

Division(s):

CABINET – 18 JUNE 2019

PROVISIONAL REVENUE OUTTURN 2018/19

Report by the Director of Finance

RECOMMENDATIONS

1. **The Cabinet is RECOMMENDED to:**
 - (a) **note the provisional revenue outturn for 2018/19 along with the year-end position on general balances and earmarked reserves as set out in the report;**
 - (b) **approve the transfer of over and under spends to general balances as set out in paragraph 5;**
 - (c) **agree that the surplus on the On-Street Parking Account at the end of the 2018/19 financial year, so far as not applied to particular eligible purposes in accordance with Section 55(4) of the Road Traffic Regulation Act 1984, be carried forward in the account to the 2019/20 financial year as set out in Annex 3;**
 - (d) **approve the transfer of the £0.4m underspend relating to the replacement for the Oxfordshire Strategic Model to the Budget Priorities Reserve for use in 2019/20 as set out in the Communities Section below;**
 - (e) **approve the revised 2019/20 Earmarked Reserve forecast as set out in Annex 5.**

Executive Summary

2. The purpose of this report is to present and provide commentary on the provisional revenue outturn position for 2018/19 prior to the formal closure of the accounts.
3. Ernst and Young, Oxfordshire County Council's external auditor, will carry out their audit of the Council's 2018/19 Statement of Accounts during June and July, and it is possible that changes may be made to the accounts during this period which may alter the position presented within this report. The results of the external audit will be reported to Audit and Governance Committee on 17 July 2019, at which stage that Committee is expected to approve the 2018/19 Statement of Accounts for publication. The Statement of Accounts will be published on the Council's website.

4. There is an overspend of **£8.6m** by directorate services partially offset by additional interest of **£0.9m**, additional government grant of **£0.4m**, an underspend of **£0.3m** on Capital Financing and additional business rates of **£0.5m** to give an adjusted overspend of **£6.5m**. By using the unallocated corporate contingency of **£7.0m** the overall Council position is reduced to an underspend of **£0.5m**.
5. During 2018/19 it was agreed that an additional **£2.9m** of income relating to divested treasury management funds would be transferred to balances. It was also agreed that **£1.1m** relating to deficit balances of schools converting to academy status would be funded from general balances. It is proposed that all over and under spends totalling **-£0.5m** are transferred into general balances along with the in-year agreed movements on balances totalling **-£1.8m**. After taking this into account general balances at 31 March 2019 were **£28.0m**. This is **£11.7m** above the 2018/19 risk assessed level. As agreed by Council in February 2019, **£6.0m** will be transferred from general balances to the Transformation Reserve on 1 April 2019. This position reinforces the sound financial position the Council is in. The general balances position is set out in Annex 4.

Directorate	Final Budget 2018/19 £m	Outturn 2018/19 £m	Outturn Variance 2018/19 £m	Outturn Variance 2018/19 %
Children's Services	107.6	116.1	+8.5	7.9%
Adult Services	183.7	184.3	+0.6	0.3%
Communities	104.8	104.5	-0.3	-0.3%
Resources	36.2	36.0	-0.2	-0.6%
Total Directorate Position	432.3	440.9	+8.6	2.0%
Strategic Measures	-438.5	-440.6	-2.1	-0.9%
Contingency	7.3	0.3	-7.0	
Total Outturn Position	1.1	0.6	-0.5	

In-Year Agreed Movement on Balances	-1.1	-2.9	-1.8	
Movement on General Balances	0	-2.3	-2.3	

Main variations

6. There is an overspend of **£8.5m** on Children's Services of which **£4.6m** relates to Children's Social Care. This is in the context of an additional **£9.5m** budget in 2018/19 to meet the significant increase in demand. Despite this, demand for Children's Social Care continues to rise beyond expectations, both locally and nationally. In addition, there is a **£3.4m** overspend on Special Educational Needs (SEN) Home to School transport. Student numbers have increased by around 18% in the last 12 months and the number of lone or lower occupancy (5 or less students) has 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. In February 2019, an additional **£1.6m** was agreed for the SEN Home to School Transport 2019/20 budget. As the overspend increased significantly towards the end of the Service & Resource Planning process, corporate contingency was increased by **£2.2m** to meet the increasing demand.

7. There is also a **£5.0m** overspend 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 by using the DSG reserves.

Introduction

8. The Annexes listed below are attached and referenced in the report:

Annex 1	Revenue Outturn
Annex 2a	2018/19 Reserves
Annex 2b	Schools' Balances
Annex 3	On and Off-Street Parking – Statement of Income and Expenditure for 2017/18
Annex 4	General Balances
Annex 5	Revised 2019/20 Earmarked Reserves Forecast

9. The following tables provide an overview of the provisional outturn positions on the revenue budget, reserves and balances, and investment and borrowing activity.

Key

 Red	 Improving
 Amber	 Stable
 Green	 Worsening

Children's Services

£8.5m (7.9%) overspend

Education & Learning	<p>£3.4m <u>overspend</u> is reported for Special Educational Needs Home to School 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.</p>
RAG rating 	
Direction of travel 	
Variation £2.9m (12.4%) overspend	<p>£0.2m <u>underspend</u> is reported on mainstream Home to School Transport due to a reduction in the number of routes.</p>
Action Plan Approved	<p>£0.4m <u>underspend</u> in Access to Learning (excluding Home to School Transport), mainly in relation to an underspend on the academies budget, and sufficiency and access.</p>
	<p>£0.2m <u>underspend</u> is reported in Learner and School Improvement mainly in relation to Governance and Education Support Services.</p>
	<p>Earlier in the year, a £1.1m supplementary estimate was approved to meet the deficit balances upon conversion to academy status. A further £0.3m <u>overspend</u> is reported as the deficit balances are higher than previously forecast.</p>
Children's Social Care	<p>£1.0m of the <u>overspend</u> relates to an increase in staffing levels and client spend within the social care teams arising from the increase in demand.</p>
RAG rating 	
Direction of travel 	
Variation £1.7m (5.9%) overspend	<p>£0.5m <u>overspend</u> on Unaccompanied Asylum-Seeking Children due to costs exceeding grant funding received. As this is an unfunded new burden, any shortfall in funding will be met from either balances or contingency. The overspend is lower than previously forecast as a higher number of children were confirmed as meeting the Home Office grant definitions and more recent arrivals attract a higher rate of funding.</p>
Action Plan Approved	<p>£0.1m <u>overspend</u> on management and administration.</p>

Children's Social Care Countywide Services

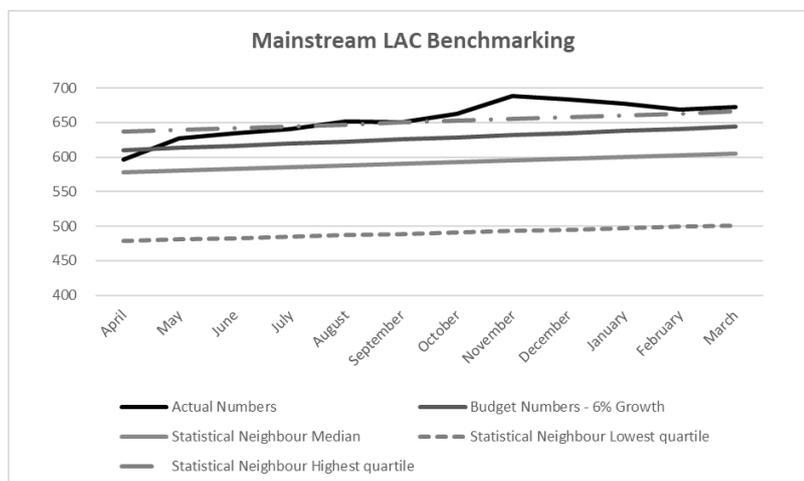
RAG rating ▲

Direction of travel ↔

Variation £3.8m (7.6%) overspend

Action Plan Approved

£3.6m overspend on Corporate Parenting is due to rising demand. An increase of 80 mainstream looked after children from April 2018 to the end of March 2019 takes the number of children looked after to 673, compared to a budgeted number of 610.



£0.3m overspend on Children with Disabilities is due to a small increase in the number of children in care within this team.

£0.1m underspend on Safeguarding, OSCB and Principal Social Worker is due to the delays to the National Assessment and Accreditation System for Social Workers.

Children's Services Central Costs

RAG rating ●

Direction of travel ↓

Variation £0.1m (2.1%) overspend

Action Plan Approved

£0.1m overspend on Children's Services Central costs is made up of a number of small variances within the Director's Office, Projects and Premature Retirement Compensation.

Dedicated Schools Grant (DSG) Funded Services

(the variations on DSG are not included in the overall Council position as it is a ringfenced grant)

Early Years DSG Block	<p>A Contingency budget of £0.4m, to protect against changes in grant income/participation levels, was not used in 2018/19. Excluding the Contingency budget, the 3 and 4-year-old outturn position was in balance in 2018/19 on current published grant income figures. The final 2018/19 grant will not be published by the DfE until July 2019. It is projected that the final 2018/19 grant income will be £0.5m higher than currently published on the basis of January 2019 census data.</p>
RAG rating 	
Direction of travel 	
Variation £1.0m (2.6%) underspend	<p>A net underspend of £0.1m relates to ringfenced elements of the DSG grant and will be carried forward for use in 2019/20.</p>
Action Plan N/A	<p>A decision will be made on how the funding will be utilised once the 2018/19 Early Years DSG grant is finalised by the DfE in July 2019.</p>
	<p>Within the Early Years block, the funding received for 2-year-olds was insufficient to cover the payments made. This issue will be discussed with Schools Forum with regard to the rate set for 2-year-olds in 2020/21. There was a fall in the number of two-year olds which was projected to reduce the level of grant income. Any future decline in 2, 3 or 4-year-old numbers would reduce future grant income.</p>
Schools DSG Block	<p>£0.4m underspend relates to funds released due to schools converting to academy status during the financial year. Legislation prevents the Local Authority from making in year adjustments. This balance will be carried forward to 2019/20 with the use agreed between the council and Schools Forum during the year.</p>
RAG rating 	
Direction of travel 	
Variation £0.4m (0.4%) underspend	
Action Plan N/A	

High Needs DSG Block	£5.0m overspend is reported against the in-year High Needs Block DSG, which has been met from brought forward DSG balances.
RAG rating 	<p>The variation is mainly the result of an increase in Education Health Care Plans, leading to spending pressures in mainstream schools and specialist provision. The increase in spend has been most significant in relation to specialist provision, in particular independent non-maintained special schools.</p>
Direction of travel 	
Variation £5.0m (9.7%) overspend	
Action Plan Approved	
School Balances	Schools' balances were £15.2m at 1 April 2018 and increased to £17.3m at 31 March 2019. As set out in Annex 2b, 142 schools had surplus balances at 31 March 2019, while 12 had deficits.
RAG rating 	<p>The decrease in the number and value of deficits is due to 2 schools converting to academy status with deficits, 7 moving to a surplus position and 3 schools moving to a deficit position, giving an overall reduction in deficit balances of £1.2m.</p> <p>The decrease in the number of schools with surplus balances during 2018/19 reflects 10 schools converting to academies and the net of 7 moving from deficits to surpluses and 3 moving to deficits. However, surplus balances increased by £1.1m, mainly due to a small number of schools holding capital balances at the end of the year.</p> <p>138 schools had converted to academy status up to 31 March 2019. Under the transfer of Balances Regulations, the local authority has, once the closed school accounts have been finalised and agreed, transferred school balances to the successor academy. A total of £0.7m remains to be agreed and passed to academies.</p>
Direction of travel 	
Variation £8.8m increase in balances	
Action Plan N/A	

Adult Services

£0.6m (0.3%) overspend

Better Care Fund Pool

RAG rating 

Direction of travel 

Variation £1.6m (2.0%) overspend

Action Plan

Mitigated by underspends in non – pool budgets and on-going pressure considered through 2019/20 Service & Resource Planning Process.

Combines health and social care expenditure on care homes, activity relating to hospital avoidance and prevention and early support activities for older people and adults with physical disabilities.

After using the £7.5m available through the improved Better Care Fund and £2.3m Winter Pressures grant funding announced in late 2018, the council elements of the pool overspend by **£1.6m**. The health elements overspent by £2.0m.

Reablement activity provided through the contract with Oxford University Hospitals NHS Foundation Trust increased during 2018/19 but the number of people discharged from the service remained lower than budgeted. The council's share of the underspend was **£0.8m**.

This was partly offset by an increase in the cost of direct payments for home support, contingency home care, short - term care home beds and planned care within extra care housing, **£0.5m**.

A **£0.3m** saving was expected to be achieved as a result of a forecast reduction in Adult Social Care debt over six months old. Reflecting an increase in the volume and value of charges for care in 2018/19 the level of bad debt requiring impairment in the council's accounts instead increased by **£0.7m** at the end of March 2019. Work is continuing to recover the outstanding contributions for care and to address any underlying issues contributing to delays in payment by service users.

There was a **£1.2m** (2.7%) overspend on care home placements.

Reflecting the positive outcomes achieved through on-going joint working across health and social care, Oxfordshire Clinical Commissioning Group have increased their Better Care Fund contribution to support adult social care expenditure by £1.6m in 2018/19. The council budget released will be transferred to reserves; £0.7m has been added to the £0.7m held in reserves since the end of 2017/18 creating a total of £1.4m to support winter pressures expenditure in 2019/20. The other £0.9m will be available to support risks across both pools in 2019/20. A further £0.5m held since the end of 2017/18 will be used to manage future pressures.

Adults with Care and Support Needs Pool
RAG rating 
Direction of travel 
Variation £2.9m (3.5%) overspend

Action Plan

Mitigated by underspends in non – pool budgets and on-going pressure considered through 2019/20 Service & Resource Planning Process.

Supports a mix of health and social care needs for adults of working age with learning disabilities, acquired brain injury or mental health needs. To enable agreement of the risk share across both pools the council is responsible for all of the variation on this pool in 2018/19.

An overspend of **£2.9m** reflects the on-going cost of care packages agreed in 2017/18 as well as new changes in 2018/19. Overall the number of service users is relatively stable but average need has increased, with more care packages costing over £3,000 per week.

A **£1.0m** overspend relates to the social care element of placements in out of county schools and colleges for 18 to 23-year olds with Special Educational Needs (SEN); the number of placements has reduced compared to the previous year, but the unit cost has increased by 47%. This is offset by a **£0.3m** refund of managed direct payment surpluses, external day services costing **£0.3m** less than forecast, service user income being **£0.3m** higher than expected and the cost of voids and vacancies for care placements being lower than forecast.

Under the Section 75 Provider Pool agreement for mental health, the council contributed £1.8m to support costs of social work activity within the Outcome Based Contract in 2018/19. Oxford Health NHS Foundation Trust (OHFT) overspent by £1.5m (15%) against a total pooled staffing budget of £8.9m. This reflects the use of agency staff to manage staff vacancies during the year. The council agreed to contribute an additional **£0.1m** towards the overspend in 2018/19 and has requested that an action plan is developed by OHFT to manage the on-going pressure.

<p>Non-Pool Services</p> <p>RAG rating </p> <p>Direction of travel ↓</p> <p>Variation £3.7m (-28.4%) underspend</p> <p>Action Plan Not required</p>	<p>Base budget funding of £1.8m was available to fund inflationary increases to care providers in 2018/19, improved Better Care Fund grant has instead been used to fund the increases on a one – off basis. A further £0.7m held outside the pools originally related to Care Act implementation and the withdrawal of the Independent Living Fund.</p> <p>There were also <u>underspends</u> on Provider & Support Services (£0.6m arising from staffing vacancies and service efficiencies), Adult Protection and Mental Capacity (£0.1m in relation to staffing vacancies within the Deprivation of Liberty Safeguards service), Domestic Violence & Abuse Support Services (£0.2m arising from a new joint service delivery approach) and Adult Social Care Staffing & Infrastructure, (£0.3m due to staffing vacancies throughout the year).</p> <p>The combined <u>underspend</u> of £3.7m on non – pool budgets has been used to mitigate the pressure on the Adults with Care & Support Needs and Better Care Fund Pooled Budgets.</p>
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<p>Commissioning</p> <p>RAG rating </p> <p>Direction of travel ↔</p> <p>Variation £0.3m (-4.1%) underspend</p> <p>Action Plan Not required</p>	<p>£0.3m underspend reflects staffing vacancies during the implementation of the new Commissioning structure in 2018/19.</p>
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Public Health

£0m (0%) breakeven position after transfer of £0.5m to Public Health reserve

RAG rating 	Costs relating to the implementation of the new sexual health contract and the testing and treatment of sexually transmitted infections were £0.3m lower than expected.
Direction of travel 	£0.2m reflecting staff vacancies and reduced out of area placements for drug and alcohol treatment and detoxification.
Variation £0.0m (0%) Breakeven against £30.5m ringfenced grant	The underspend will be held in the Public Health reserve in line with the conditions of the Public Health Grant.
Action Plan Not required	

Communities

£0.3m (0.2%) underspend

Planning & Place	£0.0m <u>variance</u> overall. However, delays in the procurement process for the Next Generation Oxfordshire Mobility Model (OMM) – replacing the existing Oxfordshire Strategic Model (OSM) – mean that the £0.4m one-off budget allocated for this procurement is requested to be transferred to the Budget Priorities Reserve to be utilised in 2019/20.
RAG rating 	
Direction of travel 	
Variation £0.0m breakeven	The new model is needed to enable the delivery of future savings and income targets in the MTFP.

Community Operations	£3.0m overspend for Infrastructure Operations relates to £0.9m from increased volume of Defect repairs, price and maintenance cost increases on our Street Lights of £0.5m , the £0.9m deficit in running our ITU service resulting from the change in customer base and £0.7m additional staffing costs.
RAG rating 	
Direction of travel 	£4.0m underspend for Commissioning realised mainly through the Waste Management service due to savings from the Household Waste Recycling Centres (HWRC) contract of £0.6m and £1.7m from the Energy Recovery Facility (ERF) contract, the latter through planned renegotiation. £0.9m from a reduction in waste tonnage being disposed (as outlined in the table below) and a balance of £0.8m through other activities.
Variation £1.4m (2.0%) underspend	
Action Plan agreed	

Waste Stream	Disposal 2018/19		Variation	
	K/Tonnes	%	%	£'m
Recycling	80	30%	-7%	-0.3
Compositing	75	29%	-3%	-0.3
Sub-total	155	59%		
Energy Recovery	100	38%	-2%	-0.2
Landfill	8	3%	-17%	-0.1
TOTAL	263	100%		-0.9

Note. OEP Waste Strategy proposed targets of 65% for Recycling/Composting by 2025 and 3% Landfill by 2030.

£0.4m underspend on Community Facilities is due to Corporate FM staffing vacancies of **£0.6m**, offset by an overspend on central printing of **£0.1m** and area offices of **£0.1m**. The Catering service broke even following a drawdown from the Catering Investment Fund reserve, however, the service made an in-year deficit of **£0.4m** and work is needed to move the service to a self-funding position going forward.

Property & Investment	£1.6m overspend relates to an increase in building utility costs (electric has increased by 17% and gas by 24%) of £0.4m , the £0.7m net increase in staffing costs, due mainly to the cost of interim arrangements and an increase in legal and property disposal costs of £0.5m .
RAG rating 	
Direction of travel 	
Variation £1.6m (21.6%) overspend	

Community Safety	£0.5m underspend relates primarily to the on-call fire fighter budget of £0.3m ; in addition, the service received £0.1m of income relating to previous years and the remainder was made up of non-essential expenditure being deferred to help support the overall Council position.
RAG rating 	
Direction of travel 	
Variation £0.5m (2.0%) underspend	

Resources

£0.2m (0.6%) underspend

Resources	£0.3m of the <u>overspend</u> relates to the statutory entitled costs associated with making the previous C.E. redundant.
RAG rating 	
Direction of travel 	£0.2m of the <u>overspend</u> relates to the underfunded pressure of a Human Resources BP, cost of the Shared Services partnership and statutory entitled exits costs associated with the Director of HR post.
Variation £0.2m (0.6%) underspend	<p>-£0.2m of the <u>underspend</u> reflects the increase in chargeable services delivered by the Legal Services team in quarter 4 and the efficiencies delivered in the Registration service throughout the year.</p> <p>-£0.2m of the <u>underspend</u> relates to vacant posts being held within the PMO team (under Transformation).</p> <p>-£0.1m of the <u>underspend</u> relates to one-off cost reductions in Cultural Services to support the council position.</p> <p>-£0.2m of the <u>underspend</u> relates to vacant posts being held within the ICT team.</p>

Corporate Measures

General Balances

RAG rating



Direction of travel

General balances at 31 March 2019 were **£28.0m**. This is **£11.7m** higher than the risk assessed level of **£16.3m** as set out in the Medium-Term Financial Plan (MTFP) approved by Council in February 2018. In February 2019, Council approved the transfer of **£6.0m** from General Balances to the Transformation Reserve on 1 April 2019. Following this, the level of General Balances will be **£22.0m** compared to the risk assessed level for 2019/20 of **£19.3m**.

		£'000
General Balances at 1 April 2018		25,718
Calls on balances		
Deficit balances on schs converting to academies	-1,100	
Total Calls on balances		-1,100
Additions to balances :		
Divested treasury management funds released	+2,940	
Underspend	+413	
		+3,353
Projected level of General Balances 31 March 2019		+27,971
Agreed transfer to Transformation Fund 1 April 2019		-6,000
Projected level of General Balances 1 April 2019		+21,971
RISKED ASSESSED LEVEL OF BALANCES 2018/19		+16,300
Level of surplus General Balances		+5,671

Reserves

RAG rating



Direction of travel

% of Planned Use 52.4%

As set out in Annex 2a earmarked reserves totalled **£92.3m** at 31 March 2019. Reserves (excluding schools) reduced by **£6.4m** this was less than the planned reduction of **£12.2m** agreed by Council in February 2018. As the level of reserves are higher than expected it is proposed Cabinet approve a revised forecast earmarked reserve movement for 2019/20. This is set out in Annex 5.

Medium Term Financial Plan Savings

90% of the planned savings of **£41.0m** have been delivered. Within the total, savings of 4.9m are under the remit of the Transformation Board, and of these, 93% have been delivered.

RAG rating 

Direction of travel 

% of savings expected to be achieved
90%

Summary of Savings Delivery Progress		
Total Directorate Savings	-25,306	
Corporate Savings	-15,743	
Total savings for 2018/19 Budget	-41,049	
Directorate Savings		
Delivered & Green	-21,160	84%
Amber Savings	0	0%
Red Savings	-4,146	16%
	-25,306	
Directorate Delivered & Green Savings	-21,160	
Corporate Savings - all delivered	-15,743	
	-36,903	
Percentage Delivered & Green of 18/19 total	90%	

Strategic Measures

RAG rating 

Direction of travel 

An underspend of **£2.1m** is reported on Strategic Measures. Capital Financing underspent by **£0.3m** due to use of other capital funding sources delaying the need to borrow. An additional **£0.4m** of unringfenced government grants were received during the year due to changes in business rate reliefs during 2017/18 and 2018/19 resulting in additional Section 31 grant. **£0.5m** of business rates income was received from the Council's share of the pooling gain. Additional interest on balances of **£0.9m** is due to higher than forecast average cash balances and the in-year increase in the Bank of England base rate being earlier than forecast in the budget.

The Treasury Management Outturn report for 2018/19, which covers all of the related activities in detail, will be considered by Cabinet on 16 July 2019.

£1.9m of government grants allocated for 2019/20 were received in advance at the end of 2018/19. These have been transferred to reserves for use in the correct financial year.

In addition, the **£7.0m** corporate contingency budget was left unallocated to offset the directorate overspend position, as reported throughout the year.

**Debt and Loan
Write Offs &
Impairments****RAG rating** ▲**Direction of
travel** ↔**Income collection & recovery activity**

Collection rates have maintained the levels achieved during the previous financial year, this is despite an increase of over 10% in the value of charges raised in each area.

In relation to income collection, more of our customers paid earlier this year and less errors were made by officers when raising invoices; there was a 25% reduction in cancellations compared with 2017-18.

In relation to debt recovery there was a net increase of **£0.6m** to the council's impairment; the increase relates wholly to adult social care contributions and was forecast throughout the year.

Debtor write offs

For the year ended 31 March 2019 there were 169 general debt write offs which totalled **£0.152m**. Adult social care client contributions wrote off 191 debts totalling **£0.331m**. There was a one-off impairment.

Over 50% of the corporate write offs related to two write off that were approved by Cabinet during the year. Approximately a fifth of the Adult Social Care debt written off relates to balances owed by insolvent estates, and a third is linked to financial mismanagement by debtors or representatives.

There was a 25% reduction in the value of debt written off compared with last financial year.

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June 2019