

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 29 SEPTEMBER 2011

FINANCIAL MONITORING OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 21 July 2011 set out the Council's financial position at the end of 2010/11. This report provides a commentary on the financial monitoring for the first four months of 2011/12 and is consistent with the position reported to Cabinet on 20 September 2011. The full Financial Monitoring Reports to Cabinet are available on the Council's website and the Directorate reports are available in the Members' Resource Centre.
2. Carry forwards from 2010/11 were considered by Cabinet on 21 June 2011 and those agreed so far are included in the latest budget. Carry forwards in CEF, S&CS and E&E dependent on virements larger than £0.5m were agreed by Council on 13 September 2011 in accordance with the Financial Regulations and will be reflected in the report to the end of September 2011.
3. Part 1 sets out the forecast revenue position, Part 2 the Balance Sheet, and Part 3 provides an update on the Capital Monitoring position and Capital Programme Review.

Part 1 - Revenue

4. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of +£1.309m or +0.31% against a budget of £416.789m as shown in the table on the next page. This forecast excludes an overspend of +£0.337m on services funded from Dedicated Schools Grant (DSG). The summary budget monitoring table for July is attached in Annex 1 to this report.
5. Over half of the 2011/12 savings totalling £54.6m are already achieved or forecast to be achieved. The remainder are subject to management action and may also be affected by external factors during the year.

SYP6

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast ¹ July 2011 £m	Variance Forecast July 2011 %
112.817	Children, Education & Families	110.627	109.514	-1.113	-1.01
219.442	Social & Community Services (S&CS)	219.196	220.187	+0.991	+0.45
75.561	Environment & Economy	78.396	77.953	-0.443	-0.57
7.751	Chief Executive's Office	8.570	8.517	-0.053	-0.61
415.571	In year Directorate total	416.789	416.171	-0.618	-0.15

Add: Overspend on Council Elements of Pooled Budgets		+1.927	
Total Variation Including Council Elements of Pooled Budgets		+1.309	+0.31
Add: Overspend on DSG		+0.337	
Total Variation		+1.646	+0.39

6. The -£0.618m reported for July is £0.600m greater than the -£0.018m variation as at the end of May which was reported to Cabinet on 19 July 2011². An increase in the forecast underspend for CE&F is partly offset by an increase in the forecast overspend in S&CS.

Directorate	Forecast Variance as at 31 May 2011 (reported to Cabinet on 19 July 2011) £m	Forecast Variance as at 31 July 2011 (reported to Cabinet on 20 September 2011) £m
CE&F	-0.008	-1.113
S&CS	+0.490	+0.991
Environment & Economy	-0.485	-0.443
Chief Executive's Office	-0.018	-0.053
Directorate in-year forecast variation	-0.018	-0.618
Change		-0.600

7. The forecast revenue outturn by Directorate based on the position to the end of July 2011 is set out below.

¹ Throughout the report a minus sign represents an underspend compared to the latest budget and a positive sign indicates an overspend.

² There is no Cabinet meeting in August.

Children Education & Families: -£1.113m, or -1.01%, in-year Directorate underspend

8. An in-year variation of -£1.113m is forecast (-£0.776m total variation including a +£0.337m overspend on services funded from DSG). The Directorate is committed to achieving -£10.2m of savings in 2011/12 rising to -£19.8m by 2014/15. The Directorate's Transformation Board is meeting regularly to review progress.
9. Services are being redesigned as part of the Business Strategy and, subject to the wider restructure of the Directorate, implementation is underway as detailed in the Service Redesign Report agreed by Cabinet on 19 April 2011. Due to the timing of the implementation there is a risk that some of the savings dependent on service redesign will not be achieved in full in 2011/12.

Admissions & Transport

10. Home to School Transport are forecasting a variation of -£0.481m. This may change during the year as the full effect of the last tendering process is known along with the impact of the new academic year changes.

Placements

11. Placements are currently forecasting a breakeven position. There continues to be an upward trend in agency residential placements and the position reported allows for £1.035m to be spent on around fourteen full time equivalent new placements during 2011/12 should they be absolutely necessary. The service continues to work toward minimising the use of out of area placements, although some children have significant complex needs that require specialist or secure placements. This service area is subject to significant fluctuations depending on demand so updates will be included in future reports.

Asylum

12. An underspend of -£0.663m is forecast on Asylum. This area is extremely volatile so the position is likely to change by the end of year as it is difficult to forecast the number of new clients entering the service. If appropriate a request will be made later in the year to allocate the effect of additional grant reimbursement received compared to the £1m income budget assumed

DSG

13. Confirmation has been received from the Department for Education that the Council's 2010/11 DSG allocation will be increased by £2.629m. The final confirmations of the 2011/12 DSG and Pupil Premium allocations have also been received. The DSG allocation has reduced by £0.570m to £386.233m. The change relates to the adjustments for the pupil count within individual schools. Pupil Premium 2011/12 allocation is £3.916m an increase of £0.516m since Council approved the budget in February 2011.

Social & Community Services: +£0.991m, or +0.45%, in-year Directorate overspend

14. An overspend of +£0.991m is forecast. There is also a forecast overspend of +£1.927m on the Council elements of the Pooled Budgets. The directorate is aiming to make savings totalling -£19.6m in 2011/12. These rise to -£42.0m by 2014/15 and their delivery is being overseen by the Directorate's Change Management Board.

Adult Social Care

15. Social Work (Locality Teams) are forecasting an overspend of +£0.587m. Following a restructure of the service the saving relating to the reduction in staff will not be fully achieved. This will be considered as part of the Service and Resource Planning process for 2012/13 and also as part of other reorganisation proposals.
16. Internal Learning Disabilities continues to forecast an overspend of +£0.298m. This is due to delays in restructuring Day Services and Supported Living. It is expected that full year effect of the savings will be realised in 2012/13.
17. Older People and Physical Disabilities income is forecasting to be underachieved by +£0.280m. There has been a steady reduction in the number of clients assessed under Fairer Charging as being liable to partially or fully fund the cost of care over the last few months.

Community Safety (Including Fire & Rescue)

18. Community Safety are forecasting an underspend of -£0.100m. There are a number of pressures within the Fire & Rescue Service but it is expected that they can be managed within the service. The Business Strategy savings are on target to be delivered.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

19. The Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£3.728m, +£1.850m on the Council's element and +£1.878m on the Primary Care Trust's (PCT) as set out in the table on the next page. The overspend includes the net overspend of +£0.205m on the Council's budget carried forward from 2010/11 as set out in the Provisional Outturn Report for 2010/11. The balance of the Winter Pressures funding which was transferred to Reserves at the end of 2010/11 is also included in the forecast and has been committed to fund additional care home placements and purchase of additional hours of home care.

Original Budget	Latest Budget		Forecast Variance July 2011			Variance May 2011	Change in Variance
			OP £m	PD £m	Total £m		
2010/11 £m	2010/11 £m						
87.168	87.125	Council Elements Forecast in-year variance	0.073	1.614	1.687	1.328	+0.359
30.856	30.955	PCT elements Forecast in-year variance	1.599	0.164	1.763	1.327	+0.436
118.024	118.080	Total Older People & Physical Disabilities	1.672	1.778	3.450	2.655	+0.795
0.910	0.827	Council- Equipment			0.163	0.000	+0.163
0.312	0.309	PCT- Equipment			0.115	0.370	-0.255
119.246	119.216	Total - Older People, Physical Disabilities & Equipment Pool	1.672	1.328	3.728	3.025	+0.703

20. The use of the additional funding of £6.196m for Adult Social Care being provided via the NHS for 2011/12 is now being finalised and most will be allocated to the Older People's pooled budget. The Council will work within the overall resources available for Older People including this additional funding so no year end variance is being forecast at this time.

21. The Older People's Care Homes budget is forecast to overspend by +£0.102m due new beds being included in the forecast. The forecast also includes the transfer of income for funded nursing care from the PCT.

22. The Physical Disabilities Budget is forecast to overspend by +£1.614m on residential and nursing beds and external and internal home support. This is due to the ongoing full year effect of placements and packages put in place in 2010/11. The Joint Management Group has agreed to transfer of £1m funding for demography from Older People to Physical Disabilities lines in the pool. This will be used to offset the overspend of +£1.144m carried forward from 2010/11. An action plan to reduce the overspend is being updated. It is unlikely that the full amount of the overspend will be recovered this financial year. In that case, it would need to be recovered in 2012/13.

23. The PCT element of the pool is forecast to overspend by +£1.878m, +£1.599m on Older People, +£0.164m on Physical Disabilities, and +£0.115m on equipment.

Learning Disabilities Pool

24. The Learning Disabilities Pooled Budget is forecasting an overspend of +£0.091m as shown in the table below. As part of the Directorate Business Strategy an Efficiency Savings Plan for 2011/12 has been agreed by the Joint Management Group and is expected to deliver savings in excess of -£4m during the year. This will cover the overspend of +£1.082m brought forward from 2010/11, the savings included in the Directorate's Business Strategy and a number of other pressures. A significant proportion of the savings target has already been achieved as a result of work carried out in 2010/11.

Original Budget £m	Latest Budget £m		Variance July 2011 £m	Variance May 2011 £m	Change in Variance £m
66.613	64.218	OCC Elements	0.077	0.000	+0.077
11.866	11.959	PCT Elements	0.014	0.000	+0.014
78.479	76.177	Total - Learning Disabilities	0.091	0.000	+0.091

Environment & Economy: -£0.443, or -0.57%, in-year Directorate underspend

25. Environment & Economy are forecasting an underspend of -£0.443m. The directorate's Business Strategy includes savings of -£13.2m rising to -£31.8m by 2014/15. The delivery of the savings is being monitored by the Directorate's Business Strategy Delivery Board but it is anticipated that the agreed levels of service will be delivered within the budget set.

Highways & Transport

26. The service is forecasting a break-even position which includes the underspends on the Public Transport contracts and the Integrated Transport Unit's Vehicle Purchasing budget. The service is awaiting invoicing information from bus companies to allow a forecast to be established for Concessionary fares.

Growth & Infrastructure

27. The service is forecasting an underspend of -£0.144m. This is mainly due to the slippage in the delivery of the Minerals and Waste Framework (-£0.180m). One-off funding was agreed for 2011/12 to fund the work on the Framework. This will be requested to be carried forward to 2012/13 or set aside in a reserve for this purpose during the year.

Property and Facilities

28. The service is forecasting a variation of -£0.195m. This includes savings being realised earlier than expected due to the closure of the Cricket Road Centre (-£0.204m).

29. Food with Thought are forecasting a trading surplus of £0.400m. This reflects a 5.7% increase in the uptake of meals at the end of June 2011 compared to the same period last year. The intention is that this surplus, plus any remaining School Lunch Grant will be reinvested in the service in agreement with Schools. QCS Cleaning is forecasting a break-even position.

Oxfordshire Customer Services

30. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.133m. This relates to Adult Learning and as part of the agreed four-year recovery plan will be used to pay back part of the £0.181m supplementary estimate with the balance repaid in 2012/13. Elsewhere within the service a break even position is being reported and business strategy savings are being delivered or are on target to be delivered.

Chief Executive's Office: -£0.053m, or -0.61%, in-year Directorate underspend

31. The Chief Executive's Office (CEO) is forecasting a variation of -£0.053m. The Business Strategy savings for CEO (£1.3m) are generally low risk and on target to be delivered in 2011/12.
32. Legal Services are forecasting an overspend of +£0.100m. As in previous years an increase in the number and complexity of childcare and planning cases is putting a pressure on the service. In addition, external income from Section 106 work has reduced. The service is controlling costs where possible by limiting the use of external counsel.
33. Cabinet approved the first wave of bids for the Big Society Fund totalling £0.282m on 19 July 2011. Further bids for the remaining £0.318m of funding will be considered by Cabinet later this year.

Redundancy Costs

34. £6.958m of estimated redundancy costs expected in 2011/12 or later years were accounted for in 2010/11. Actual 2011/12 payments made to the end of July 2011 are £1.079m and will continue to be monitored and reported throughout the year.

Virements and Supplementary Estimates

35. The virements requested to date in 2011/12 include the transfer of Food with Thought and QCS Cleaning to Property and Facilities from Oxfordshire Customer Services, the creation of budgets for the Early Intervention Service in accordance with the Business Strategy, and the adjustment of expenditure and income budgets for schools, which had previously been kept unchanged because of the impact on inflation on the overall budget³, by £64.112m to bring them in line with the actuals for 2010/11.

³ Where different inflation rates applied to pay and non – pay virements, changing this would have had the effect of changing the overall inflation applied to schools budgets.

Local Area Agreement Performance Reward Grant

36. As set out in the Provisional Outturn Report to Cabinet in June 2011, £0.968m Performance Reward Grant (PRG) relating to the Adult Skills Target was received in March 2011. The £0.678m revenue element (70% of the total) was accounted for in balances and the remaining 30% (£0.290m) held as capital financing at the end of 2010/11.
37. Supplementary estimates were requested in the report to September Cabinet to release the revenue element from balances subject to use by the Council or to be passed to partners. The use of the capital and revenue elements is set out in the table below.

	Revenue £m	Capital £m	Total £m
Skills Element	0.339	0.145	0.484
Oxfordshire Community and Voluntary Action (OCVA)	0.062		0.062
Oxfordshire Rural Community Council (ORCC)	0.045		0.045
Broadband Project	0.116	0.050	0.166
District Councils	0.116	0.050	0.166
Unallocated		0.045	0.045
TOTAL	0.678	0.290	0.968

Grants Monitoring

38. Ringfenced grants totalling £428.100m (including £388.925m of Dedicated Schools Grant) are included in Directorate budgets. The DSG allocation for 2011/12 has been confirmed to be £386.233m and the Pupil Premium allocation is £3.916m. A table detailing the grants and their latest allocations is attached in Annex 2 to this report.

Bad Debt Write Offs

39. There were 24 general write offs to the end of July 2011 totalling £7,407. In addition Client Finance has written off 36 debts totalling £26,744.

40. LABGI Funding

The remaining balance of the Local Authority Business Growth Incentive (LABGI) Funding as at the end of 2010/11 was £0.496m. This will be used to support economic development activities from 2011/12 to 2014/15.

Strategic Measures

41. The average cash balance for July 2010 was £267.7m and the average rate of return was 1.12%. In May the balance was £254.2m and the rate of return 1.09% and in April 2010 the balance was £229.2m and the average rate of return 1.08%.
42. As set out in the Annual Treasury Management Strategy & Annual Investment Strategy 2011/12 any changes required to the Annual Treasury Management Strategy & Annual Investment Strategy are delegated to the Chief Finance Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

43. At present, the Council has the ability to invest in UK Government Treasury Bills (UK T-Bills) via external fund managers. Given the ongoing uncertainty in the banking sector, the Treasury Management Strategy Team regarded it prudent to have the ability to invest in UK T-Bills in house.
44. Further changes to the Specified and Non-Specified Investment instruments section of the Strategy were required for consistency. All changes to this section are as follows:
- Ability to invest in UK T-Bills in house
 - Other Money Market Funds and Collective Investment Schemes to have a minimum credit rating of A+ (or equivalent)
 - Supranationals with a AAA credit rating
45. The following changes have been made to the lending list in response to uncertainty in the European and international economy.
46. In late July period limits for all counterparties (excluding Barclays, HSBC and Local Authorities) were reduced to a maximum of one year in response to advice received from the Council's treasury advisers. It was also decided to suspend Clydesdale Bank and Crown Agents Bank and add Svenska Handelsbanken to the lending list.
47. Subsequently the lending limits with all UK, Australian, American and Canadian counterparts were reduced to six months (excluding Santander which was reduced to 3 months) and European counterparties to one month

Part 2 – Balance Sheet

Reserves

48. As set out in the Provisional Outturn Report, Reserves totalled £84.739m as at 1 April 2011. This had reduced to £82.210m as at the end of July. Of the total £20.4m are school balances, and £48.5m Corporate Reserves including Insurance (3.8m), Capital (£16.6m), Prudential Borrowing (£5.1m), Efficiency (£10.2m), Carry Forward (£7.9m) and Budget Reserves (£4.4m).

Balances

49. Balances totalled £14.737m at the end of 2010/11. This included £0.678m Local Area Agreement (LAA) Performance Reward Grant (PRG) which is held within balances pending the agreement of supplementary estimate requests to release it for use in 2011/12 as set out in paragraph 37. Balances are currently forecast to be £15.666m (excluding the Reward Grant) at the end of 2011/12.
50. After taking account of the overspend reported by Directorates and the overspends on the Council elements of the Pooled budgets, consolidated revenue balances are forecast to be £15.034m (or £14.356m excluding the PRG).

Part 3 - Capital Monitoring

51. The capital monitoring position shows forecast expenditure of £73.0m in 2011/12 (excluding schools local capital), a decrease of £0.6m compared to the latest approved capital programme. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	32.5	32.2	- 0.3
Social & Community Services	11.5	11.5	0.0
Environment & Economy – Transport	23.2	23.3	+ 0.1
Environment & Economy – Other	6.3	5.9	- 0.4
Chief Executive's Office	0.1	0.1	0.0
Total Directorate Programmes	73.6	73.0	-0.6
Schools Local Capital	7.8	7.8	0.0
Total Capital Programme	81.4	80.8	-0.6

* Approved by Cabinet on 19 July 2011

52. The major in-year spend forecast variations to note for each directorate programme are explained in the following paragraphs.

53. It is expected that expenditure profiles for a number of major programmes and projects will be revised during September 2011 based on the recently reported risks affecting their delivery timetable. The timing and deliverability of projects across the whole capital programme will also be re-assessed ahead of the capital budget setting process. These revisions are likely to lead to a slippage in the current year capital programme. Work is underway to identify opportunities to bring forward capital works to minimise the level of slippage. These will also be reported as part of the next financial monitoring report.

Children, Education & Families

54. A revised School Structural Maintenance Programme for 2011/12 has been approved under Capital Financial Procedure Rule 36 by the Leader of the Council. This reflects changes to repair and maintenance priorities and works deemed undeliverable within the current financial year following feasibility studies. The changes mean that available resources are utilised as soon as possible to improve the condition of the school estate.

Environment & Economy - Transport

55. £3.525m 'winter damage' funding was received from the Department of Transport in March. On 15 March 2011 the Cabinet agreed to use this exceptional funding on additional Highways Maintenance. These resources were combined together with the 2011/12 structural patching, maintenance and safety resurfacing budgets in order to address concerns about defects and deteriorating roads in an efficient and cost effective manner.

Actual & Committed Expenditure

56. As at the end of July actual capital expenditure for the year to date (excluding schools local spend) was £6.6m. This is 9% of the total forecast expenditure of £73.0m, which is around 7% below the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 41% of the forecast.

Conclusion

57. The overall position on balances and reserves, and the forecast revenue underspend indicates the Council remains in a strong position and it is expected that in the main the Business Strategy savings for 2011/12 will be achieved. Longer run risks, along with the impact of funding changes currently being consulted on, will be considered as part of the Service and Resource Planning process for 2012/13 – 2016/17.

Councillor Jim Couchman
Cabinet Member for Finance & Property

September 2011

Annex 1 to the JULY FINANCIAL MONITORING REPORT 2011/12
CABINET 20 September 2011
BUDGET MONITORING

Ref	Directorate	BUDGET 2010/11					Outturn Forecast Year end Spend/Income £000 (8)	Projected Year end Variation underspend - overspend + £000 (9)	Profiled Budget (Net) July 2011 £000 (10)	Actual Expenditure (Net) July 2011 £000 (11)	Variation to Budget July 2011 underspend - overspend + £000 (12)	Projected Year end Variance Traffic Light Indicator (13)
		Original Budget £000 (3)	Brought Forward from 2010/11 Surplus + Deficit - £000 (4)	Virements to Date £000 (5)	Supplementary Estimates to Date £000 (6)	Latest Estimate £000 (7)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Children, Education & Families											
	Gross Expenditure	540,447	-65	65,752	12	606,146	610,497	4,351	202,591	179,972	-22,619	G
	Gross Income	-427,630	0	-67,889	0	-495,519	-500,646	-5,127	-165,258	-160,124	5,134	G
	Net Expenditure	112,817	-65	-2,137	12	110,627	109,851	-776	37,333	19,848	-17,485	G
	Social & Community Services											
	Gross Expenditure	260,117	181	-3,914	0	256,444	264,684	8,240	89,122	87,485	-1,637	A
	Gross Income	-40,735	0	3,486	0	-37,249	-44,497	-7,249	-16,044	-11,897	4,147	R
	Net Expenditure	219,442	181	-427	0	219,196	220,187	991	73,078	75,588	2,511	G
	Environment & Economy											
	Gross Expenditure	149,136	1,212	461	0	150,809	158,575	7,766	53,096	42,327	-10,769	R
	Gross Income	-73,575	0	1,162	0	-72,413	-80,622	-8,209	-26,928	-24,091	2,837	R
	Net Expenditure	75,561	1,212	1,623	0	78,396	77,953	-433	26,168	18,236	-7,932	G
	Chief Executive's Office											
	Gross Expenditure	16,341	912	-342	0	16,911	17,107	196	6,694	6,535	-159	G
	Gross Income	-8,590	0	248	0	-8,342	-8,590	-248	-3,846	-4,312	-465	A
	Net Expenditure	7,751	912	-93	0	8,570	8,517	-53	2,848	2,224	-624	G
	Less recharges within Directorate	-27,270	0	0	0	-27,270	-6,685	0		0		G
		27,270	0	0	0	27,270	6,685	0		0		G
	Directorate Expenditure Total	938,831	2,420	61,958	12	1,003,041	1,044,178	20,552	351,502	316,319	-35,183	A
	Directorate Income Total	-523,260	0	-62,993	0	-586,253	-627,670	-20,833	-212,076	-200,423	11,653	A
	Directorate Total Net	415,571	2,420	-1,034	12	416,789	416,508	-281	139,427	115,896	-23,531	G

Directorate	Budget Book	In year Adjustments/ New Allocations previously reported	In year Adjustments/ New Allocations reported this month	Latest Allocation
	£m	£m		£m
<u>Children, Education & Families</u>				
Dedicated Schools Grant				0.000
2011/12 Allocation	386.803		-0.570	386.233
2010/11 Allocation			2.692	2.692
Pupil Premium	3.400		0.516	3.916
Young People Learning Agency – Sixth Form Funding	27.608			27.608
Young People Learning Agency – SEN	0.491			0.491
Music	0.640	0.064		0.704
Youth Justice Board		0.924		0.924
Intensive Interventions Programme (DfE)		0.140		0.140
Intensive Interventions Programme (DfE)			0.015	0.015
Sector Advisors				
Children's Centres Payment by Results Pilot			0.078	0.078
Asylum (UASC & Post 18)		1.000		1.000
Total Children, Education & Families	418.942	2.128	2.731	423.801
<u>Social & Community Services</u>				
Workstep Grant		0.275		0.275
Total Social & Community Services	0	0.275		0.275
<u>Environment & Economy</u>				
Skills Funding Agency - Adult Education	3.803			3.803
Natural England	0	0.221		0.221
Total Environment & Economy	3.803	0.221	0	4.024
<u>Strategic Measures</u>				
Early Intervention Grant	21.329	0.094		21.423
Learning Disabilities & Health Reform Grant	19.224			19.224
Fire Revenue Grant	0.183			0.183
Community Safety Fund	0.563	0.004		0.567
Lead Local Flood Authority	0.158			0.158
Extended Rights to Free Travel		0.630		0.630
New Homes Bonus	0	0.491		0.491
Council Tax Freeze Grant	7.063	0.004		7.067
Total Strategic Measures	48.520	1.223	0	49.743
Total Grants	471.265	3.847	2.731	477.843