

CABINET – 17 APRIL 2012

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report is the penultimate report for 2011/12 with the Provisional Outturn for 2011/12 being reported to Cabinet in June. Parts 1 and 2 include year end projections for revenue, reserves and balances as at the end of February 2012. 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 –£6.279m or -1.47% against a budget of £425.951m as shown in the table below. Underspends will in the main be placed in to the Efficiency Reserve to support the implementation of the Business Strategies. Where there is an existing commitment for 2012/13, subject to approval, underspends will either be placed into earmarked reserves or be requested to be carried forward in the Provisional Outturn Report.
3. During the year Directorates worked hard to implement their Business Strategies. There has been a firm focus on cost minimisation resulting in some revenue savings, particularly relating to vacant posts, being achieved early through careful service management. 94% of the £54.6m original saving plan built into 2011/12 budgets are either achieved or will be achieved by year end. Where there are savings that will not be achieved alternative savings have been found.

| Original Budget 2011/12 £m | | Latest Budget 2011/12 £m | Forecast Outturn 2011/12 £m | Variance Forecast February 2012 £m | Variance Forecast February 2012 % |
|-------------------------------|---|-----------------------------|--------------------------------|---------------------------------------|--------------------------------------|
| 112.817 | Children, Education & Families (CE&F) | 111.553 | 107.852 | -3.701 | -3.32 |
| 219.442 | Social & Community Services (S&CS) | 220.917 | 220.239 | -0.678 | -0.31 |
| 75.561 | Environment & Economy | 84.506 | 82.231 | -2.275 | -2.69 |
| 7.751 | Chief Executive's Office | 8.975 | 8.339 | -0.636 | -7.09 |
| 415.571 | In year Directorate total | 425.951 | 418.661 | -7.290 | -1.71 |
| | Add: Overspend on Council Elements of Pooled Budgets | | | +1.011 ¹ | |
| | Total Variation including Council Elements of Pooled Budgets | | | -6.279 | -1.47 |

¹ Mainly relates to Physical Disabilities Pooled Budget

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 | 2012/13 Virements to be approved |
| Annex 10 | 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 February 2012 is set out below.

Children, Education & Families: -£3.701m in year directorate variation

6. The Directorate is forecasting an in-year variation of -£3.701m. In addition a -£5.530m underspend on services funded from Dedicated Schools Grant (DSG) which will be placed in an earmarked reserve for use in 2012/13.

Early Intervention Hubs

7. An underspend of -£0.930m is forecast an increase of -£0.030m since the last report. 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.

Children's Social Care

8. An underspend is -£0.269m is forecast for Children's Social Care Management and Central Costs a decrease of +£0.173m since the last report. The change reflects a reduction in the number of vacancies following restructures within the service. The service is in the process of recruiting to the vacant posts.
9. An underspend of -£1.428m is forecast for Placements, a change of -£0.054m since the last report. The position reported allows for £0.055m to be spent on new placements during March 2012 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. It is proposed that £0.443m of the underspend is placed into a new reserve to be used to support a two year project involving joint working with Thames Valley Police.
10. An underspend of -£0.671m is forecast for Asylum an increase of -£0.044m since the last report. The variation reflects a reduction in the number of eligible clients using the service. Given the volatile nature of the service the forecast could change again before the year end.

DSG Funded Services

11. An underspend of -£5.530m is forecast on services funded by DSG an increase of -£2.325m. The change reflects the last 2010/11 Standards Fund instalment which has now been received. As previously reported underspend of -£3.953m on the non-schools contingency is ringfenced to be spent within the Schools budget and following Schools Forum on 1 February 2012 will be carried forward to be spent in 2012/13.

Social & Community Services: -£0.678m in year directorate variation

12. The Directorate is forecasting an underspend of -£0.678m. There is also a forecast overspend of +£1.011m on the Council elements of the Pooled Budgets. This mainly relates to adults with physical disabilities.

Adult Social Care

13. An underspend of -£0.499m is forecast for Adult Social Care, a decrease of +£0.049m. This includes one-off rent review arrears income of £1.4m.
14. Income relating to Older People and Physical Disabilities is forecast to be underachieved by +£0.828m an increase of +£0.139m since the last report. This is after transferring £0.534m of client income associated with the additional NHS resources into the Older People Pooled Budget.

Community Safety (including Fire & Rescue)

15. The Fire and Rescue Service is forecasting an underspend of -£0.279m a decrease of +£0.135m since the last report. The change relates to the underspend of -£0.200m on whole time fire-fighter pay which, as previously reported, has been placed in the Vehicle Renewals reserve. The retained duty system (RDS) continue to forecast an underspend of -£0.250m this along with the overspend on fire-fighter ill health retirement budget of +£0.040m are expected to be returned to or drawn from balances at year end.
16. Increased rental income and savings on pay and repair and maintenance mean the Gypsy and Traveller Service is forecasting an underspend of -£0.100m.

Quality & Compliance (Strategy & Transformation)

17. Proposals for a Joint Commissioning service with Children, Education and Families are under consultation with the intention of implementing 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.
18. An underspend of -£0.201m is reported for Transforming Adult Social Care. This will be requested to be carried forward to 2012/13 to support projects within Adult Social Care.

Pooled Budgets**Older People, Physical Disabilities and Equipment Pool**

19. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£3.068m, +£1.850m on the Council's element and +£1.218m on the Primary Care Trust's (PCT) element. This position includes a transfer of a -£4.416m underspend relating to Older People into an earmarked reserve for use in future years.

Older People

20. The County Council's element of the pool is forecast to be underspent by -£4.416m an increase of -£3.007m since the last report.
21. The increased underspend includes the previously reported winter pressures funding £1.419m for adult social care that the Department of Health announced in January 2012. £0.037m will be spent in 2011/12 with the balance of £1.382m to be used in future years. The underspend also includes the £0.816m balance of Winter Pressures funding for 2010/11 which will continue to support for the additional care home and home support clients in 2012/13 and beyond.
22. The remaining -£0.809m variation includes underspends in the Crisis Response Service (-£0.215m), Personal Budget Allocations (-£0.270m) and the re-ablement service of (-£0.0.300m).
23. In accordance with pooled budget arrangements, it is proposed that the underspend is placed in a reserve for use in 2012/13 and beyond. This reserve will be used to continue to fund the additional clients using the winter pressures funding received in 2010/11 and 2011/12, to purchase additional intermediate care beds in 2012/13, and to increase assessment capacity and help providers recruit care workers.

Physical Disabilities

24. The County Council's element is projected to be overspent by +£1.850m a decrease of -£0.123m since the last report. The overspend reflects an increase in the number of people needing care over the last two years and changes to packages of care. Additional funding to reflect the current level of clients and packages, and for future demography was agreed by Council on 10 February 2012 as part of the budget for 2012/13. A supplementary estimate of £1.850m is requested to fund the 2011/12 overspend.

Equipment

25. A breakeven position is forecast on the Council element of the Equipment Pooled Budget, a decrease of -£0.331m since the last report. The change reflects the transfer to this budget of -£0.315m of additional client income associated with the additional £6.196m Department of Health funding.

Learning Disabilities Pool

26. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting an underspend of -£1.000m, -£0.839m on the Council's element and -£0.161m on the PCT element. The change of -£0.590m on the Council's element since the last report is due to an underspend on staffing costs and an underspend on personal budgets.

Environment & Economy: -£2.275m in year directorate variation

27. The Directorate is forecasting an underspend of -£2.275m. This forecast position includes the £0.425m to be carried forward and used to support savings in 2012/13 agreed as part of the 2012/13 budget.

Highways & Transport

28. The service is forecasting an underspend of -£0.418m an increase of +£0.147m since the last report. The change reflects a reduction of the share of the Highways contract management fee that will be met by revenue by £0.260m. The share is based on the amount of capital and revenue work taken place during the year.

Growth & Infrastructure

29. The service is forecasting an underspend of -£1.655m, an increase of -£0.204m since the last report. The change relates mainly to lower than anticipated costs of the waste contract procurement and an increased underspend in Business and Skills due to learning contracts spanning academic years.
30. Waste Management continue to forecast an underspend of -£0.523m. Current activity levels for recycling/composting are expected to be 61% recycling/composting. This is a better position than budgeted with less landfill tonnage being the main factor contributing to the increased performance. The remaining Growth and Infrastructure underspend of -£0.928m relate to projects including Minerals and Waste Framework, Broadband and the Strategic Sites Project which have been previously reported.

Property and Facilities

31. The service is forecasting a variation of +£0.169m, a decrease of -£0.254m since the last report. The change reflects lower than expected spend on repairs and maintenance, and prudential borrowing charges.
32. Food with Thought is 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 £0.042m.

Oxfordshire Customer Services

33. Oxfordshire Customer Services (OCS) continues to forecast an underspend of -£0.314m, an increase of £0.109m since the last report. The change relates to increased underspend in HR staffing costs and the delivery of the Learning and Development Plan. The forecast includes a contribution to the Oxfordshire Customer Services development reserve of £0.165m. As set out in paragraph 37 it is proposed that the Human Resources underspend is used to repay the Adult Learning supplementary estimate of £0.181m which was due to be repaid by 2012/13.

Chief Executive's Office: -£0.636m in year directorate variation

34. The Chief Executive's Office (CEO) is forecasting a variation of -£0.636m a change of -£0.325m since the last report. The change mainly relates to the transfer of the legal costs associated with the Cogges Link Road project to Highways and Transport.

Redundancy Costs

35. 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 February 2012 are £6.870m.

Virements and Supplementary Estimates

36. The temporary virements to note are set out 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. There are no new virements to be approved this month.
37. The supplementary estimates requested this month are set out in Annex 2e. Supplementary estimates requested this month include the funding of the overspend in the Physical Disabilities Pooled Budget as set out in paragraph 24 and the repayment of the Supplementary Estimate to Adult Learning as set out in paragraph 33.

Grants Monitoring

38. Annex 7 sets out government grants received in 2011/12. Ringfenced grants totalling £423.986m (including £387.003m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include the last instalment of 2010/11 Standards Fund and a reduction in DSG following the conversion of schools to Academy Status

Bad Debt Write Offs

39. There were 112 general write offs in the financial year to the end of February 2012 totalling £49,885. In addition Client Finance has written off 115 debts totalling £21,406.

Treasury Management

40. During February 2012, the council received a first distribution of £1.471m in relation to outstanding Icelandic deposits. This represents approximately one third of the council's claim. The timing and amounts of further distributions are not currently known.
41. The latest treasury management approved lending list (as at 4 April 2012) is shown in Annex 8. Some lending limits have been revised following consideration of updated guidance received from the Council's advisers – Arlingclose. In relation to UK, Australian and Canadian banks, the Treasury Management Strategy Team (TMST) agreed to remove some temporary lending limit restrictions imposed last autumn during a period of increased market instability. The reinstatement of approved lending limits reflects some improvement in market indicators and more encouraging financial results for some banks. European banks remain temporarily suspended from the approved lending list due to uncertainties in the Eurozone.
42. The average cash balance during February 2012 was £261.567m, whilst the average rate of return was 1.112% against a benchmark of 0.948%

Part 2 – Balance SheetReserves

43. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £99.509m a change £10.305m since the last report. The change reflects the contribution to the Older People Pooled Budget reserve of £4.461m as set out in paragraph

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23, the increased underspend on DSG of £2.325m, and the increase in the carry forward reserve due to the increased underspend.

New Reserves

Children, Education and Families

44. It is recommended that two new reserves are created for self-financing services. The Roundabout Daycare (£0.020m) and the Forest School Training service (£0.050m). As these services are self-financing the reserve will be used to hold surplus balances and to meet any deficits in future years
45. It is recommended that a new reserve is created for two year project involving joint working with Thames Valley Police. This reserve will fund a two year project where it is anticipated there will be an increase in referrals and work following the police operation and roll out through the Safeguarding Board of raising awareness and training. In 2011/12 the contribution being made is £0.443m.

Chief Executive's Office

46. It is recommended that a new reserve is created for the remaining unallocated funding from 2011/12 for the Big Society Fund (£0.175m) until bids are considered and agreed by Cabinet.
47. It is recommended that a new reserve is created for the Change Management and New Ways of Working Project (£0.110m) which was originally planned for 2011/12 but will now take place in 2012/13.
48. It is also recommended that a new reserve is created for the Coroner's service to manage the costs of several projects (£0.123m) that were originally due to take place in 2011/12 but have been delayed until 2012/13. Projects include the refurbishment of the Coroner's Court and Office and the new Coroner's Court recording system.

Balances

49. Annex 5 sets out the general balances taking into account known changes. Balances are currently £14.065m.

Part 3 – Capital Monitoring and Programme Update

Capital Monitoring

50. The capital monitoring position set out in Annex 10a, shows the forecast expenditure for 2011/12 is £63.2m (excluding schools local capital). This is £0.8m lower than the latest capital programme approved by Council in February 2012. The table on the next page summarises the variations by directorate.

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| Directorate | Last Approved Programme * £m | Latest Forecast Expenditure £m | Variation £m |
|-------------------------------------|---------------------------------|-----------------------------------|-----------------|
| Children, Education & Families | 30.9 | 30.8 | -0.1 |
| Social & Community Services | 4.1 | 3.8 | -0.3 |
| Environment & Economy - Transport | 25.6 | 24.9 | -0.7 |
| Environment & Economy - Other | 3.2 | 3.5 | +0.3 |
| Chief Executive's Office | 0.2 | 0.2 | 0.0 |
| Total Directorate Programmes | 64.0 | 63.2 | -0.8 |
| Schools Local Capital | 8.1 | 8.1 | 0.0 |
| Total Capital Programme | 72.1 | 71.3 | -0.8 |

* Approved by Council 10 February 2012

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 10b.
52. In the Children, Education & Families programme, £0.200m of the Health & Safety programme has been returned to the capital programme as no further projects have been identified.
53. In the Social & Community Services programme, £0.200m on the Redbridge Hollow scheme has slipped into 2012/13. The delay in the project is from a number of changes to the original scheme, including a revised road layout, the relocation of boilers and oil tank and the installation of a new fence.
54. In the Environment & Economy programme, £0.246m relating to the purchase of Solar PV panels at Matthew Arnold School has been brought forward from 2012/13. In the Transport programme, £0.175m of funding from Phase 1 of the Iffley Road scheme has been transferred to Phase 2 of the scheme.

Actual & Committed Expenditure

55. As at the end of February actual capital expenditure for the year to date (excluding schools local spend) was £46.3m. This is 73% of the total forecast expenditure of £63.2m, which is around 3% above the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 93% of the forecast.

Five Year Capital Programme Update

56. The total forecast 5-year capital programme (2011/12 to 2016/17) is now £436.4m, an increase of £0.5m from the latest capital programme. The new schemes and project/programme budget changes requiring Cabinet approval are set out in Annex 10c. The table on the next page summarises the variations by directorate.

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| Directorate | Last Approved Total Programme (2011/12 to 2016/17) * | Latest Forecast Total Programme (2011/12 to 2016/17) | Variation |
|-------------------------------------|---|---|-------------|
| | £m | £m | £m |
| Children, Education & Families | 169.3 | 169.6 | +0.3 |
| Social & Community Services | 29.5 | 29.5 | 0.0 |
| Environment & Economy - Transport | 129.0 | 129.3 | +0.3 |
| Environment & Economy - Other | 33.2 | 32.9 | -0.3 |
| Chief Executive's Office | 0.4 | 0.4 | 0.0 |
| Total Directorate Programmes | 361.4 | 361.7 | +0.3 |
| Schools Local Capital | 20.4 | 20.4 | 0.0 |
| Earmarked Reserves | 54.1 | 54.3 | +0.2 |
| Total Capital Programme | 435.9 | 436.4 | +0.5 |

* Approved by Council 10 February 2012

RECOMMENDATIONS

57. **The Cabinet is RECOMMENDED to:**

- a) note the report;
- b) Approve the supplementary estimates as set out in Annex 2e;
- c) Agree the creation of the new reserves as set out in paragraph 44 to 48;
- d) Approve the new capital schemes and budget changes set out in Annex 10c;
- e) Approve virements for financial year 2012/13 included in Annex 9.

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 29 February 2012

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