

CABINET – 24 NOVEMBER 2009**FINANCIAL MONITORING****Report by the Assistant Chief Executive & Chief Finance Officer****Introduction**

1. This report sets out the Council's forecast financial position half way through the 2009/10 financial year based on six months of actuals to the end of September 2009. It includes projections for revenue, balances, reserves and capital. The report sets out explanations where the forecast revenue outturn is significantly different from the budget along with proposals to recover the position where appropriate.
2. The total in – year Directorate forecast is an overspend of £3.484m or 0.93% of the latest budget.

Original Budget 2009/10 £m		Latest Budget 2009/10 £m	Forecast Outturn 2009/10 £m	Variance Forecast Sept 2009 £m ¹	Variance Forecast Sept 2009 % ¹
98.277	Children, Young People & Families	97.441	98.349	+0.908	+0.93%
166.800	Social & Community Services	167.136	168.000	+0.864	+0.52%
68.631	Environment & Economy	69.871	70.001	+0.130	+0.19%
29.908	Community Safety & Shared Services	30.699	30.511	-0.188	-0.61%
9.426	Corporate Core	10.007	11.777	+1.770	+17.69%
373.042	In year Directorate total	375.154	378.638	+3.484	+0.93%

Plus: City Schools Reorganisation		0.775	
Plus: Reallocation of Dedicated Schools Grant (see paragraph 15)		3.322	
Total Variation		+7.581	

3. The current position for general balances is set out in Annex 5 and shows a forecast unchanged at £14.088m. After taking into account the forecast Directorate overspend, the consolidated revenue balances forecast is £10.604m.²

¹ The variance has been calculated as the difference between the latest budget and forecast outturn. The percentage is a measure of variance to latest budget.

² The consolidated revenue balances forecast is the forecast general balances less the forecast Directorate in-year overspend.

4. Figures for each Directorate are summarised within the Annexes and individual Directorate reports setting out the detail have been placed in the Members' Resource Centre.
5. The following Annexes are attached:

Annex 1 (a-f)	Forecast Revenue Outturn by Directorate
Annex 2 (a-c)	Virements and Supplementary Estimates
Annex 3 (a-b)	Specific grants monitoring
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6	Activity Monitoring
Annex 7	Treasury Management Lending List
Annex 8 (a-g)	Capital monitoring

Part 1 - Revenue

6. The forecast revenue outturn by Directorate based on the position to the end of September 2009 is set out below. Significant issues or movement in the variances are commented on below along with the management action being taken.

Children Young People & Families: £0.908m or 0.93% in-year Directorate overspend (£5.005m total overspend including £0.775m relating the City Schools Reorganisation and £0.729m on services funded by DSG. A further £2.593m DSG has been reallocated to services otherwise funded by the Council). The variations by Service Area shown below are net of the DSG reallocation.

Young People & Access to Education

7. The total forecast overspend in Young People & Access to Education is now £0.371m. The reduction since last month relates to the forecast overspend on services to disabled children which has reduced by £0.114m to £0.310m. As reported last month there is forecast income shortfall of £0.185m as a result of an increased number of Oxfordshire pupils meaning fewer out of county pupils using Oxfordshire services.

Children and Families

8. The forecast overspend across Children & Families is £3.904m. This has reduced by £0.496m since the previous report. The Placement budget remains the most significant area of overspending within the Directorate with a forecast pressure of £2.284m, a decrease of £0.196m from last month. Subject to approval some of the expenditure could be offset by £0.523m unallocated carry forward from 2008/09.
9. The forecast overspend on Asylum Seekers has reduced by £0.300m to £1.895m, as a result of revised assumptions about the grant income. This includes an overspend of £1.049m brought forward from 2008/09. The forecast still assumes that £1.000m of the expenditure will be funded from the

reserve created at the end of 2008/09 for anticipated future pressures. A formal request to approve this will be made once the position on grant funding is clearer. The Council is still awaiting notification about whether the 2008/09 Special Circumstances claim of £0.455m has been successful. Work is continuing to assess the full impact of changes to the grant methodology and an update will be provided in future reports.

10. The Directorate has drawn up an action plan to mitigate the pressures on the Placements budget. Updates will be provided in future reports along with requests for virements to offset the overspends against underspends elsewhere.

Raising Achievement Service (RAS)

11. The Raising Achievement Service is now reporting a nil variance. It has previously been reported that of the £1.835m School Development Grant (the former Council element of what was the Standards Fund), £0.630m is expected to be unspent as the programme of work that this was funding has now come to an end. Given the position for the directorate as a whole it is prudent to assume that this underspend will be required to offset other eligible pressures that meet Local Area Agreement priorities.

Commissioning, Performance & Quality Assurance (CPQA)

12. The total underspend for CPQA has reduced by £0.585m from -£1.359m last month to -£0.774m. Within the total, Home to School Transport is now projected to underspend by -£1.020m.
13. The Children's Information & Integration Programme (ChIIP) which will provide improved information about the children in our care, is projecting an overspend of £0.408m associated with ongoing project costs and Framework-i support. In addition, funding streams have ceased and grant funding has significantly reduced.

Dedicated Schools Grant (DSG) Funded Services

14. The total overspend on DSG funded services is now £0.729m. Out of County Placements is forecast to overspend by £0.275m, a reduction of £0.156m since the last report due to additional hospital and special recoupment income relating to eight new cases in year, and additional cases and fee variations. Nursery Education Funding (NEF) is still projected to overspend by £0.454m due to higher numbers of 3 and 4 year olds, together with the full time offer for all children in their final foundation stage year in the private, voluntary and independent sector.
15. The allocation of DSG across non – school services has now been reviewed. The purpose of this review was to reallocate DSG funding to core areas to release local authority base budget funding that can be used to reduce the directorate's overspend position. The total available now totals £3.322m, an increase of £0.901m. The increase since last month reflects revisions to contingency budgets and changes to reflect part year effects of committed projects, and has been used to reduce the in - year Directorate overspend.

£0.978m of the total is one – off carry forward from 2008/09. Virements to reallocate the DSG will be requested in a future report.

Social & Community Services: £0.864m overspend

16. Social & Community Services are forecasting an overspend of £0.864m against a budget of £167.136m, a variation of +0.52%.

Community Services

17. Within Community Services the forecast overspend for Adult Learning has increased from £0.253m to £0.354m. As reported previously radical changes in the Service are required as part of a four year action plan to balance the service to the funding available and repay supplementary estimates of £0.181m. Redundancy costs of £0.101m have now been included in the forecast. These have increased the predicted overspend in Year 1 of the action plan to £0.471m, but this will be reduced to £0.354m by the use of the service's remaining reserves of £0.117m. The plan is being monitored monthly and will be adjusted as necessary to ensure the delivery of a balanced budget .

Adult Social Care

18. The total overspend in Adult Social Care has reduced by £0.447m to £0.435m since the last report and an action plan to balance this by year end is in place.
19. A key target with Adult Social Care is to reduce delayed transfers of care and reduce waiting lists. To achieve this additional staff have been employed resulting in an overspend of £0.527m. As part of the Action Plan efficiencies are required to reduce the overspend. Of £0.207m sought, £0.148m has already been identified and the forecast overspend has reduced by this amount since last month.
20. As reported last month there is pressure of £0.428m in Learning Disabilities Internal Services. This includes a likely underachievement of income of £0.287m based on income received to date in 2009/10.
21. Additional older people residential client income of -£0.401m is forecast and is largely unchanged since last month. The forecast underspend for Services for all Client Groups has increased by -£0.153m to -£0.301m.
22. There is not expected to be any expenditure relating to Section 117 Reassessments in 2009/10. The underspend will be used to offset pressures elsewhere in the service.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

23. The forecast outturn on the Older People's and Physical Disabilities' Pooled Budget is an overspend of £4.902m, an increase of £0.245m since last month. This takes account of the use of the Older People Pooled Budget Reserve of

£1.130m created in 2008/09 to fund the extra commitments in 2009/10 resulting from the Continuing Care Framework and additional placements. The budget has been adjusted to take account of a reduction in the inflation provision on salary budgets because of a lower than anticipated pay award and additional funding provided by the Primary Care Trust (PCT) in relation to carers.

24. The Oxfordshire County Council (OCC) element of the Pool is forecast to overspend by £1.940m, an increase of £0.263m from last month. This reflects an increase in the External Home Support costs associated with an increase in client numbers and the costs of medication only visits. The number of External Home Support clients has been increasing and as at September 2009 there were 1,711 clients. Based on an average of 7.5hrs per client per week the budget can accommodate 1,360 clients.
25. Action has been taken to review higher cost Home Support packages and procurement strategies to control the number of additional hours purchased each week through the implementation of a quota system with a view to reducing the overspend by the end of the year.

Latest Budget		Forecast Variance September 2009			Forecast Variance August 2009	Change in Variance
		OP £m	PD £m	Total £m	Total £m	Total £m
2009/10 £m						
89.846	OCC Elements Forecast in-year variance	1.424	0.516	1.940	1.677	0.263
24.880	PCT elements Forecast in-year variance	1.238	1.149	2.387	2.387	0
114.726	Total Older People & Physical Disabilities	2.662	1.665	4.327	4.064	0.263
1.658	Equipment Pool	0.575		0.575	0.593	-0.018
116.384	Total - Older People, Physical Disabilities & Equipment Pool	3.237	1.665	4.902	4.657	0.245

26. The forecast overspend on the PCT element of the pool reflects the year end position which they are planning to achieve in relation to Continuing Health Care. This takes account of the expected reduction in numbers resulting from the on-going reviews of clients currently qualifying for Continuing Health Care and reductions in the number of new placements. The PCT is responsible for

any financial risk arising and the forecast will be monitored monthly to take account of the actual activity levels.

27. No assessment has yet been made of the possible impact in 2009/10 on the Council elements of the pool of the withdrawal of Continuing Health Care funding from clients who may then qualify for social care funding.
28. An overspend of £0.575m is forecast on equipment. Further work has been commissioned to identify the reasons for this over spend and to develop an action plan to reduce the level of overspending.

Learning Disabilities Pool

29. The Learning Disabilities Pooled Budget is currently forecasting an overspend of £0.687m, a decrease of £0.045m from the previous report. Further efficiency savings are to be made during the year which will partially offset the cost of any additional panel decisions with a view to bringing the pooled budget into balance by year end.

Environment & Economy: £0.130m overspend

30. The overall Directorate position is a forecast overspend of £0.130m (or 0.19% of the latest budget). This has decreased by -£0.422m since September.
31. The net overspend position across Transport is £0.325m. This is largely unchanged since last month.
32. The underspend in Sustainable Development has increased by -£0.152m to -£0.619m. As reflected in the activity monitoring data in Annex 8, the total waste forecast is 7% less than budgeted. In addition the proportion of waste landfilled is 53% compared to the target of 58%, whilst the amount recycled is 47% compared to the target of 42%. The resulting saving relating to tonnage activities is -£0.407m. Further savings of -£0.280m are expected for procurement efficiencies whilst additional costs of £0.220m are expected for the extended waste treatment contract.
33. If landfill continues to reduce as predicted, the £0.695m budget set aside for the purchase of Landfill Allowance Trading Scheme (LATS) allowances will not be needed. In light of the directorate position later in the year, consideration will be given to transferring this underspend to the Waste Management general reserve to contribute to the funding package required to support the business case for an additional recycling centre in Oxford City.
34. The forecast overspend within Property Services has reduced by £0.278m to £0.302m. As reported last month the net overspend includes a pressure of £0.342m relating to the Better Offices Programme. This is a corporate rather than directorate specific pressure so a supplementary estimate will be considered later in the year in light of the position at that time. The treatment of this pressure will not set a precedent for the future.

35. The decrease since last month reflects the confirmation of rental income and expenditure and slippage of some rental payments into 2010/11.

Community Safety & Shared Services: -£0.188m underspend

36. Community Safety is forecasting an underspend of -£0.188m, or -0.61%, compared to an overspend of £0.040 last month.
37. The remaining Shared Services savings of £0.422m are expected to be delivered by the end of 2009/10, with the full year effect of these savings included in 2010/11. The cash flow forecast is unchanged and shows the full business case being delivered nine months later than originally planned. This is expected to improve as the year progresses.
38. The Shared Services project received a loan of £4.2m from the capital programme to provide funding in the early years of the project before the savings were delivered. This loan needs to be repaid in full in 2010/11 but the current cash flow forecast shows that only £2.8m will be available next year. Options for paying back the balance by March 2011 are being considered.
39. A one off budget of £0.250m is available to cover the cost of implementing International Financial Reporting Standards, a project spanning two financial years. Approximately £0.150m will be spent in 2009/10 and the remaining £0.100m will be required next year for completion of the project.
40. School meal sales figures for Food with Thought from April to September were 9.7% higher than the equivalent period last year and meal costs were below budget. QCS Cleaning Services is currently forecast to break-even.

Corporate Core: £1.770m overspend

41. Corporate Core is forecasting an overspend of £1.770m compared to a nil variance last month.
42. The last report noted that there were significant pressures in the ICT budget. It is now clear that these cannot be contained and that the service will report a significant overspend this year. The current forecast is £1.75m and includes an overspend of £0.4m against the Oxfordshire Community Network (OCN) budget and is due to growth in demand and increased line rental costs. The remainder of the overspend has arisen from the high volume of project work, in particular the Government Connect programme, Better Offices Programme and the SAP upgrade.
43. Action is being taken to reduce costs, stop unfunded projects and maximise income from recharging. The level of saving that will be achieved this year will depend on how quickly the action plan can be implemented. Progress will be reported monthly. The plan includes reductions in staff numbers which could result in redundancy costs if staff cannot be redeployed. These costs are not included in the forecast.

44. Any underspends reported by other services within Corporate Core will be used to help offset the ICT overspend.
45. It is expected that £1.668m of the £1.862m Change Fund will be spent in 2009/10. £0.651m of that relates to the Lead Oxfordshire Project.

Virements and Supplementary Estimates

46. The virements requested this month are detailed in Annex 2a with virements previously approved in Annex 2b and 2c and temporary virements to note in Annex 2d. Annex 2e shows the cumulative total virements to date and their status in respect of requiring Council approval where over £0.5m.
47. Permanent virements within the Raising Achievement Service in CYP&F total £2.2m. These virements represent a restructure of staffing budgets in preparation for the Directorate Financial Restructuring exercise that comes into effect from April 2010. They do not reflect a change in policy so they do not require Council approval.
48. Virements within Early Years relate to the creation of budgets for Children's Centres at Blackbird Leys and Bicester. Although they do not change the bottom line they significantly change the income and expenditure totals for the service area.
49. There are also two virements larger than £0.500m within Social & Community Services (Annex 1b). These relate to adjustments to more accurately reflect the management of the services and do not change service provision.

Grants Monitoring

50. Annex 3a and 3b set out the movement on specific grants since the original estimate, along with a forecast of the grant funded expenditure in year. Annex 3c details the Area Based Grant.

Activity Monitoring

51. Continuing the approach taken in 2008/09, activity and unit costs will be monitored every six months in 2009/10 and will focus on areas of high risk and where over/under spends are likely to occur. Annex 6 sets out the areas being monitored.
52. It is estimated that 286,465 tonnes of waste will be disposed of and of that less will be landfilled and more recycled than budgeted as noted in paragraph 32. This total forecast is -41,930 tonnes less than budgeted and is consistent with the trends in waste nationally.
53. The activity data for Social & Community Services reflects the pressures shown within Social Care for Adults, with an upward trend in the number of clients receiving home care support. In addition to this there is a significant increase in the number of full cost clients thus impacting the average weekly charge per full cost client.

54. In Home to School Transport there is a variation in the number of mainstream pupils using the service compared to those budgeted for, 12,874 compared to 13,044. The unit cost for SEN transport is also lower than expected at the start of the year, £4,680 compared to £5,262. Both of these variances are consistent with the underspend position being reported in paragraph 12.

Strategic Measures

55. The average cash balance during September 2009 was £200.9m and the average rate of return was 0.92%.
56. The Treasury Management lending list is included at Annex 7. Sumitomo Mitsui Banking Corporation Europe Ltd and Sumito Trust and Banking Co Ltd have been removed from the list, whilst Oversea – Chinese Banking Corp have been added to the list with a lending limit of £22m. The limit for Credit Industriel Et Commercial (CiC) has been increased to £15m.

Part – 2 Balance Sheet

Reserves

57. Annex 4 shows the forecast movement on earmarked reserves.
58. £0.439m Local Authority Business Growth Incentive Grant noted within last months report has now been received.
59. As agreed previously, and also shown as virements to note in Annex 2d, excess 2009/10 pay inflation totalling £0.693m has been removed from Directorate budgets and is now shown in the Efficiency Savings Reserve increasing the total held to £1.880m.

Balances

60. Annex 5 sets out the current position for general balances taking into account known changes. Total balances were £14.088m at the end of September, with the position unchanged from the end of August.

Part 3 – Capital Programme and Monitoring

Capital Monitoring

61. The capital monitoring position set out in detail in Annex 8, shows forecast expenditure of £91.7m for 2009/10 (excluding schools). This is a decrease of -£1.1m when compared to the latest capital programme approved by Cabinet in October 2009. £0.9m of this decrease is related to savings made in project delivery across the capital programme. The savings will either reduce the deficit position on the programme or help fund other schemes. The table below summarises the variations by directorate.

CA6

Directorate	Latest Capital Programme Budget (Approved October 2009 Position as at end of August 2009)	Forecast Expenditure (Position as at end of September 2009)	Variation Forecast September 2009
CYP&F	£41.3m	£41.1m	-£0.2m
S&CS	£7.3m	£7.1m	-£0.2m
E&E	£42.5m	£41.4m	-£1.1m
Community Safety	£0.7m	£1.1m	£0.4m
Corporate Core	£1.0m	£1.0m	£0.0m
Sub-total	£92.8m	£91.7m	-£1.1m
Schools Capital/Devolved Formula/Reserves	£11.4m	£11.6m	£0.2m
Total	£104.2m	£103.3m	-£0.9m

Children, Young People & Families

62. The forecast expenditure for Children, Young People & Families directorate is now £41.1m. This has decreased by -£0.2m compared to the capital programme budget of £41.3m agreed last month.
63. Phasing of expenditure on the Flexibility of Childcare Grant and the Loans to Foster/Adoptive Parents has been revised and as a result, £0.560m has been slipped into later years of the programme.
64. Offsetting this slippage is a new scheme for a Children's Centre at Bloxham which has been included in the programme. This is funded from the Children's Centre grant and expenditure of £0.2m is forecast in 2009/10. A further £0.2m additional 2009/10 expenditure relates to the replacement of temporary classrooms at Charlton-on-Otmoor.
65. Within Schools' Capital a new grant of £0.5m is available for School Kitchen and Dining Improvements. It is anticipated that £0.2m of the grant will be spent in this financial year.

Social & Community Services

66. The total forecast expenditure is £7.1m for Social & Community Services, -£0.2m lower than the agreed capital programme. This variation is associated with delays in planned expenditure within the Day Centres for Older People and Learning Disabilities schemes.

Environment & Economy

67. Environment and Economy expect to spend £41.4m in 2009/10 compared to the latest budget of £42.5m, a variation of -£1.1m.

68. Feasibility studies on Chipping Norton and Wallingford Air Quality Management Area (AQMA) are now complete. Forecast costs for the Wallingford Scheme have been revised, resulting in a saving of £0.2m. The delivery of the Chipping Norton scheme will now extend into 2010/11 and £0.150m of expenditure has been re-phased to reflect this.
69. The contract for removing the fly-tipped waste from Redbridge Hollow has been let at a significantly lower cost than budget, resulting in a saving of £0.741m. Community Safety have submitted a grant bid to try to secure funding for eight additional pitches on the Redbridge site to prevent fly-tipping in the future. The grant bid has been rejected once and if it is rejected again this saving could be used to fund the additional pitches. However, if the grant bid is successful this saving will reduce the deficit position on the overall capital programme. Until the outcome of the grant bid is known, this saving is being held as a contingency in 2010/11.

Community Safety

70. The forecast spend for Community Safety & Shared Services is £1.1m, a variation of £0.4m when compared to the latest capital programme.
71. An element of the Kitchen and Dining Improvement grant (referred to above) has been retained by Food with Thought (FwT) and this, together with a contribution from the FwT revenue reserve, gives a total of £0.5m to spend. Expenditure of £0.3m has been forecast for 2009/10.
72. There is a small variation of £0.050m on the Bicester Fire Station Upgrade scheme as the spend forecast for this financial year is higher than previously anticipated.

Actual Expenditure

73. As at the end of September actual capital expenditure was £31.3m, 30% of the forecast expenditure of £103.3m. This represents £12.1m increase compared to last month and is consistent with the position reported at this time last year. Total commitments were a further £27.6m; therefore total committed expenditure was 57% of the total planned expenditure.

Movement on the Overall Capital Programme

74. The forecast expenditure for the capital programme is £484.6m (excluding schools). Compared to the budget of £491.3m shown in the capital programme agreed last month this is a variation of -£6.7m. The directorate variations are shown in the table below.

CA6

Directorate	Latest Capital Programme Budget	Forecast Expenditure	Variation Forecast September 2009
	(Approved October 2009 Position as at end of August 2009)	(Position as at end of September 2009)	
Children, Young People & Families	£298.4m	£290.3m	£8.1m
Social & Community Services	£23.0m	£23.0m	£0.0m
Environment & Economy	£160.3m	£161.2m	£0.9m
Community Safety & Shared Services	£5.6m	£6.1m	£0.5m
Corporate Core	£4.0m	£4.0m	£0.0m
Sub-total	£491.3m	£484.6m	£6.7m
Schools Capital/Devolved Formula	£62.0m	£62.5m	£0.5m
Earmarked Reserves	£1.7m	£1.4m	£0.3m
Total	£555.0m	£548.5m	£6.5m

75. The decrease on Children, Young People & Families is in the Forward Plan. The Banbury New Futures Centre (£3m) and the Chipping Norton Young People and Adult Learning Centre (£1m) schemes have been added. These are funded from the co-location grant, with a £0.2m contribution from Chipping Norton Town Council. This has been offset by removing the consolidation of King Alfred's School scheme (-£12m), agreed by Cabinet in September 2009, as this may be part of the Building Schools for the Future programme.
76. In Environment & Economy the Bampton Community Facility scheme has been added to the programme. This is also funded from the co-location grant with a contribution of £0.25m from capital receipts. This contribution was being held in the earmarked reserve, but has now been transferred to the main programme.
77. The increase in the Community Safety & Shared Services programme and the Schools Capital is due to the Kitchen and Dining Improvements as mentioned earlier in the report.

Capital Grant Funding

78. Harnessing Technology capital grant of £1.283m has been received from the Department for Children, Schools and Families (DCSF) this year and a further £1.225m is due in 2010/11. This is funding the implementation of the Oxfordshire Learning Platform and some changes to OCN bandwidth for schools. Because of good progress, it is possible that expenditure this year will exceed this year's grant funding by up to £1.2m. A request has been made to the DCSF to bring forward the 2010/11 allocation to fund this acceleration in project delivery. If the response to the request is not favourable, then the current year capital programme resources will need to be used to temporarily fund the expenditure in 2009/10. These resources will be re-paid to the capital programme when next year's grant is received.

RECOMMENDATIONS

79. **The Cabinet is RECOMMENDED to:**
- (a) note the report; and**
 - (b) approve the virements as set out in Annex 2a.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

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November 2009