

CABINET – 14 FEBRUARY 2012

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the forecast position for each Directorate. This includes the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2011/12 – 2015/16. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of December 2011. The Capital monitoring is included at Part 3.

Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of –£4.049m or -1.19% against a budget of £425.951m as shown in the table below. £2.105m of the underspend is committed to be used in 2012/13 and subject to approval, will either be placed into earmarked reserves for specific one-off purposes or be requested to be carried forward in the Provisional Outturn Report. The remaining uncommitted underspend will be placed in to the Efficiency Reserve to be used to continue supporting the implementation of the Business Strategies.
3. Directorates continue to work hard to implement their Business Strategies. There is a firm focus on cost minimisation resulting in some revenue savings, particularly relating to vacant posts, being achieved early through careful service management.

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast December 2011 £m	Variance Forecast December 2011 %
112.817	Children, Education & Families (CE&F)	111.549	108.928	-2.621	-2.35
219.442	Social & Community Services (S&CS)	220.927	220.436	-0.491	-0.22
75.561	Environment & Economy	84.498	82.507	-1.991	-2.35
7.751	Chief Executive's Office	8.977	8.995	+0.018	+0.20
415.571	In year Directorate total	425.951	420.866	-5.085	-1.19
	Add: Overspend on Council Elements of Pooled Budgets			+1.036	
	Total Variation including Council Elements of Pooled Budgets			-4.049	-0.95

Plus: Underspend on Dedicated Schools Grant (DSG)				-0.484	
Total Variation				-4.533	-1.06

4. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2011/12
Annex 2	Virements & Supplementary Estimates
Annex 3	Redundancy Costs
Annex 4	Forecast Earmarked Reserves
Annex 5	Forecast General Balances
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	Government Grants 2011/12
Annex 8	Treasury Management Lending List
Annex 9	Capital Programme Monitoring and changes

Part 1 - Revenue Budget & Business Strategy Savings

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

Children, Education & Families: -£2.621m in year directorate variation

6. Children, Education & Families are forecasting an in-year variation of -£2.621m (-£3.105m total variation including a -£0.484m underspend on services funded from DSG). The forecast position is after the proposed transfer of £0.740m to two new reserves as recommended in paragraph 43 and 44. The reserves will be used to help manage the financial impacts of schools converting to academies and to meet the costs of school amalgamation activity in future years. Also included in the forecast is an additional contribution of £0.208m to the ICT project reserve to support the development of Framework-i system within Children's Social Care.

Early Intervention Hubs

7. Early Intervention Hubs are forecasting an underspend of -£0.600m. This has been achieved through early implementation of the structure and cost minimisation during 2011/12 when part year savings were expected. The full year effect of the savings is already built into the budget for 2012/13.

Placements

8. An underspend of -£0.909m is forecast for Placements, a change of -£0.134m since the last report. The position reported allows for £0.201m to be spent on new placements during the remainder of 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.

Asylum

9. Asylum is forecasting an underspend of -£0.691m an increase of -£0.080m since the last report. The change reflects a reduction in the number of eligible clients using the service. Given the volatile nature of the service the budget will continue to be monitored closely.

DSG Funded Services

10. An underspend of -£0.484m is forecast on services funded by DSG a decrease of +£0.151m. The change relates to an overspend of +£0.348m on Nursery Education funding now the final term payments have been made to the private, voluntary and independent settings. There has been an increase in the number of hours attendance per child even though the population level has remained relatively stable over the last few years. This overspend is off-set by an increase of -£0.156m in the underspend on Out of County Placements which reflects a reduction in the forecast commitments for looked after children.
11. The directorate has yet to allocate £2.445m of the non-schools contingency. Schools Forum need to be consulted before the allocations can be finalised. A proposal was taken to Schools Forum on 1 February 2012 to carry forward these funds for use in 2012/13. An update will be provided in the next report.

Social & Community Services: -£0.491m in year directorate variation

12. Social & Community Services are forecasting an underspend of -£0.491m. There is also a forecast overspend of +£1.036m on the Council elements of the Pooled Budgets (mainly on adults with physical disabilities).

Adult Social Care

13. Adult Social Care is reporting an underspend of -£0.297m, which includes one-off rent review arrears income of £1.1m.
14. Income relating to Older People and Physical Disabilities is continuing to forecast to be underachieved by +£0.096m. Discussions are continuing with the Primary Care Trust (PCT) concerning the transfer of the income relating to the additional NHS resources into the Older People Pooled Budget. This would increase the forecast overspend in this area once the transfer has taken place. This is a volatile area the position will continue to change throughout the year.

Community Safety (including Fire & Rescue)

15. Fire and Rescue is forecasting an underspend of -£0.444m an increase of -£0.114m since the last report. The change mainly relates to an increase in the underspend on the retained duty system (RDS) from -£0.100m in the last report to -£0.200m. The firefighter ill health retirement budget continues to forecast an overspend of +£0.040m. Subject to the overall variation any variance on the RDS and Firefighter ill health retirements are expected to be returned to or drawn from balances at year end.
16. Increased rental income and savings on pay plus repair and maintenance mean the Gypsy and Traveller Service is forecasting an underspend of -£0.100m.

Quality & Compliance (Strategy & Transformation)

17. The consultation process for the Joint Commissioning structure with Children, Education and Families has ended and the intention is to implement the new structure in 2012. Due to the delay in starting the consultation process savings of £0.350m are not expected to be achieved this year. The service is however expected to achieve savings of £0.450m in 2012/13.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pool

18. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£2.617m, +£1.180m on the Council's element and +£1.437m on the Primary Care Trust's (PCT) element.
19. The Department of Health recently announced additional funding of £1.419m for adult social care. This is not yet included in the forecast.
20. The forecast includes use of the additional 2011/12 funding of £6.196m for Adult Social Care being provided via the NHS of which the majority has been allocated to the Older People's Pooled Budget.

Older People

21. The County Council's element of the pool is forecast to be underspent by -£0.848m an increase of -£0.085m since the last report. The change reflects an increase in the underspend on the Internal Home Support and Reablement Services.

Physical Disabilities

22. The County Council's element is projected to be overspent by +£1.697m a decrease of -£0.036m since the last report. The overspend reflects an increase in the number of people needing care over the last two years. Work is underway to understand the causes of this increased demand and the options for reducing the level of spending. This is being considered by Council on 10 February 2012 as part of the budget for 2012/13. A supplementary estimate will be requested in a future report to fund the 2011/12 overspend.

Equipment

23. Additional resources amounting to £0.342m have been contributed to this budget from the extra £6.196m for adult social care from the NHS. This reflects the fact that the provision of equipment can often be a very effective way of helping ensure that the individual does not require more intensive (and expensive) methods of care (whether health or social care). Despite this there is still a pressure of +£0.331m on the Council's element of the budget. Work is continuing to understand why these pressures are arising and what should be done in response.

Learning Disabilities Pool

24. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting an underspend of -£0.171m, -£0.144m on the Council's element and -£0.027m on the PCT element. The change of -£0.171m since the last report reflects an underspend on inpatient service staffing costs and continuing health care spend, and a reduction in the overspend on personal budgets.

Environment & Economy: -£1.991m in year directorate variation

25. Environment & Economy are forecasting an underspend of -£1.991m. This forecast position includes £1.719m of grants or commitments which will be

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required in 2012/13 including the £0.425m proposed to be used to support savings in 2012/13.

Highways & Transport

26. The service is forecasting an underspend of -£0.947m an increase of -£0.373m since the last report. The change mainly includes the second tranche of the Supporting Community Transport Grant of £0.280m which the Council received notification of on 19 January 2012. This amount, together with the unspent grant from the first tranche of £0.252m, will be requested to be carried forward to 2012/13.

Growth & Infrastructure

27. The service is forecasting an underspend of -£1.266m, an increase of -£0.557m since the last report. The change relates mainly to underspends being forecast of -£0.203m on the Strategic Sites project, -£0.164m by the Business and Skills Team which relates to academic year funding, and -£0.079m relating to the broadband project.
28. Waste Management continue to forecast an underspend of -£0.544m. Current activity levels for recycling/composting are showing over 60% recycling/composting. This is better position than budgeted with less landfill tonnage being the main contributing factor to the increased performance.

Property and Facilities

29. The service is forecasting a variation of +£0.397m an increase of +£0.143m since the last report. This relates to an increase in the forecast of the additional costs of the Property and Facilities contract procurement.
30. Food with Thought are continuing to forecast a trading surplus of £0.400m. 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 trading surplus of £0.086m.

Oxfordshire Customer Services

31. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.205m. As previously reported Adult Learning had received written confirmation from the Skills Funding Agency (SFA) that some targets were not achieved during the academic year 2010/11. An estimated claw-back of £0.160m is included in the forecast.

Chief Executive's Office: +£0.018m in year directorate variation

32. The Chief Executive's Office (CEO) is forecasting a variation of +£0.018m. This includes an overspend of +£0.500m on Legal Services. The legal overspend is offset by a number of underspends that have been previously reported within the Chief Executive's Office.
33. Two bids relating to extreme weather response in West Oxfordshire totalling £0.014m were approved at the Cabinet Member for Police and Policy Co-Ordination delegated decisions on 6 January 2011. The final wave of recommended bids to the Big Society Fund totalling £0.063m is being

considered elsewhere on the agenda. If the recommended bids are approved remaining balance of £0.089m which will be carried forward to 2012/13.

Redundancy Costs

34. As noted in the Annex 3, £6.705m 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 December 2011 are £4.632m and will continue be reported throughout the year, as costs are still being incurred. The remaining provision will be assessed at year end to ensure it is still robust.

Virements and Supplementary Estimates

35. The virements requested this month are set out in Annex 2a and temporary virements to note in Annex 2d. Previously approved virements in Annex 2b and 2c are available on the Council's website and in the Member's Resource Centre. Virements requested this month include changes to the schools income and expenditure budgets to align them with actual expenditure and income and with the Consistent Financial Reporting (CFR) information that has to be provided to the Department for Education. This does not constitute a policy change.

Grants Monitoring

36. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £423.361m (including £382.507m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include £0.280m relating to the 2nd tranche of the Supporting Community Transport Grant.

Bad Debt Write Offs

37. There were 71 general write offs to the end of December 2011 totalling £23,898. In addition Client Finance has written off 81 debts totalling £84,654.

Treasury Management

38. On 25 January the Treasury Management Strategy Team (TMST) agreed to increase the current maturity limit for Lloyds banking group from 1 month to 3 months. This decision was taken following a review of counter party risk and reflects the banking group's comparatively low exposure to the Eurozone.
39. The limit for the Prime Rate Money Market Fund has also been increased to reflect the growth in the overall fund size. The maximum exposure to the fund will remain at 0.5% of the overall fund size in line with advice from the council's treasury management advisors, Arlingclose.
40. The lending list and credit worthiness of all institutions on the lending list will continue to be closely monitored by TMST.
41. The average cash balance during December was £ 261.408m and the average rate of return was 1.132%. The budgeted return for interest receivable on balances invested internally is £2.234m for 2011/12. It is expected that this will be achieved.

Part 2 – Balance Sheet

Reserves

42. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £82.619m a change £1.400m since the last report. The change reflects the increase in the forecast underspend as this is assumed to be transferred to the Carry Forward Reserve and the transfer of the New Homes Bonus to the Rolling Fund Reserve.

New Reserves

Children, Education and Families

43. It is recommended that a new reserve is created to manage the costs arising in legal services, human resources, property, finance and other areas as a consequence of school conversions to academies, and to provide the opportunity to investigate and implement alternate trust structures for groups of schools considering conversion to academies. This reserve would also help manage the implications for traded services if traded income is reduced as a consequence of school conversions to academies.
44. It is also recommended to create a new reserve to support costs incurred by the local authority associated with school amalgamations. These potential amalgamations include the merger of attached nurseries into the associated primary school and the merger of separate infant and junior schools into an all-through primary. A contribution of £0.140m will be made to this reserve in 2011/12.

Social & Community Services

45. As a result of additional legislation, and the on-going effectiveness of both the Doorstep Crime Unit and intelligence-led working, there is an increase in the number of complex criminal investigations being conducted by Trading Standards. This results in additional costs to the service such as professional fees for forensic examinations and the court attendance of expert witnesses. These cases are far more likely to be heard at Crown Court and involve significantly higher legal processing costs and expenses. It is recommended that a Complex Investigations Reserve is created and that £0.010m is transferred to this reserve to provide funding for the unpredictable demand on the service.

Corporate

46. Funding received from the New Homes Bonus has been used to establish the Rolling Fund as part of the Capital Programme. This will facilitate, through forward funding, the timely provision of critical infrastructure that supports planned growth. It is recommended to create a new reserve and transfer £0.491m from the New Homes Bonus in 2011/12, until it is required.

School Balances

47. The table on the next page sets out an update to the number of schools forecasting to be in deficit and the total deficit forecast at the end of December 2011.

	Budget 2011/12		Forecast Outturn December 2011	
	No of Schools	£000	No of Schools	£000
The Cooper School ¹	1	389.3	1	344.3
Carterton Community College ¹	1	306.4	1	178.2
All Others	17	608.1	12	350.2
Total Approved Deficit Plans	19	1,303.8	14	872.6
Deficits within Tolerance	28	139.3	11	67.6

Balances

48. Annex 5 sets out the general balances taking into account known changes. Balances are currently £15.734m.

Part 3 – Capital Monitoring and Programme Update

Capital Monitoring

49. The capital monitoring position set out in Annex 9a, shows the forecast expenditure for 2011/12 is £64.0m (excluding schools local capital). This is £3.9m lower than the latest capital programme submitted to Cabinet in January 2012 for recommendation to Council in February 2012.
50. The table below summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	30.4	30.9	+0.5
Social & Community Services	8.9	4.1	-4.8
Environment & Economy - Transport	25.2	25.6	+0.4
Environment & Economy - Other	3.2	3.2	0.0
Chief Executive's Office	0.2	0.2	0.0
Total Directorate Programmes	67.9	64.0	-3.9
Schools Local Capital	8.1	8.1	0.0
Total Capital Programme	76.0	72.1	-3.9

* Submitted to Cabinet 17 January 2012

¹ Approved deficit plans are in place for The Cooper School and Carterton Community College

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51. The major in-year spend forecast variations to note for each directorate programme are explained in the following paragraphs and other significant variations are listed in Annex 9b.
52. In the Children, Young People & Families programme the Schools Structural Maintenance programme has increased by £0.500m. This increase is funded by a transfer from the Environment & Economy Energy Conservation scheme (prudentially funded) to install Biomass boilers in some schools as an upgrade to the standard boiler replacement.
53. In the Social & Community Services programme, the budget for funding the development costs of the new Banbury Home for Older People has been re-profiled to later years. This is part of the ongoing contract negotiations with the Oxfordshire Care Partnership. The negotiations are expected to conclude in 2012/13.
54. In the Transport programme, spend on the Cogges Link Road is expected to increase by +£0.400m in 2011/12 as a result of the Public Inquiry.

Actual & Committed Expenditure

55. As at the end of November actual capital expenditure for the year to date (excluding schools local spend) was £38.2m. This is 60% of the total forecast expenditure of £64.0m, which is around 3% above the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 84% of the forecast.

Five Year Capital Programme Update

56. The total forecast 5-year capital programme (2011/12 to 2016/17) is now £435.9m, an increase of £1.0m from the latest capital programme. The new schemes and project/programme budget changes requiring Cabinet approval are set out in Annex 9c. The table overleaf summarises the variations by directorate and the main reasons for the increase in the size of the programme are explained in the following paragraphs.

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Directorate	Last Approved Total Programme (2011/12 to 2015/16) *	Latest Forecast Total Programme (2011/12 to 2015/16)	Variation
	£m	£m	£m
Children, Education & Families	168.9	169.3	+0.4
Social & Community Services	29.5	29.5	0.0
Environment & Economy - Transport	129.0	129.0	0.0
Environment & Economy - Other	33.8	33.2	-0.6
Chief Executive's Office	0.4	0.4	0.0
Total Directorate Programmes	361.6	361.4	-0.2
Schools Local Capital	20.4	20.4	0.0
Earmarked Reserves	52.9	54.1	+1.2
Total Capital Programme	434.9	435.9	+1.0

* Submitted to Cabinet 17 January 2012

57. The latest forecast reflects the updated capital programme that is being considered by Council on 10 February 2012. The increase of £1m is a revenue contribution to capital, this has been added to earmarked reserves until detailed schemes are brought forward.

RECOMMENDATIONS

58. **The Cabinet is RECOMMENDED to:**
- a) note the report and approve the virements as set out in Annex 2a;
 - b) Agree the creation of the new reserves as set out in paragraph 43 to 46;
 - c) Approve the new schemes and budget changes set out in Annex 9c.

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Background papers: Directorate Financial Monitoring Reports 31 December 2011

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