Introduction

1. This annex sets out the first financial monitoring information for the 2022/23 financial year and is based on information to the end of May 2022. Key issues, as well as risks relating to inflation, demand and other factors, plus areas of emerging pressure are explained below.

The following additional information is provided to support the information in this Annex:

Annex B – 1 (a) to (f)	Detailed directorate positions
Annex B – 2a	Virements to approve
Annex B – 2b	Virements to note
Annex B – 2c	Supplementary estimate to note
Annex B – 3	Earmarked reserves
Annex B – 4	Government grants
Annex B – 5	General Balances

Overall Financial Position

2. As shown below there is a forecast Directorate overspend of £5.5m or 1.1%. The overall forecast variation is £4.4m or 0.8% after taking account of an increase in interest receivable on balances held by the council.

Directorate	Latest Budget 2022/23 £m	Forecast Spend 2022/23 £m	Variance May 2022 £m	Variance May 2022 %
Adult Services	212.1	212.1	0.0	0.0
Children's Services	148.8	154.3	5.5	3.7
Public Health	0.6	0.6	0.0	0.0
Environment & Place	62.8	62.8	0.0	0.0
Commercial Development, Assets and Investments	48.0	48.4	0.4	0.9
Customers, Organisational Development & Resources	36.2	35.8	-0.4	-1.2
Total Directorate Budgets	**508.5**	**514.0**	**5.5**	**1.1**
Budgets Held Centrally				
Capital Financing Costs	26.1	26.1	0.0	
Interest on Balances	-13.0	-14.1	-1.1	
Inflation and Contingency[1]	12.3	12.3	0.0	
Un-ringfenced Specific Grants	-31.2	-31.2	0.0	
Insurance	1.4	1.4	0.0	
Contributions to reserves	16.3	16.3	0.0	
Total Budgets Held Centrally	**11.9**	**10.8**	**-1.1**	**-10.3**
Net Operating Budget	**520.4**	**524.8**	**4.4**	**0.8**
Business Rates & Council Tax funding[2]	-520.4	-520.4	0.0	
Forecast Year End Position	**0.0**	**4.4**	**4.4**	

[1] This includes £4.4m funding for pay inflation assumed at 2.5% in Budget approved by Full Council in February 2022.

[2] As set out in paragraph 130 additional Business Rates funding of £5.9m is proposed to be added to the Business Rates Reserve pending agreement about the use of this funding.

3. The budget for 2022/23 agreed by Council in February 2022 included £15.8m funding for pressures within services as well as inflation and the cost to the council of the new Health & Social Care Levy that was implemented through National Insurance contributions from April 2022.

4. In addition to £5.7m investments agreed previously, there was a further investment of £6.2m in Council priorities for 2022/23. To enable new investments and help meet the cost of pressures, new savings of £12.7m were identified for 2022/23 in addition to existing planned savings of £4.7m.

5. The forecast 2022/23 deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £17.5m after taking account of £1.2m of COVID-19 costs being met from council resources. This has reduced compared to forecast in the Budget & Business Planning report to Cabinet on 18 January 2022 which set out that the spend on High Needs was expected to exceed grant funding by £20.3m in 2022/23. In line with a change to the CIPFA code of practice on DSG High Needs deficits an unusable reserve was created in 2020/21 to hold negative High Needs DSG balances. The forecast deficit would increase the negative balance held in this reserve to £47.3m at 31 March 2023.

6. Issues and volatility in the wider economy, including inflation and workforce shortages, have increased the risk to the financial position for the council and the overall landscape looks much more challenging than when the budget was set in February 2022. On-going budget held as contingency as part of the 2022/23 budget is likely to be needed to meet the cost of additional on-going pay inflation as well as other inflationary and demand pressures. One off funding in general balances was higher than the risk assessed level at the end of 2021/22 and can be used to support pressures in 2022/23. The on-going impact will need to be considered through the 2023/24 Budget & Business Planning process.

Directorate Forecasts

Adult Services

7. The service is currently forecasting a breakeven position against a budget of £212.1m.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Age Well Pooled Budget	87.5	0.0
Live Well Pooled Budget	102.5	0.0
Non- Pool Services	15.4	0.0
Commissioning	6.7	0.0
Total Adult Services	**212.1**	**0.0**

Age Well Pooled Budget

8. The Age Well pool combines health and social care expenditure on care homes, activity relating to hospital avoidance and prevention and early support activities

for older people.

9. A breakeven position is forecast for the council elements of the pool. However, there are on-going risks and uncertainties around activity levels, the impact of the Hospital Discharge Scheme ceasing and the impact on the market of the continuing increase of inflation, particularly in relation to new placements. The position requires the delivery of the £2.6m savings built into the 2022/23 budget.

10. An uplift of 6% has been applied to the contract rates for care providers operating within Oxfordshire whose current rates are within the ceiling threshold outlined below. The uplift will not be applied to packages of care which are wholly funded by Health. Providers above these rates are required to apply for an uplift with supporting evidence.

Services	Ceiling Threshold Unit Rate £
Residential Care Homes (Weekly)	£1,000.00
Nursing Care Homes (Weekly)	£1,200.00
Short Stay / Intermediate Beds	No Ceiling
Live Well at Home - Homecare Support (Hourly)	£25.20
Community Support (Hourly)	£25.20
Extra Care Housing (On-Site Care - Weekly Charge)	£59.24
Extra Care Housing (Hourly)	£25.20
Supported Living (Hourly)	£19.90
Day Services	No Ceiling
Direct Payments	No Ceiling

11. The budget contributions to the pooled budget for 2022/23 have yet to be agreed by the Joint Commissioning Executive (JCE). Oxfordshire Clinical Commissioning Group (OCCG) ceased to exist from 30 June 2022 and has been replaced by the Integrated Care Board (ICB) for Buckinghamshire, Oxfordshire and Berkshire West (BOB). A budget covering the first three months of the financial year has been agreed with OCCG with the expectation that the remaining budget will be agreed by the ICB after 1 July 2022. The expectation is that each partner will continue to manage their own variations against the agreed contributions for the whole of the financial year, which will be confirmed with a new section 75 agreement.

12. The council's share of the Better Care Fund held within the pool is expected to be £27.7m in 2022/23 and has increased by £1.4m compared to 2021/22. This is based on an expected minimum increase of at least 5.3% nationally.

Live Well Pooled Budget

13. The pool supports a mix of health and social care needs for adults of working age with learning disabilities, acquired brain injury or mental health needs and adults with physical disabilities.

14. A breakeven position is forecast for the council elements of the pool. There are

on-going risks and uncertainties around activity levels, complexity of new packages of care, the impact on the market of the continuing increase of inflation and the position requires the delivery of £2.5m savings agreed as part of the 2022/23 budget.

15. A £3.5m overspend on social care costs related to the Outcome Based Contract within the Mental Health element of the pool is anticipated. This pressure was also seen in 2021/22 and there are ongoing contract meetings between the council and the Oxford Health NHS Foundation Trust (OHFT) to further understand how this can be managed in 2022/23 and future years. £1.5m of this increase is to be funded from in - year budget with the remaining £2.0m expected to be met from a one-off contribution from reserves.

16. The OCCG contribution to the pool is £18.3m and is unchanged from the previous year. It has been agreed that the council will continue to manage the majority of any variation for the whole of the financial year as was the case in previous years. The added expectation that each partner will continue to manage their own variations against the agreed contributions for the whole of the financial year for the physical disability area of the pool. This will be confirmed as part of a new Section 75 agreement.

17. Under Section 75 of the NHS Act 2006 Oxfordshire Clinical Commissioning Group (OCCG) and the Council have pooled health and social care commissioning budgets since April 2013. The arrangements from 1 April 2022 include the agreement of a single, fully integrated pooled budget and risk share for Live Well and Age Well services. While the other changes are being implemented, further discussions have taken place about the risk share in the context of the current development of the Buckinghamshire, Oxfordshire and Berkshire West Integrated Care System (ICS). As noted in the Provisional Outturn Report considered by Cabinet on 21 June 2022, the risk share will continue under the same arrangements as in 2021/22.

Non-Pool Services

18. A breakeven position is being reported for all non-pool services. The current assumption is that all staffing budgets will be fully utilised, although recruitment and retention through the year may impact on this position.

Health, Education and Social Care Commissioning

19. A breakeven position is being reported.

Reserves

20. As set out in the Provisional Outturn Report to Cabinet on 21 June 2022, £10.6m held in the council's reserves is available to support pressures in 2022/23 and the risks as outlined above. £5.1m of this is available to be used to meet future cost pressures within Adult Social Care (ASC). £2.0m is earmarked against the pressure related to the Outcome Based Contract for Mental Health as noted in paragraph 15. Updates on the use of the remaining balance will be included in future reports.

21. A further £5.5m held in reserves was released from the council's contribution to

the Better Care Fund Pool as a result of additional contributions from OCCG over the last three financial years. This has been committed in agreement with OCCG through Joint Commissioning Executive, with the majority of the funding expected to be used during 2022/23.

22. £0.6m held within the Government Initiatives reserve relates to un-ringfenced funding allocated to Oxfordshire from the Omicron Support Fund in 2021/22. This will be used to provide further sustainability support to providers and an extension of the Recruitment and Retention scheme.

Medium Term Financial Plan Savings

23. The 2022/23 budget includes planned savings of £5.6m. All of these savings are currently expected to be delivered by year end. The process to maintain the saving is on-going but any variation is expected to be managed within the funding available.

Virements

24. Cabinet is recommended to approve the virement allocating expenditure budget funded by the Charging Reform Implementation Support Grant 2022/23 of £0.1m to Adult services to support the implementation of charging reform.

25. Cabinet is also recommended to approve the virement relating to the centralisation of a budget contribution towards Customer Service Centre budgets from Adults to Customers, Organisational Development and Resources and to note the virement allocating funding for inflation to the pools.

Grants

26. The council has received £1.5m Market Sustainability & Fair Cost of Care grant. This ringfenced grant must be used to implement the fair cost of care. Up to 25% of the fund can be used to carry out and implement a fair cost of care exercise, with the remaining 75% to be used to increase rates where these fall below the fair cost for that service.

<u>Children's Services</u>

27. As at the end of May 2022, Children's Services is experiencing significant pressures in three of its budget areas - staffing (particularly agency costs), placement costs and high needs (Schools Budget). The service is undertaking early in-year budget mitigation activity to manage these. The current forecast overspend is £17.5m on High Needs (DSG budget) and £5.5m on other services, as shown in the table on the next page.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Education & Learning	36.5	0.0
Children's Social Care	35.9	1.5
Children's Social Care Countywide	71.5	4.0
Schools[3]	0.2	0.0
Children's Services Central Costs	4.8	0.0
Total Children's Services	**148.8**	**5.5**
Overspend on High Needs DSG that will be transferred to unusable reserve		**17.5**

Use of agency staffing to support statutory case allocation in the front-line social work team

28. The continued workload pressure, increased vacancies and recruitment difficulties within front-line services has necessitated a higher use of agency staff within the front-line teams undertaking assessment and safeguarding activity. This is essential to manage caseloads and to maintain safe working practices.

29. Work is underway to reduce the overall staffing spend by;

- Addressing the flow of referrals at the 'front-end' (MASH) by revising thresholds and working practices;
- Reducing the backlog of assessments and intervention measures through the investment of managed teams in the Family Solutions Plus (FSP) service. The forecast includes costs to the end of June/early July of about £1.1m. If extended for a further three months, the additional cost will be £1.1m. The committed costs to June/July are funded by additional COVID-19 funding; and
- Attracting more permanent front-line workers, thereby reducing the need for agency staff, currently costing about £0.5m per month.

30. In addition to the plans outlined above, the directorate is also undertaking in-year mitigation measures to ensure overall staffing costs are managed within the budget. These include.

- Ensuring that maximum use is made of reserves and income streams including government grants and health income. A decision has been made to release some of the Supporting Families funding held in the Government Initiatives reserve, (money received by social care for meeting Troubled Families targets for intervention); and
- In-year vacancy management. In practice this means that all non-Social Work and SEN vacancies in Children's Services will be held until the overall staffing pressures are managed.

[3] *Maintained Schools are funded by Dedicated Schools Grant

31. Work has begun to profile these mitigations and around £2.6m has already been identified and included in the forecast, including £1.5m from reserves. Continued management actions will be taken to find further savings. Further savings will also be identified to manage these staffing pressures should the need for additional agency expenditure continue.

Placement costs in Children We Care For (CWCF).

32. On placements, the service has had an exceptionally difficult period in finding suitable placements for some children, resulting in some being accommodated in very high-cost arrangements. It is not unusual to have one or two such placements, but the increase reported at the end of last financial year has further accelerated this year. There are 10 placements that are currently included in the forecast for this financial year, with plans to arrange suitable placements as soon as possible.

33. In order to address the overall position of CWCF within Corporate Parenting, a brokerage action plan is being implemented to ensure more timely, suitable and cost-effective placements are sourced. The forecast includes provision for the current arrangements to be replaced by new placements during the year, with further provision for potential new arrangements to March 2023.

34. There is a variation in the unit cost of these placements. However, on average, there would be a net saving of about £9,000 per week per placement if suitable residential accommodation were found for these children. The forecast is based on both known and estimated dates for the current arrangements to end and for the children to move to more suitable and cost-effective placements. Beyond this, provision is made in the forecast for an average of two such arrangements.

35. On foster care, the recruitment of foster carers should reduce the reliance on Independent Foster Agencies (IFAs) and the ‘step down’ from residential care to foster care is also helping to reduce costs. These are accounted for in the figures. Continued management action should provide further savings beyond that included in the current forecast.

36. Since the 2022/23 budget was prepared, there have been a number of changes that have required a ‘re-setting’ or ‘re-basing’ of budgets to take place, in order to more accurately reflect current and future demands. This work is still in progress and will be fully reflected in the next report to Cabinet (September), based on July forecasts, which will also reflect the further management actions being taken to eradicate the budget pressure.

37. The Dedicated Schools Grant (DSG) budget, which is ring-fenced specifically for schools, has a forecast variance of £17.5m overspend, due to continuing pressures on High Needs. This is £2.8m lower than the planned deficit set out in the Budget & Business Planning report to Cabinet in January 2022.

38. It is too early in the financial year to fully assess the impact of inflationary pressures. However, broadly speaking, budget assumptions of 2.0% to 2.5% were anticipated. Some block contracts were agreed at these levels but other services, such as spot purchases, were subject to market conditions. The fuel price increase

has particularly affected home to school transport, where some contracts have had price rises of 12%. Further analysis will be done to build up a more complete picture.

Education & Learning

39. Within Education & Learning, the Home to School Transport and the Special Educational Needs (SEN) service continue to be the ‘high risk’ areas in terms of budget variance.

40. There was a significant underspend of -£1.5m in Home to School Transport in 2021/22 that was mainly due to the following:
    - Very stringent eligibility checks;
    - Increasingly efficient lets of mainstream contracts;
    - Increasing direct transport payments to families where it is cost efficient to do so; offset by
    - Increased SEN pupil usage arising from Education Health and Care Plans (EHCPs).

41. The 2022/23 budget includes an additional £1.3m for demographic changes (which is still considered likely), a £1.0m savings target and a £0.5m investment for active travel and green travel plans i.e. a net increase of £0.8m. The increase in fuel prices is having an impact on contract prices, with some increases as much as 12%. However, no overall variance is reported at this stage. This budget is being closely monitored in 2022/23 and further information will be included in the next monitoring report.

42. Within the Special Education Needs service there are considerable ongoing pressures on the SEN casework team and Educational Psychologists due to the continued high number of Education, Health and Care Plan (EHCP) requests. An additional £0.3m COVID-19 funding and an extra £0.9m have been included in the 2022/23 budget, for additional staff to manage the demand.

<u>COVID-19 Impact – Education & Learning</u>

43. Committed and agreed spend on COVID-19 is forecast to be £1.7m. This includes £1.2m funding for High Needs (DSG), which is the same figure as applied in 2021/22. Last year, following representations to the Education and Schools Funding Agency (ESFA), permission was given to offset from council resources COVID-19 related High Needs (DSG) costs arising from increased demand for Education, Health and Care Plans (EHCPs), estimated at £1.2m per annum.

Social Care

44. The two key areas of pressure are staffing costs and placement costs.

45. On staffing, the main focus remains on the recruitment and retention of social workers, particularly in relation to those in the ‘frontline’ services of Family Solutions Plus (FSP), the Multi Agency Safeguarding Hub (MASH) and Youth Justice and Exploitation services. This is primarily to address the caseload numbers, reduce the workflow, bring down the requirement for expensive agency staff and ultimately reduce the numbers of children coming into care.

46. The cost of these managed teams will be about £2.2m if they all remain in place until September/October. The current commitment is about £1.1m, up to June/July 2022 and this cost is being met from COVID-19 funding of £1.1m. The plan is to phase out the teams as and when staffing and caseloads are considered to be sustainable.

47. Based on the current use of agency social workers to fill vacancies it is anticipated that there will be an overspend within the front-line social care teams of at least £3m in 2022/23. However, it is estimated that the actions referred to above should reduce agency staff costs, resulting in a reduced cost of about £1m compared with the current underlying forecast. There is also pressure within the Youth Justice and Exploitation service. Whilst there is some additional funding in 2022/23 to meet ongoing pressures, the priority remains to manage down these pressures as much as possible.

48. The regional Agency Worker Memorandum of Co-operation (MoC), which was re-instated on 1 April 2022, is coming under significant pressure. The agency social work market is also becoming increasingly problematic as many of the available staff are now opting to join project (or managed) teams. This is dramatically reducing the available supply of locums across the region.

49. Non-staff costs include a forecast overspend on legal costs of £0.3m, a continuing pressure from 2021/22 and £0.4m on other costs.

50. There is also a pressure of £0.3m within management and central costs, arising partly from agency costs. However, these budgets are being reviewed to identify potential offsetting savings.

51. Within the Youth service, there is a forecast underspend of -£0.2m, as the new staffing budget is based on a full year and some appointments will start in September.

52. The uncommitted balance of £1.5m Supporting Families funding held in reserves will be used to offset the pressures within the Social Care budget.

Social Care Countywide

Disabled Children services

53. There is a forecast overspend on services for disabled children of £1.0m, which largely reflects the increased number, and complexity, of placements during 2021/22, which has continued into 2022/23. The increase from April 2021 to March 2022 was 10 (49 to 59), with a disproportionate increase since October 2021 of seven. In previous financial years there were lower rates of increase.

54. The average number of placements in 2021/22 was 52.5, which was about the number when the budget was set. An additional £0.2m was included in the budget in respect of demographic pressures, accounting for an average increase of about three placements. Currently, there are 60 placements meaning that, if this number were to stay the same throughout 2022/23, the unbudgeted additional cost of four

placements would be about £0.3m. Should the increase continue, there could be additional costs above this, potentially another £0.5m based on the previous year's trend.

Children We Care For (CWCF)

55. The forecast overspend on CWCF, excluding disabled children, is £4.0m. This incorporates a number of variances across the placement types.

56. The number of CWCF at 31 March 2022 was 854. Figures are updated and backdated as the plans are captured in the system. Some children are recorded as 'Becoming Looked After' (BLA), and most of these will actually be CWCF but, because of a time lag, retrospective adjustments are made. Taking this into account, the total forecast number of CWCF included in the 2022/23 budget at 31 March 2022 was about 850, which includes disabled children and unaccompanied children and young people (UCYP).

57. However, the most significant variance (£4.5m overspend) relates to a few, very high cost, placements. There has been an unprecedented period of difficulty in finding suitable placements for some children, often at very short notice, and to meet the particular individual circumstances of the children. At the time the 2022/23 budget was prepared, there was only one such placement and a budget of £0.1m. These placements increased during the latter part of 2021/22 and have continued to increase in 2022/23. Including two placements at the start of June (one costing £12,000 per week and the other £20,000 per week), there are 10 such placements included in the forecast. The provision within the forecast is an estimated cost of £4.6m.

58. As part of a wider brokerage action plan, alternative, lower cost, placements are being sourced for these and other high cost placements.

59. Excluding UCYP, there was little difference between the forecast included within the budget and the actual position at 31 March 2022 (796). However, there was an increase in the more expensive placements offset by reductions in the less expensive placements. For example, the following table shows the difference in foster care placement mix and the additional annual cost of about £0.3m:

	Forecast number March 2022	Actual number March 2022	Variation to Forecast number	Unit cost per week £	Difference per annum £m
In house	156	121	-35	430	-0.8
Independent Foster Agencies (IFA)	197	221	24	890	1.1
Total	**353**	**342**	**-11**		**0.3**

60. The recruitment of foster carers has had some success, following the slow down caused by the pandemic. There were a net 10 placements with in-house foster carers in 2021/22 and the forecast for 2022/23 is for a net 12 new placements

(offset by a corresponding reduction in IFA placements). To date this year, there have been three new registrations and four de-registrations. However, the four de-registrations were households that were not actively fostering (for various reasons).

61. The total number of CWCF at 31 May 2022 was 860 (excluding those with BLA status), made up as follows:

Children We Care For – category	April	May
Mainstream	722	737
Disabled Children	61	60
Sub-total	**783**	**797**
Unaccompanied Children and Young People (UCYP)	61	63
Total	**844**	**860**

62. Taking into account those with 'Becoming Looked After' (BLA) status, the totals are around 870 for April and 880 for May.

63. The target number of UCYP is 102, in accordance with the Home Office threshold of 0.07% of the child population in Oxfordshire. The grant received for children under 18 is either £114 per day or a higher rate of £143 per day (subject to the threshold and for the National Transfer Scheme). So, a maximum of about £1,000 per week. When a child reaches 18, the funding falls to £237 per week. As many UCYP are 17 years old, this means that there will be a significant drop in funding for them. £0.1m is available in reserves to help mitigate costs this year.

64. The forecast for 2022/23 assumes that the number of placements remains the same for the rest of the financial year, excluding UCYP. However, certain assumptions that reflect the directorate plans are incorporated, including:
    - Finding alternative placements for the very high-cost placements. The forecast assumes that current plans for individual placements are met, and the rest are moved by 31 December. A contingency of £0.1m per month is included for two high-cost placements to the end of the financial year.
    - 'Step-down' from residential care to foster care; and
    - The recruitment of foster carers, resulting in a target net 12 increase in in-house placements and a corresponding reduction in Independent Foster Agency (IFA) placements.

65. There are signs that the number of CWCF should reduce, as the number of children subject to a child protection plan (CPP) is reducing. Furthermore, the work to both reduce the backlog of assessments and stem the flow of referrals should start to have some impact on caseloads and, ultimately, should lead to fewer children coming into care. However, until the impact of the actions described above is more certain, forecasts will be made based on current knowledge.

<u>COVID-19 Impact</u>

66. An additional £2.9m is included in the budget for COVID-19 related spend. This reflects both ongoing costs and the adverse impact on savings plans. Included

within this figure is £1.1m that is being used to fund the costs of the managed teams within the Family Solutions Plus (FSP) service (in paragraph 46), £0.6m for the Multi Agency Safeguarding Hub (MASH) and £0.6m to offset unachievable foster care savings included in the previous Medium Term Financial Plan (MTFP).

Schools' Costs (other than DSG)

67. There are no significant variances to report

Children's Services Central Costs

68. There are no significant variances to report.

Overall COVID-19 funding

69. Total COVID-19 grant funding of £4.6m is included in the Children's Services budget for 2022/23. Some of this has been used to fund the shortfall in savings targets included in the previous Medium Term Financial Strategy (MTFS) that have been deferred due to the ongoing impact of COVID-19. Likewise, additional funding is included to meet ongoing pressures that had previously been considered would abate by now, particularly in relation to staffing.

Dedicated Schools Grant (DSG)

70. The current position on DSG is a forecast deficit of £17.5m in 2022/23, as shown below:

Summary of DSG funding	2022/23 Budget £m	2022/23 Projected Outturn £m	Variance May 2022 £m
Schools block	127.2	127.2	0.0
Central Services Schools block	4.8	4.8	0.0
High Needs block	75.1	92.6	17.5
Early Years block	39.2	39.2	0.0
Total	**246.3**	**263.8**	**17.5**

71. The forecast variance for the High Needs Block has reduced compared to the position in the Budget & Business Planning report to Cabinet on 18 January 2022. This set out that spend on High Needs was expected to exceed the grant funding available in 2022/23 by £20.3m. The reduction is due to a lower number of expected independent placements than initially budgeted due to lower numbers of young people in schools in 2021/22 and the expansion of resource bases. In addition, funding set aside for contract pressures is expected to be lower.

72. Key risks to the forecast are the number of additional placements in September (over and above those currently planned), tribunal challenges to placement decisions and the impact of inflation on providers' fees.

73. The existing High Needs deficit management plan which sits behind the High Needs budget agreed at Cabinet in January 2022 is progressing well and savings are being delivered. The existing plan is an initial step towards financial stability and further work is being undertaken.

74. The DfE have a SEND support programme that consists of Safety Valve Agreements for those local authorities with the highest deficits and Delivering Better Value for the remaining deficit authorities. Oxfordshire does not qualify for the DfE Safety Valve scheme. The Delivering Better Value scheme is a national programme investing £85m over 3 years for 55 local authorities. Oxfordshire is in the first tranche of Delivering Better Value with an initial visit due this Summer. The first step is a diagnostics activity of underlying cost drivers of the high needs system, and to then consider potential reforms to manage/mitigate these cost drivers more effectively.

75. The learning from this support will be included in a new version of the Deficit Management plan alongside other initiatives being worked on, including the provision of additional special school places. Despite the initiatives, the deficit will not be eradicated quickly due to increasing numbers of children requiring support.

Public Health

76. The service is currently forecasting a break-even position.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Public Health Functions	32.6	0.0
Public Health Recharges	0.6	0.0
Grant Income	-32.6	0.0
Transfer to Public Health Reserve	0.0	0.0
Total Public Health	**0.6**	**0.0**

77. The majority of the Public Health budget is funded by ring-fenced Public Health Grant of £32.6m.

78. The Public Health budget also includes £0.6m of council funding for inequalities and domestic abuse.

79. In addition to this, it has been confirmed that the council will receive £1.2m un-ringfenced grant in 2022/23 to support the provision of accommodation-based support to victims of domestic abuse and their children as well as £0.6m un-ringfenced grant in relation to Supplementary Substance Misuse Treatment and Recovery. The conditions linked to the substance misuse funding are that the level of investment in drug and alcohol treatment and recovery is maintained in line with the 2021/22 outturn position. This is the first year of a three-year scheme where the Office for Health Improvement and Disparities (OHID) is working alongside other government departments to support a process of investment in a whole system approach to tackling illicit drug use, including enforcement, diversion, treatment and recovery interventions. Because both of these are grants are un-ringfenced the funding will be held centrally and it is proposed to add the equivalent expenditure budget within Public Health.

Government Grants

80. The Public Health grant is £32.6m in 2022/23. This includes £0.2m awarded to Oxfordshire to support the delivery of routine commissioning in relation to pre-exposure prophylaxis (PrEP) for HIV.

Reserves

81. Public Health earmarked reserves are expected to be £5.0m at 31 March 2023. Work is ongoing to develop a plan to utilise this funding in line with the grant conditions over the medium term.

Medium Term Financial Plan Savings

82. All savings within the 2022/23 budget are to be delivered by year end.

Virements

83. The Cabinet is asked to approve virements to add budgets related to the Supplementary Substance Misuse Treatment and Recovery Grant and grant to support to victims of domestic abuse and their children to Public Health as noted in paragraph 79.

Environment & Place

84. The Directorate is currently made up of three service areas: Planning & Place, Community Operations and Growth & Economy and a directorate management area, which includes the redesign budget saving. Each area is responsible for a specific function to ensure an effective delivery of council's priorities through an effective and efficient use of council's resources.

85. The directorate is currently forecasting a break-even position for 2022/23 although there are inflationary risks that may impact this as the year progresses depending on whether they can be mitigated. This includes increases in the cost of street lighting reflecting the price of energy, increases in the cost of highways maintenance and the impact of increases in the cost of fuel on transport contracts.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Planning & Place	2.9	0.0
Community Operations	58.9	0.0
Communities Management	-0.4	0.0
Growth & Economy	1.4	0.0
Total Environment & Place	**62.8**	**0.0**

86. Planning & Place is currently forecasting a breakeven position. There is a forecast pressure of £0.3m relating to staffing costs but the service area is aiming for a breakeven position by offsetting this pressure through the utilisation of developer contributions and seeking to fill vacancies through active recruitment. Interim staff cost pressures are expected to be offset by a short-term staffing underspend.

87. There are further staffing shortages that could impact on the ability of the service to deliver a number of projects unless additional capacity is found through successful recruitment.

88. Growth & Economy is forecasting a balanced year end position with a potential pressure of £0.5m relating to an accelerated transport strategy work. If realised, this may mean that the service would overspend by the year end. Further work is being undertaken to understand the impact of this and an update will be given in the next report.

89. Communities Management is currently working through the planned restructure. The first phase of the restructure is currently under way with an anticipated breakeven position. The second phase is expected to be delivered towards the end of the year meaning that the budgeted staff savings may not materialise until the following financial year. Therefore, the budgeted target for 2022/23 will be achieved through a sustainable cost reduction and additional income generation within the directorate.

90. Community Operations is currently forecasting a balanced position providing that the risks around extreme adverse weather or increased vegetation growth does not materialize. The forecast also assumes that the cost of preparing the highway for the Women's Cycle Tour route can be funded within the base budget by reprioritising or combining with other works.

91. The service is likely to realise a level of abnormal inflationary pressure this year, however it is still in the process of confirming the potential impact in 2022/23. A firmer position will be included in the next report.

92. Waste services are currently forecasting a breakeven position. However, it is still early in the financial year so there is insufficient waste tonnage data to provide an accurate forecast for the year. The service has identified further pressures through abnormal contract inflation. If the on-going tonnage data indicates that the waste levels return toward pre COVID-19 levels this pressure may be absorbed. This will be actively monitored throughout the year.

93. Integration & Improvement is currently projecting a balanced year end position. There is a small risk of an overspend due to staff vacancies and difficulties with recruitment resulting in a reliance on interim staff. However, this will be monitored throughout the year and reported in future reports if that risk materialises.

Review of Charges

94. In line with a joint decision to encourage patronage back to the Oxford Park and Ride care parks and to reduce traffic on the network, a number of changes have been proposed that both Oxford City Council and Oxfordshire County Council need to approve. For a trial period of six months starting from 30 September 2022 all of the park and ride sites in Oxford will introduce a combined parking and bus ticket at a reduced rate. The council receives a contribution for each ticket sold and that contribution will reduce from £2.00 to £1.20. The parking period for standalone parking charges is proposed to change from 1-11 to 1-16 hours and

11-24 to 16-24 hours but the charges for both periods will remain the same. The impact of the loss of income is difficult to estimate, but this could be around £0.105m for the six month period. The changes are summarised in the table below.

Park & Ride Thornhill & Water Eaton only Charge Type	Previously approved unit	Revised unit	Previously approved charge	Revised charge
Parking only	1-11 hours	1-16 hours	£2	£2 (no change)
Parking only	11-24 hours	16-24 hours	£4	£4 (no change)
Combined Park and Bus	Not previously reported	Single person	n/a	Contribution to OCC reduced from £2 to £1.20
Combined Park and Bus	Not previously reported	Two or more people	n/a	Contribution to OCC reduced from £2 to £1.20

95. The Emergency Notice charge for a Temporary Traffic Regulation Order is currently continuing to be charged at the 2021/22 rate of £1,460.00 as this charge was omitted from the updated Review of Charges (RoC) agreed by Cabinet in January 2022. It is proposed to increase this by 2% to £1,490.00 from 1 August 2022. Temporary Traffic Regulation orders with “5 days notice” (updated from "Emergency Notice" in the Review of Charges (RoC) agreed by Cabinet in January 2022) will continue to be charged at £910.

Commercial Development, Assets & Investment

96. The Commercial Development, Assets and Investment forecast directorate position is a £0.4m overspend against a budget of £48.0m.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Property & Facilities Management	15.3	0.3
Law & Governance	7.8	0.0
Fire & Rescue and Community Safety	24.8	0.1
CDAI Management Costs	0.1	0.0
Total Commercial Development, Assets & Investments	**48.0**	**0.4**

97. This overspend is due to higher utilities costs in Property Services and the impact of supporting a large court case in Trading Standards.

98. An underspend arising from vacancies in the Procurement Hub is forecast to offset an overspend in Law & Governance arising from agency staffing needed to cover vacant posts.

99. All other services are currently forecasting breakeven.

Supplementary Estimate

100. A school condition survey is being carried out during the summer holiday period. Each maintained school will have a detailed building and asset condition report complied and to compliment this it is planned that an energy audit will also be carried out as part of this process. It is envisaged the reports will be ready for end of September 2022 and each school will be provided with their individual copy. The condition report will provide a more detailed view of the condition of the school stock and help inform the schools structural maintenance program and also feed the carbon neutral agenda identifying opportunities to improve the council's carbon footprint.

101. In line with the virement rules, the Cabinet Member for Finance and the Section 151 officer have approved the use of one-off funding from General Fund balances to support the £0.5m cost in 2022/23 (see Annex B – 2c).

Customers, Organisational Development & Resources

102. The Customers, Organisational Development and Resources Directorate forecast is an underspend of -£0.4m against a budget of £36.2m.

Service Area	2022/23 Latest Budget £m	Year End Variance May 2022 £m
Corporate Services	1.4	0.0
Human Resources & Organisational Development	3.9	-0.3
Communications, Strategy & Insight	3.4	0.0
ICT & Digital	11.4	0.0
Culture & Customer Experience	9.2	-0.1
Finance	6.9	0.
Total Customers, Organisational Development & Resources	**36.2**	**-0.4**

103. Additional funding for the new structure for Human Resources will not be fully utilised this year due to vacancies to be filled later in the year, and likely unfilled vacancies from continued recruitment market challenges. This underspend is -£0.3m.

104. Culture and Customer Experience is forecasting a total of -£0.1m underspend with small movements across all services.

105. All other services are forecasting breakeven.

Medium Term Financial Strategy Savings

106. The 2022/23 budget agreed includes planned directorate savings of £17.4m.

68% are on track to be delivered in year compared to a target of 95% set out in the budget agreed by Full Council in February 2022.

107. £1.7m savings are assessed as red and relate to anticipated savings in Street Lighting. Environment & Place is forecasting a year end breakeven position so this pressure is currently forecast to be met by underspends elsewhere within the service.

108. £1.4m transformation savings in Commercial Development, Assets and Investment for Property Services are not expected to be achieved. The service is reviewing how it can address this but forecast underspends elsewhere should mitigate this pressure.

109. There are also £1.5m Amber savings in Children's and £0.8m in Commercial Development, Assets and Investment.

110. The anticipated delivery of the savings is built into the directorate positions reported above.

<u>Debt Management</u>

Corporate Debtors

111. The collection rate based on invoice volumes for the first two months is 96.5%, 1.5% above the 95% target, and is 98.4% based on value of invoices.

112. At the end of 2021/22 debt requiring impairment totalled £0.33m. This rose to £0.35m as at the end of May 2022, however this is still within the target range. Mediation is likely to resume on the top value debt case previously reported, however, is now not expected to be resolved in quarter 1 of 2022/23.

Adult Social Care Debtors

113. The 120-day invoice collection remains at 89%, below the 95% target, however in line with performance throughout last year. The collection rate is impacted by several factors; these processes are being reviewed and should improve collection rates through 2022/23. In addition, the proportion of people paying by direct debit continues to increase.

114. The final balance of bad debt as at the end of 2021/22 was £3.7m. The balance at the end of May 2022 increased to £4.1m. During 2021/22 the trailing impacts of COVID-19 had a significant effect on the means tested social care contributions bad debt. In quarter four of 2021/22 Adult Services, with support from Finance, created an 18-month plan to reduce the levels of bad debt to £2.5m. Additional resources have been brought in and a task group has been assembled to ring-fence and clear the bad debt cases over the next 12 to 18 months. The task group went live in May 2022 but reductions to bad debt are not expected until quarter three of 2022/23 onwards as the task group establish working arrangements, assess, and prioritise the caseload and commence recovery activity. This is identified as a priority ahead of legislation changes to social care charging.

Discontinuance of the Oxfordshire County Council – Cherwell District Council Section 113 Agreement

115. As set out in the update elsewhere on the agenda, Council agreed to formally notify Cherwell District Council of Oxfordshire County Council's decision to give 6 months' notice of its intention to terminate the Section 113 Agreement regarding joint working between the two authorities in February 2022. Estimated costs of £0.7m arising from the implementation of this decision will be met from the contingency budget in 2022/23 and the on-going impact will be addressed through the Budget & Business Planning process for 2023/24.

Budgets Held Centrally

116. There is a combined underspend of £1.1m against budgets held centrally.

Capital Financing Costs

117. The borrowing costs and minimum revenue provision for capital projects funded by Prudential Borrowing are either recharged to directorates where savings arising from the scheme are expected to meet them or met corporately from the budget for capital financing costs. Based on the position at the end of 2021/22 it is anticipated that there will be an underspend against this budget in 2022/23 but further work is required to confirm that. An update will be included in the next report.

Interest on Balances

118. The current forecast outturn position for in house interest receivable is £3.1m, which is £1.6m above budget. This overachievement of budget is due to the council taking advantage of higher than forecast investment rates. Of the £1.6m overachievement, an estimated £1.0m will be applied to Developer Contribution balances. The reference rate at which interest is applied to Developer Contribution balances will be above zero during 2022/23 for the first time since 2019/20.

119. The forecast outturn position for external fund returns is £3.8m, in line with the budget.

Inflation and Contingency

120. Contingency budget is held to cover:

- the risk that demographic pressures are higher than forecast;
- any unfunded new burdens or unfunded elements of government grant;
- any potential pay awards beyond budgeted assumptions plus other inflationary risk; and
- the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.

121. The inflation and contingency budget for 2022/23 totals £12.3m. This includes £4.4m funding for pay inflation assumed at 2.5% in the budget approved in February 2022. The three NJC unions (UNISON, GMB and Unite) have submitted their pay claim for local government services (Green Book) employees for 2022. The claim seeks "a substantial increase with a minimum of £2,000 or the current

rate of the Retail Price Index (RPI) – whichever is greater – on all spinal column points. Each 1.0% increase above 2.5% is estimated to cost £1.8m and would need to be met from on-going contingency budget which would be moved into directorate budgets after the increase is agreed.

122. The latest estimate from the Office of National Statistics indicates that CPI inflation is currently at 9.1% for the 12 months up to May (up from 9.0% in April). Inflation is likely to have a significant impact on the council's services that will need to be managed and mitigated as the year progresses and then be considered through the Budget & Business Planning Process for 2023/24.

Reserves

123. As set out in Annex B - 3 Earmarked Reserves are forecast to be £193m at 31 March 2023.

124. **Budget Priorities Reserve** – This includes £7.7m one - off funding to support the council's priorities that was agreed as part of the 2022/23 budget in February 2022. £0.250m has been agreed to be used to support the implementation of "Vision Zero". A further £0.250m will be used to support partners in the delivery of a food strategy action plan. This will seek to address food poverty, inequality, access to healthy food, and supporting/enhancing local food supply.

125. As set out in the Earmarked Reserves and General Balances Policy Statement for 2022/23 £7m from the Budget Priorities Reserve was agreed to be used to contribute to the Capital Reserve to help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes.

126. £10.6m of the total held in the reserve relates to Adult Social Care. £2.0m is earmarked against the pressure related to the Outcome Based Contract for Mental Health as noted in paragraph 15. A further £5.5m was released from the council's contribution to the Better Care Fund Pool as a result of additional contributions from OCCG over the last three financial years. As noted in paragraph 21 the majority of this funding is expected to be used during 2022/23.

127. **COVID-19 Reserve -** The balance held in the reserve after taking account of £8.4m used to support directorate budgets in 2022/23 is £17.9m. A further £11.7m has been agreed to be used to fund COVID-19 related pressures in future years as part of the Medium Term Financial Strategy. £0.5m is being used to fund IT equipment delivered in April 2022 that was originally agreed to be spent in 2021/22 and £0.1m has been committed for additional costs within the Coroner's service.

128. The uncommitted balance of £5.5m is available to support further COVID-19 pressures on a one–off basis.

129. **Council Tax Collection Fund Reserve –** as part of the 2022/23 budget, £3.0m of the £6.0m balance held in this reserve was agreed to be used to contribute to the Capital Reserve to help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes.

130. **Business Rates Reserve** – This reserve is held to manage fluctuations in

Business Rate income that the Council receives. As noted in the budget agreed by Council in February 2022, Business Rate income for 2022/23 was estimated as information about both the 2022/23 income and 2021/22 deficit position was received from the district councils after the budget was agreed. The in - year income is £5.9m more than estimated in the budget. This is proposed to be added to the Business Rates Reserve pending agreement about the use of this funding. A further update will be provided later in the year when grant funding for the council's share of the 2021/22 deficit is confirmed.

131. An unusable reserve was created in 2020/21 to hold **negative High Needs DSG balances** in line with a change to the CIPFA code of practice on DSG High Needs deficits. The net deficit of £17.5m for 2022/23 (see paragraph 71) will increase the total deficit held in the reserve to £47.3m. The regulations which require the negative balance to be held in an unusable reserve will come to an end on 1 April 2023. The on-going impact will need to be considered as part the Budget & Business Planning process for 2023/24.

Grants

132. As set out in Annex B - 4 government grants totalling £395.1m are expected to be received by the Council during 2022/23. Changes compared to the budget agreed in February 2022 include the addition of the Market Sustainability and Fair Cost of Care grant (£1.5m), Domestic Abuse Grant (£1.1m) and Substance Misuse Treatment and Recovery grant (£0.6m).

Homes for Ukraine

133. The Homes for Ukraine scheme was launched on 14 March 2022. The scheme is open to Ukrainian nationals who were residents in Ukraine prior to 1 January 2022 and also to their immediate family members to be sponsored to come to the UK. Guests will be able to live and work in the UK for up to 3 years and access benefits, healthcare, employment, and other support. Local councils are responsible for initial accommodation and safeguarding checks, including at least one in person visit, payments to sponsors and an initial £200 payment to guests on arrival, social care assessments and ongoing support, school places, and information about the local area.

134. Grant funding of £10,500 per person is being provided to upper tier councils to enable them to work with district councils and other partners to provide support to families to rebuild their lives and fully integrate into communities. This funding is un-ringfenced but has a number of conditions attached. Funding for councils to administer optional 'thank you' payments at the £350 per sponsoring household per month rate will also be provided through a separate ringfenced grant. Payments will be based on the actual number of Homes for Ukraine guests (for the £10,500 tariff) and the actual number of sponsoring households (for the £350 'thank you' payments) within each area. More detailed grant conditions providing more information about how this will operate are awaited but for both the £10,500 and £350 grants DLUHC have indicated that "if the amount of grant paid to an authority exceeds the authority's actual pressures based on the number of guests and sponsorship households in their area, the difference will need to be repaid". The Homes for Ukraine Scheme is being extended to include unaccompanied Children. The guidance has not yet been updated, but briefings have indicated the scheme would be for three years in relation to unaccompanied children, and that there would be no additional funding so this will need to be met from the existing £10,500 tariff per guest.

135. The Department for Education (DfE) will allocate funding to councils on a per pupil basis to provide education services and support for children with special educational needs and disabilities (SEND) for children from families arriving from Ukraine.

136. As at 31 May 2022, 1,014 Ukrainian nationals had moved into Oxfordshire. £10.6m grant funding has been received to date and is available to support the operation of the scheme in Oxfordshire for those people. Updates on the number of guests and the funding arrangements will continue to be provided throughout the year.

General Balances

137. As set out in the Provisional Outturn Report to Cabinet on 21 June 2022, general Balances were £39.2m as at 31 March 2022 and will reduce to £37.2m after taking account of a budgeted contribution of £1.0m and the agreed use of £3.0m to support the help meet the costs of the 20 MPH Speed Limit Programme and the Zero Emission Buses Regional Areas (ZEBRA) Schemes. The risk assessed level of balances for 2022/23 is £28.9m. As noted in paragraph 100-101 £0.5m one – off funding for the schools' condition survey in summer 2022 has also been agreed to be met from balances.

138. After taking account of the projected overspend of £4.4m, balances will reduce to £32.3m. This is £3.4m above the risk assessed level.