand for Independent Non-Maintained Special School placements (INMSS) and post-16 independent education provision for children with Special Educational Needs and Disabilities. The Education Sufficiency Strategy is in place to manage future demand but immediate demographic pressures are now leading to further projected overspends for 2018/19.
27. The overspend will be partly offset by **£4.9m** of DSG reserves; the remaining **£2.0m** overspend will be carried forward to 2019/20 via the DSG High Needs Block reserve.

## People – Adult Services

28. Adult Services is forecasting an overspend of **£0.1m**.
29. In late October 2018 the council was notified that it will receive **£2.3m** from a share of **£240m** social care grant announced for 2018/19. The funding is intended to help councils alleviate winter pressures on the NHS, get patients home quicker and free up hospital beds in line with the grant conditions a plan for the use of this funding in 2018/19 has been developed and agreed with health partners. Any variation to the original plan will be agreed with health partners based on the forecast position at the end of February 2019.
30. As noted in the Provisional Outturn Report for 2017/18, **£0.7m** was passed to the council by Oxfordshire Clinical Commissioning Group (OCCG) and held in reserves at the end of 2017/18 to be used to support work to mitigate winter pressures across the health and social care system. The current expectation is that most, if not all, of this will be utilised to meet winter pressures in 2019/20.

### **Better Care Fund Pool £0.4m overspend**

31. 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. The variations on the Council and the Health elements of the pool are being managed on an aligned basis in 2018/19.
32. The forecast position for the Council elements of the pool reflects a **£0.7m** overspend on Care Homes relating to an increase in the bad debt impairment for care homes service user debt. The 2018/19 budget includes a one – off saving of **£0.3m** based on a forecast reduction in Adult Social Care bad debt over six months old. Based on the current activity and levels of outstanding debt this is not expected to be achieved. As the level of bad debt requiring impairment has instead increased by over **£0.5m** since April 2018 work is underway to improve collection rates and increase the Council's capacity for debt recovery. The benefit of the additional capacity is more likely to impact from 2019/20 onwards.
33. There is also an overspend of **£0.2m** Prevention & Early Support which reflects an increase in the cost of providing extra care housing.
34. An underspend of **£0.5m** is reported on Hospital Avoidance. A forecast underspend of **£0.9m** on reablement reflects the number of episodes that have been completed being lower than budgeted. This is off-set by overspends on Equipment (**£0.2m**) and Home Support (**£0.2m**).

### **Adults with Care and Support Needs (ACSN) Pool - £2.7m overspend**

35. The Adults with Care and Support Need Pooled Budget is currently reporting an overspend of **£2.7m**. This is a 3.2% variance on a **£82.5m** budget.
36. **£2.1m** funding for demographic growth was added to this budget as part of the 2018/19 Medium Term Financial Plan. Savings of **£1.0m** that need to be achieved while continuing to meet assessed needs are also built into the budget but while costs have been avoided, it has not been possible to make cashable savings. Part of the Adult Social Care precept was used to reduce the original planned saving by **£1.0m** but the remaining saving in 2018/19 is not expected to be achieved. The ongoing impact of the additional activity and need evident in 2018/2019 has been considered through the 2019/20 Service & Resource Planning process.

### Learning Disabilities

37. There is a forecast overspend of **£2.5m**.
38. 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 council's share of the continuing pressure from last year and the

additional **£0.6m** full year effect of packages and changes agreed during 2017/18 as well as new changes in 2018/19. Overall the number of service users has not increased but average package sizes are larger and reflect the increasing level and complexity of assessed needs.

#### **Other Non-Pool Services - £3.4m underspend**

39. All other non-pool Adult Social Care Services are currently forecasting an underspend of **£2.8m**, -20.0% of the **£13.8m** budget.
40. There is a forecast underspend of **£0.7m** of unallocated base budget held since 2015/16 relating to the Care Act and Independent Living Fund funding. This continues to be held outside of the pools but is offsetting part of the pressure on the ACSN pooled budget.
41. A further element of the overspend on the ASCN pool is being managed through a £1.8m underspend against on-going base budget funding for inflationary increases within the Pools, £1.8m iBCF grant funding has instead been used on a one-off basis to fund inflationary increases for providers in 2018/19.
42. Further iBCF grant funding is available in 2019/20 and its use will need to be agreed with health partners. It is currently unclear what the arrangements for the grant from 2020/21 will be so the 2019/20 agreed use will need to reflect that uncertainty.

#### **People – Public Health**

43. There is currently a breakeven position forecast for Public Health after the transfer of **£0.4m** to the Public Health Reserve. 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**

44. An underspend of **£0.1m (0.1%)** is forecast for the Communities directorate.

#### **Community Operations - £1.1m underspend**

45. The forecast position reflects an anticipated pressure of **£0.8m** on Street Lighting due to significant increases in energy prices, including an increase over 30% in the latter part of 2017/18. A programme is now in place to invest in LED lighting across the Street Lighting network which will reduce energy costs down to an affordable level in future years, with implementation due to start in February 2019.
46. The forecast position also reflects an anticipated pressure on the Defect Repairs budget of **£1.0m** due to the significant increase in road defects following the abnormal winter weather in early 2018. These pressures will be mitigated by **£0.6m** through greater capitalisation of activities such as dragon patching, traffic signal and minor works.



47. Supported Transport is forecasting an overspend of **£0.8m**. 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 contracts of **£0.1m** and additional short-term income of **£0.2m** (Bus Service Operators Grant) towards funding the Comet bus.
48. There is also an overspend of **£0.4m** due to short fall in income relating to traffic control.
49. The overspends above are offset by a forecast underspend on Waste Management of **£3.4m**. This is partly due to savings from the new Household Waste Recycling Centres contract (**£0.4m**), prior year over accruals (£0.4m) and the balance of waste stream tonnages differing from previous years (£0.9m), as outlined in the following table:

<b>Waste Stream</b>	<b>Reduction %</b>	<b>Reduction £</b>
Composting	4%	£0.3m
Waste Recycling	6%	£0.3m
Landfill	18%	£0.1m
Energy Recovery Facility	2%	£0.2m
<b>TOTAL</b>		<b>£0.9m</b>

50. There are also confirmed savings of **£1.7m** as a result of a renegotiation of the Energy Recovery Facility contract.

#### **Property & Investment - £1.2m overspend**

51. An overspend of **£0.4m** is reported on utility costs. This relates to significant increased in cost for both electricity (17%) and gas (24%). The on-going pressure has been addressed as part of the 2019/20 Service & Resource Planning Process.
52. 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 is now expected to result in an overspend of **£0.5m** due to agency staff spend this year.
53. There are also overspends on legal charges and property disposal costs totalling **£0.3m**.

#### **Fire & Rescue and Community Safety - £0.2m underspend**

54. There is a forecast underspend of **£0.2m** relating to the on-call fire fighter budget.

## Resources

55. Resources is forecast to overspend by **£0.4m** (0.6%). As previously reported **£0.3m** relates to the costs (statutory entitled only) associated with making the previous Chief Executive post redundant partially offset by reduced costs due to the shared Chief Executive as set out in the joint funding agreement between Oxfordshire County Council and Cherwell District Council.

## Corporate Measures

### Virements and Supplementary Estimates

56. Virements larger than £0.5m or that relate to un-ringfenced grants requiring Cabinet approval under the 2018/19 Virement Rules agreed by Council on 13 February 2018.
57. Virements to approve this month are set out in Annex 2a and include the transfer of the public health savings to the cost centres where the savings will be met along with the transfer of the school improvement grant and Key Stage 2 Moderation and Key Stage 1 Phonics grant to Children's Services.
58. Annex 2b shows virements Cabinet need to note.
59. There are no supplementary estimates for Cabinet to approve in this report.

### Grants

60. As set out in Annex 3 the Council receives ringfenced and un-ringfenced government grants totalling **£342.9m**. The increase since the last report relates to **£2.3m** of Winter Pressures Grant (details in paragraph 29), an increase in the DSG High Needs Block of **£1.5m** and additional School Improvement Grant of **£0.3m**.

### Reserves

61. 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 **£25.9m** from **£96.6m** to **£70.7m** at 31 March 2019.

### General Balances

62. As set out in Annex 5 the current forecast for general balances as at 31 March 2019 is **£28.0m**. This is **£8.7m** higher than the risk assessed level of **£19.3m** as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2019. Council agreed in February 2019 to transfer **£6.0m** from balances to the Transformation Reserve in 2019/20.

### Strategic Measures

63. As set out in Annex 6 the following changes have been made to the lending list since the last update:

- ( ) Credit Suisse and Danske Bank have been removed from the list
  - (a) Svenska Handelsbanken has been replaced with Handelsbanken Plc. The credit limit of £25m and the maturity limit of 6 months remain the same
  - (b) The maturity limit of Nordea Bank AB and Rabobank Group have been reduced to 6 months.
64. The following table sets out average in-house cash balances and average rates of return for November and December 2018 and January 2019. The current forecast outturn position for in house interest receivable is **£3.2m**, which is **£0.8m** above budget. This is due to the bank rate increasing earlier than anticipated and higher cash balances than forecast.

Month	Average cash balance	Average rate of return
November	£378.8m	0.93%
December	£399.4m	0.94%
January	£415.4m	0.93%

65. External Fund dividends are paid quarterly. The forecast outturn position for external fund returns is **£1m**, which his **£0.2m** above budget.
66. Interest payable is forecast to be in line with the budgeted figure of **£15.6m**.
67. 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. There is also an additional **£0.2m** in government grant relating to the reconciliation of the 2017/18 Section 31 business rate relief grants.

#### **Debt and Loan Write-Offs & Impairments**

68. There were **150** general write-offs to the end of January 2019 totalling £122,989, this compares to 231 write offs in the same period in 2017/18. There were also 136 Adult Social Care Client contribution write offs totalling £215,128, this compares to 263 write offs in the same period in 2017/18.
69. Cabinet is recommended to approve the write-off of a Corporate Parenting debt of **£62,468**. Following legal advice, this debt is unrecoverable as there are no assets against which this can be reclaimed.
70. Cabinet is also requested to approve four write off's totalling **£70,000** relating Adult Social Care which range between **£11,350** and **£24,235**. These relate to two cases where the estate is insolvent, one case where a service user did not engage with the assessment and charging process prior to a deputy being appointed to manage their affairs and the last case relating to official notice being received from an appointed administrator resulting in our inability to recover the debt.

## Medium Term Financial Plan Savings

71. 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.
72. In relation to Children's Services, it is anticipated that only 54% of the **£4.6m** planned savings for 2018/19 will be achieved in year. All of the savings rated red for Children's Services will be delivered in part, but their implementation has slipped. It is however still expected that all savings in the current MTFP will be delivered by the end of the MTFP period.
73. **£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. All of these savings have been addressed as part of the 2019/20 Service & Resource Planning process.
74. Adult Social Care expects to achieve 77% of the savings built into 2018/19 budgets. **£1.4m** of the directorate savings are flagged red. These are made up of the **£0.4m** saving from the reduction in the income impairment and the **£1.0m** saving built into the Learning Disabilities budgets. Savings are being achieved within the Learning and Disabilities budgets but they are being hidden by the pressure within the pool which has arisen due to growth in package sizes and activity not as a result of the non-delivery of savings. The Learning Disabilities savings have been reviewed through the 2019/20 Service & Resource Planning Process.
75. 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 and from bus lane enforcement cameras, the latter due to a delay in rolling out, will not be realised.
76. Resources are expected to achieve **72%** 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.

**Fees and Charges**

77. Cabinet is recommended to agree the following changes to the Review of Charges previously agreed by Cabinet in January 2019 as set out in Annex 6:

- charges for the History Service
- change in the definition of the charge for Routine Temporary TRO & Advertising Costs from “Special Events (minimum charge)” to “Special Events – basic order & standard advertising costs (minimum charge)”

**LORNA BAXTER**

Director of Finance

Background papers: Directorate Financial Monitoring Reports for November 2018, December 2018 and January 2019

Contact Officers: Katy Jurczynszyn, Strategic Finance Manager  
07584 909518

March 2019