

CABINET – 17 DECEMBER 2013**2013/14 FINANCIAL MONITORING &
BUSINESS STRATEGY DELIVERY REPORT****Report by the Chief Finance Officer****Introduction**

1. This report focuses on the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2013/14 – 2016/17. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of October 2013. Changes to unringfenced grant funding are set out in Part 3 and Capital Programme monitoring is included at Part 4.

Summary Position

2. The forecast directorate variation is currently an overspend of +£4.549m or +1.10% against a net budget of £415.087m as shown in the table below. This has reduced by £1.062m since the last report to Cabinet in October. Directorates continue to work hard to manage the pressures and there is an expectation that management action will reduce the forecast overspend further by the end of the 2013/14 financial year.

	Latest Budget 2013/14 £m	Forecast Outturn 2013/14 £m	Variance Forecast October 2013 £m	Variance Forecast October 2013 %	Variance Forecast August 2013 £m	Variance Forecast August 2013 %
Children, Education & Families (CE&F)	105.183	106.000	+0.817	+0.78	+0.796	+0.76
Social & Community Services (S&CS) ¹	209.106	212.450	+3.344	+1.60	+3.765	+1.82
Environment & Economy	79.230	79.789	+0.559	+0.71	+1.076	+1.36
Chief Executive's Office	21.568	21.397	-0.171	-0.79	-0.026	-0.12
Public Health ²	0	0	0	0	0	0
Directorate total	415.087	419.636	+4.549	+1.10	+5.611	+1.36

3. The following annexes are attached:

Annex 1	Forecast Spend for 2013/14
Annex 2	Virements & Supplementary Estimates
Annex 3	Ring-fenced Government Grants 2013/14
Annex 4	Treasury Management Lending List

¹ Social and Community Services includes the forecast outturn and variance for the Pooled Budgets.

² Public Health is funded by a ring-fenced grant of £25.264m which is received from the Department of Health. Public Health are currently forecasting an underspend of -£0.778m.

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Annex 5	Forecast Earmarked Reserves
Annex 6	Forecast General Balances
Annex 7	Capital Programme Monitoring

4. Directorate reports which set out the detail behind this report are available from the contact officers named at the end of this report or in the Members' Lounge.

Part 1 - Revenue Budget

Children, Education & Families (CE&F)

5. The directorate is forecasting a variation of +£0.817m. There is also a -£1.000m forecast underspend on services funded by the Dedicated Schools Grant (DSG).

CE&F1 Education & Early Intervention

6. The Education & Early Intervention service is forecasting a variation of -£0.901m, a change of -£0.200m since the last report to Cabinet on 15 October 2013.
7. As reported previously £1.675m one – off funding is available to be allocated to school intervention projects. £1.353m is now forecast to be spent by the end of March 2013. The remainder will be spent in 2014/15 and will be carried forward through the earmarked reserve. Of the £0.685m one – off funding allocated to the Improvement and Development service from the School Intervention Fund, £0.426m has yet to be allocated and is also contributing to the underspend for the service area. There are plans to use this on a number of projects including those relating to inspection, moderation, performance and improvement as well as aspiration networks and learning through local excellence.
8. Elsewhere there is an underspend of -£0.072m for the virtual school as this no longer requires funding from the School Intervention Fund. Special Needs Advisory Support Teachers have generated -£0.087m of additional income from courses. Children's Centres and Childcare are forecasting to underspend by -£0.082m. There are also underspends on Management & Central costs (-£0.110m) and the negotiable legal recharges budget (-£0.153m). This is offset by an overspend on the equivalent budget in Children's Social Care.
9. These underspends are offset by an overspend of +£0.500m on home to school transport and there is a risk this may increase by year end. The overall underspend for CE&F1 will reduce if the underspends on one – off funding set out in paragraph 7 are placed in reserves.

CE&F2 Children's Social Care

10. Children's Social Care is forecasting a variation of +£1.595m compared to +£1.457m in the last report. A forecast overspend of +£2.137m for external placement costs reflects an increase in the number of support days from 2012/13 along with an increase in the number of support days in higher cost placements. It includes a £0.721m allowance for new placements coming into the service during the remainder year. The

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overspend on external placements is partly offset by an underspend of -£0.249m on accommodation costs and support days for clients funded under Southwark Judgement responsibilities.

11. There are also overspends of +£0.351m on management and central costs, Children Looked After (+£0.066m) and +£0.272m on the Asylum Service Area. These are offset by underspends in Corporate Parenting (-£0.291m), Family Support (-£0.347m), and Referral and Assessment (-£0.238m).

Dedicated Schools Grant

12. Services funded from DSG are forecast to underspend by -£1.000m. There is a -£0.246m underspend on funding allocated to the 'Every Child a Reader' project. This can be spent up to the end of the academic year (August 2014) so will be carried forward through the reserve. The Foundation Years Service is forecasting an underspend of -£0.474m. This is being monitored in consultation with the Early Years Working Group of the Schools Forum and the Early Intervention Service.

Social & Community Services (S&CS)

13. The Social & Community Services directorate is forecasting an overall variation of +£3.344m, which is primarily due to overspends on pooled budgets. This has reduced from +£3.765m in the last report and is expected to reduce further by year end.

S&CS1 Adult Social Care

14. The service is forecasting an overspend of +£3.840m. As shown in Annex 1b this relates to overspends on the Older People, Equipment and Learning Disabilities Pooled Budgets. There is a forecast underspend on the Physical Disability Pooled Budget and Joint Commissioning.

Older People

15. Pressures of £5.2m were identified as part of the Council's Service & Resource Planning process for 2013/14 and the Pool is required to find savings to meet this pressure. £2.3m was set aside as a contingency in recognition of the difficulty in balancing the conflict of delivering savings in the face of increased demand. Cabinet approved the transfer of this funding, on a temporary basis, to the Council's Older People Pooled Budget Contribution on 17 September 2013.

16. The remaining forecast overspend based on activity at the end of October is +£1.572m. This has reduced from +£1.995m in the last report as a result of unspent direct payments being returned to the Council, a contract underspend on re-ablement and increased client income. It is planned to take action to reduce expenditure during the remainder of the year as care pathways improve.

Equipment

17. The Council's element of the Equipment Pooled Budget is forecast to overspend by +£0.922m. This is mainly due to the pressure of meeting needs to keep people safely at home, reduce delayed transfers of care and avoid hospital admissions.

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Learning Disabilities Pooled Budget

18. As set out in Annex 1b the Council's element of the Learning Disabilities Pool is forecasting an overspend of +£1.613m. A detailed review of this budget is continuing and a number of uncertainties remain which could affect the accuracy of the forecast.

Physical Disabilities

19. The Physical Disabilities Pool is forecasting an underspend of -£0.267m. There has been an increase in the number of clients in care homes which is offset by the return of unspent direct payments.

S&CS2 Community Safety

20. Services within Community Safety are forecasting an underspend of -£0.117m. This relates to vacancies and additional income.

S&CS3 Joint Commissioning

21. The service continues to forecast an underspend of -£0.500m. Of this -£0.200m relates to planned savings delivered early and -£0.300m to an underspend on the Oxfordshire Support Fund.

S&CS4 Fire & Rescue and Emergency Planning

22. The Fire & Rescue service continues to forecast an overspend of +£0.121m on fire-fighter ill health retirements. As this is a budget that the service cannot control, any variance will be met from Council balances at year-end.

Environment & Economy (E&E)

23. The last report noted that the forecast overspend for Environment & Economy was expected to reduce as a result of management action. This is reflected in the forecast overspend of +£0.559m, which compares to +£1.076m in the previous report.

EE1 Strategy and Infrastructure

24. The service is forecasting an underspend of -£0.060m which primarily reflects slippage on planned energy reduction projects. There was previously a forecast underachievement of income in the Historic and Natural Environment service but it is now expected that this can be managed by reducing expenditure plans in other areas of the service.

EE2 Commercial Services

25. The service is forecasting a net overspend of +£0.405m. This includes an overspend of +£1.011m on Highways Maintenance which reflects an increased number of defects and additional gully emptying requirements.
26. There is a risk that the budgeted parking income anticipated for 2013/14 will not be realised. Because of this the planned drawdown from the reserve to support the revenue budget in 2013/14 needs to be reduced by £0.450m. This will help to ensure that there is sufficient held in the reserve so that future drawdowns assumed in the Medium Term Financial Plan are sustainable.
27. Waste Management is forecast to underspend by -£0.284m compared to a forecast overspend of +£0.677m reported last time. There is a

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decrease in the level of growth predicted for the rest of the year in both landfill and green waste. The previous more pessimistic growth predictions were based on quarter one data, but there is now more substantiated data by which to more robustly forecast the rest of the year. Growth is anticipated in future years which will put substantial pressure on the budget in the medium term.

28. Property Programme Management is currently forecasting an overspend of +£0.470m, due to the under-recovery of contract management fees resulting from a smaller than predicted property related capital programme. Property Facilities management is forecast to underspend by -£0.102m. There is an underspend of -£0.404m on the management fee on the highways contract arising from higher than expected capital expenditure on which fees are chargeable.
29. There are underspends on Concessionary Fares (-£0.300m) and Street Lighting (-£0.396m).

EE3 Oxfordshire Customer Services

30. Oxfordshire Customer Services is forecasting an overspend of +£0.214m. As reported previously this is mainly due to a delay in implementing a project to reduce the use of printers and printed materials. The service is expecting to be able to manage any pressures by the end of the year.

Chief Executive's Office

31. The services within the Chief Executive's Office are forecasting a combined underspend of -£0.171m. A forecast overspend of +£0.144m in Legal Services has arisen because of an increase in Childcare Court Fees from 1 July 2013. This is offset by underspends elsewhere.

Public Health

32. The directorate is forecasting an under spend of -£0.778m because of staff vacancies and changes to contracts. Recruitment to essential posts is in progress. Public Health is funded by a ring-fenced grant so any underspend will be placed in reserves at the end of the financial year and will be used to meet Public Health expenditure in future years.

Virements and Supplementary Estimates

33. Virements larger than £0.250m requiring Cabinet approval under the Virement Rules agreed by Council on 19 February 2013 are set out in Annex 2a. Virements requested this month include the centralisation of transport budgets in Environment & Economy and the creation of recharges in Children, Education & Families. These are in addition to existing recharges from Environment & Economy to Social & Community Services. The bringing together of all transport budgets into one area will enable the Supported Transport programme (a cross-directorate initiative) to comprehensively review the transport services the council currently supports and pilot opportunities for change. Through the review, it is expected that the council's overall expenditure can be reduced to achieve the proposed budget savings set out in the Service & Resource Planning Report at Item 7.
34. There are also requests to reflect the changes to ringfenced grants set out in paragraphs 36 and 37, and further restructuring virements in E&E

and CEO. None of the virements requested represent a major change in policy, simply the movement of budgets between Directorates.

35. New virements for Cabinet to note this month are set out in Annex 2d.

Ringfenced Grants

36. As set out in Annex 3, ringfenced grants totalling £325.847m are included in directorate budgets and will be used for the specified purpose. Changes since the last report include a reduction in DSG reflecting an updated grant allocation from the Department for Education (DfE).
37. The government is providing additional funding of £150 million per annum nationally for academic years 2013/14 and 2014/15 to improve provision of physical education (PE) and sport in primary schools. Oxfordshire's £1.169m share of the PE and Sports Grant will be shared amongst Local Education Authority maintained primary schools and must be spent on improving their provision of PE and sport.

Bad Debt Write Offs

38. There were 68 general write offs to the end of October 2013 and these totalled £36,526. This includes a single write off of £25,396 which was agreed by Cabinet on 17 September 2013. Client Finance has written off 76 debts totalling £64,957.
39. An invoice for £40,650 was raised in 2011 to recover an overpayment to a residential home providing specialist care to a client with learning disabilities. The providers disputed the invoice on the grounds that they were given insufficient notice that the client was being moved from the home. There was insufficient written evidence to pursue this matter to a trial and an out of court settlement was agreed. Cabinet is recommended to approve the removal of the remaining debt of £19,650 from the Council's accounts.

Treasury Management

40. The latest treasury management approved lending list (as at 22 November 2013) is provided at Annex 4. No new counterparties have been added to the lending list since the report to Cabinet in October. The duration limit for Royal Bank of Scotland has been reduced from six months to overnight following credit rating downgrades by two major credit rating agencies and developments in the future plans for the company which pose additional risks to its financial standing.
41. The average in-house cash balance during October 2013 was £351.7m and the average rate of return for the month was 0.84%. The average in-house cash balance during September 2013 was £364.2m and the average rate of return for the month was 0.86%.
42. The budgeted return for interest receivable on balances in 2013/14 is £2.115m. An additional £0.747m interest receivable is currently forecast. An overspend of +£0.131m is currently forecast on the 2013/14 interest payable budget of £18.405m.

Part 2 – Balance Sheet

43. Annex 5 sets out earmarked reserves brought forward from 2012/13 and the forecast position as at 31 March 2014. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan.
44. As set out in the Provisional Outturn Report to Cabinet on 18 June 2013, revenue reserves were £84.075m at the end of 2012/13. These are forecast to reduce to £56.163m by 31 March 2014. The reduction of -£1.691m since the last report includes the use of the Waste Management Reserve in E&E (£3.249m) to fund a number of financial liabilities including the cessation of landfill site contracts, a contribution to the capital programme with regard to the Waste Recycling Strategy and the Energy from Waste (EfW) architectural enhancements due to revised planning conditions. This is offset by a £0.911m forecast increase in the Grants & Contributions Reserve reflecting underspends on the grant funding of Public Health and DSG. £0.797m of the vehicle and equipment reserve will be used to purchase new Fire Service vehicles.
45. The CE&F Directorate Leadership Team will be reviewing the need for the full amount in the earmarked reserves for Thriving Families and Pay Protection to offset part of the reported overspend in placements. Any amounts released will be proposed in the next report.

Other Reserves

46. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £51.874m at 31 March 2014.
47. Annex 6 sets out that the forecast for general balances at 31 March 2014 is currently £15.631m. This position takes account of the forecast directorate overspend of +£4.549m. Balances will be adjusted for variations on Strategic Measures, including the additional income receivable on balances, set out at paragraph 42, at year end.

Part 3 – Changes to Unringfenced Grant Funding

48. The 2013/14 budget included assumptions about a number of unringfenced grants which were not notified until after Council agreed the budget in February 2013.
49. The provisional Education Services grant for 2013/14 was originally announced as £8.851m, comprising a general allocation of £7.541m based on the number of pupils in maintained schools and an allocation for statutory retained duties of £1.309m. Based on the quarter three payment the total grant is now expected to be £8.096m, so there is a shortfall of £1.057m compared to the £9.153m assumed in the budget.
50. The Adoption Reform grant for 2013/14 comprises both a ringfenced and unringfenced element. The unringfenced element of the grant is to support reform of the adoption process and has been confirmed as £1.195m. This is a shortfall of £0.053m compared to the £1.248m assumed in the budget. In addition, the ringfenced element of grant to support the finding of more adopters has been confirmed as £0.417m.

51. £0.782m estimated grant funding for Extended Rights to Free Transport was assumed in the 2013/14 budget. There is a shortfall of £0.172m based on the notification of £0.610m by the Department for Education in July 2013.
52. Notification of the returned Safety Net Topslice is still awaited.
53. There will be a shortfall of revenue grant funding in 2013/14 totalling £1.282m arising from the above grant confirmations. Cabinet are recommended to agree that for 2013/14, this shortfall, and any further reduction in the Education Support Grant or Safety Net Topslice during the remainder of the year, is met from the Budget Reserve and addressed on an on-going basis as part of the 2014/15 Service & Resource Planning process.

Part 4 – Capital Programme Monitoring

54. The capital monitoring position set out in Annex 7a, shows the forecast expenditure for 2013/14 is £79.2m (excluding schools local capital and reserves), which is an increase of £0.7m compared to the latest approved capital programme. The table below summarises the variations by directorate:

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	33.6	33.6	0.0
Social & Community Services	15.6	15.6	0.0
Environment & Economy - Transport	26.6	27.1	+0.5
Environment & Economy - Other	1.6	1.8	+0.2
Chief Executive's Office	1.1	1.1	0.0
Total Directorate Programmes	78.5	79.2	+0.7
Schools Local Capital	3.8	3.8	0.0
Earmarked Reserves	1.0	1.0	0.0
Total Capital Programme	83.3	84.0	+0.7

* Approved by Cabinet on 15 October 2013

55. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes requiring Cabinet approval are listed in Annex 7c.
56. In the Transport programme, a budget increase of £0.185m has been approved for the reconstruction of the carriageway at Bagley Wood, funded from the subsidence reserve. This takes the total budget to £1.120m (including contingency) and £1.013m is profiled to be spent in this financial year which is an increase of £0.2m from the latest estimate.
57. It has been agreed to make a contribution of £0.189m towards the construction of a new community centre in Wallingford. £0.048m of this will be funded from a developer contribution. Youth and children's services will be provided from the new community centre.

Actual & Committed Expenditure

58. As at the end of October actual capital expenditure for the year to date (excluding schools local spend) was £17.2m. This is 22% of the total forecast expenditure of £79.2m. Actual and committed spend is 50% of the forecast.

Five Year Capital Programme Update

59. The total forecast five year capital programme (2013/14 to 2017/18) is now £383.3m, an increase of £0.8m compared to the last capital programme approved by Cabinet in October 2013. The table below summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

Directorate	Last Approved Total Programme (2013/14 to 2017/18) * £m	Latest Updated Total Programme (2013/14 to 2017/18) £m	Variation £m
Children, Education & Families	151.6	152.3	+0.7
Social & Community Services	33.6	33.6	0.0
Environment & Economy - Transport	90.8	90.7	-0.1
Environment & Economy – Other	28.1	28.3	+0.2
Chief Executive's Office	2.8	2.8	0.0
Total Directorate Programmes	306.9	307.7	+0.8
Schools Local Capital	8.7	8.7	0.0
Earmarked Reserves	66.9	66.9	0.0
Total Capital Programme	382.5	383.3	+0.8

* Approved by Cabinet 15 October 2013

60. The variation in the overall Children, Education & Families programme is the result of the inclusion of the additional funding towards the entitlement for two year olds programme which was approved by Cabinet on 15 October 2013. It was agreed to allocate £0.400m from the previous years' DSG underspend and a further £0.300m from the 2013/14 DSG to increase capacity for two year olds. This will form part of the capital trajectory funding already in the capital programme and forms part of a revenue contribution to capital, which will be placed in the capital reserve to be spent in the next two years.
61. In addition to the increases explained in paragraphs 56 and 57 above, £0.369m of funding has been returned to the capital programme reserves from the transport programme. This budget was being held to match fund some small developer funded schemes, but it has been agreed that any schemes requiring a funding allocation will follow the capital governance approval process.
62. Cabinet is recommended to approve the inclusion of a project development budget of £0.650m for the A34 Chilton Junction scheme. The Local Enterprise Partnership (LEP) has agreed to fund £0.200m of

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this project development budget from the Growing Places Fund and Cabinet is recommended to approve that the Council fund the remaining £0.450m.

63. The scheme will provide greatly improved connectivity of the Science Vale Enterprise Zone to the national road network to the A34 for Harwell Oxford Campus. It will also enhance the attractiveness of the campus to potential business investors and help to provide a reliable transport network.
64. The total cost for this scheme is estimated to be £10.883m. A £5m grant application for Local Pinch Point Funding has been submitted to the Department for Transport. It is expected that the outcome of this bid will be announced in early January 2014. The remainder of the scheme will be funded from the Enterprise Zone Retained Business Rate Income through the LEP. The full cost of this scheme will be included in the capital programme once there is certainty around the funding sources. An outline business case is available as a background paper to this report.

RECOMMENDATIONS

65. **The Cabinet is RECOMMENDED to:**
 - (a) **note the report;**
 - (b) **approve the virement requests set out in Annex 2a;**
 - (c) **note the updated Treasury Management lending list at Annex 4;**
 - (d) **approve the removal of a residual debt of £19,650 from the Council's accounts as set out in paragraph 39;**
 - (e) **agree that the shortfall in revenue grant funding arising from recent unringfenced grant confirmations is met from the Budget Reserve in 2013/14 as set out in paragraph 53;**
 - (f) **approve the changes to the Capital Programme set out in Annex 7c; and**
 - (g) **approve the addition of the project development budget for the A34 Chilton Junction scheme in the Capital Programme as set out in paragraph 62.**

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Background papers: Directorate Financial Monitoring Reports October 2013
Stage 1 Business Case for Chilton Junction Scheme

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