Division(s): N/A

CABINET – 20 JULY 2010

FINANCIAL MONITORING

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the monthly financial monitoring and provides an update on changes to funding in 2010/11. Part 1 and 2 set out the Council's forecast position for the 2010/11 financial year based on two months of actuals to the end of May 2010, including projections for revenue, balances and reserves.

2. The Capital Programme Update and Monitoring is dealt with at Part 3. Part 4 then sets out proposals to place a moratorium in 2010/11 on all schemes within the programme that are not yet committed, along with a recommendation to release certain schemes to go ahead.

3. Part 5 sets out the impact of the national in-year reductions in grant allocations for Revenue and Capital on the Council. The impact on future years of the Emergency Budget announced on 22 June 2010 is set out in the Service & Resource Planning report elsewhere on the agenda.

Summary Position

4. The in – year Directorate forecast is an overspend of +£1.520m, or +0.39% against a budget of £390.363m as shown in the table below. The equivalent position for May 2009 was a projected overspend of +£2.743m. The in-year forecast excludes an overspend of +£0.643m on services funded from Dedicated Schools Grant (DSG).

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Forecast Outturn 2010/11 £m	Variance Forecast May 2010 £m	Variance Forecast May 2010 %
99.050	Children, Young People & Families (CYP&F)	99.058	98.969	-0.089	-0.09
183.657	Social & Community Services (S&CS)	183.446	185.055	+1.609	+0.88
70.408	Environment & Economy	70.315	70.315	0.000	0.00
28.122	Community Safety & Shared Services	28.048	28.048	0.000	0.00
9.578	Corporate Core	9.496	9.496	0.000	0.00
390.815	**In year Directorate total**	**390.363**	**391.883**	**+1.520**	**+0.39**

Plus: Overspend on DSG		+0.643	
Total Variation		**+2.163**	**+0.55**

5. Carry forwards from 2009/10 were considered by Cabinet on 22 June 2010 and those agreed so far will be included in the next report. Carry forwards in CYP&F and S&CS dependent on virements larger than £0.5m that require Council approval on 27 July 2010 will be included in the report to the end of July 2010. For consistency the +£0.178m planned overspend on the City Schools Reorganisation will be included in the report to the end of July along with the rest of the CYP&F carry forwards.

6. The current position for general balances is set out in Annex 5 and shows a forecast of £15.095m. In addition £1.009m Performance Reward Grant is held in balances pending supplementary estimate requests to release it for use in 2010/11. After taking into account the forecast Directorate overspend (+£1.520m) and the Council elements of the overspend on the Pooled budgets (+£3.767m), the consolidated revenue balances forecast is £9.808m, plus the £1.009m PRG.

7. Figures for each Directorate are summarised within the Annexes and individual Directorate Financial Monitoring Reports setting out the detail behind this report have been placed in the Members' Resource Centre.

8. The following Annexes are attached:

Annex 1 (a-e)	Forecast Revenue Outturn by Directorate
Annex 2 (a-f)	Virements and Supplementary Estimates
Annex 3a-c	Specific Grants and Area Based Grant as at 31 May 2010
Annex 3d	Reductions to Specific Grants and Area Based Grant notified in 2010/11
Annex 3e	Proposed reductions in expenditure relating to changes to Area Based Grant set out in annex 3d.
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6	Capital Programme Update
Annex 7	Capital Programme Monitoring
Annex 8	Capital schemes proposed to be released from the moratorium (to follow).

Part 1 - Revenue

9. Annex 1 shows the forecast revenue outturn by Directorate based on the position to the end of May 2010.

Children Young People & Families: -0.089m in – year Directorate underspend

10. CYP&F are forecasting a -£0.089m, or -0.09%, in-year Directorate underspend (+£0.554m total overspend including +£0.643m on services funded from Dedicated Schools Grant). The City Schools Reorganisation overspend will be carried forward from 2009/10. The balance remaining in 2010/11 is £0.178m and will be fully repaid in 2011/12.

Young People & Access to Education

11. The overall position for Young People & Access to Education is an overspend of +£0.190m on services funded by the Council. +£0.150m relates to The Youth Offending Service where there is a loss of income following the reclassification of Huntercombe Young Offenders Institution.

Children and Families

12. A comprehensive review of Children's Social Care budgets is currently being undertaken. This includes children looked after, family support and assessment, and safeguarding. As part of the Service and Resource Planning process for 2010/11 the service was allocated additional funding of £4.1m in respect of pressures being incurred. Initial indications show that the estimated expenditure in 2010/11 is likely to be more than the budget available. Work is ongoing to establish whether the assumptions made for new placements are realistic so the position may improve. A forecast overspend of +£1.000m is reported at this stage but it is intended this will reduce in future reports.

Raising Achievement Service

13. There is no variance to report this month. The Provisional Outturn Report for 2009/10 included a carry forward request of the -£0.336m underspend relating to the Ethnic Minority Achievement Service relating to Performance Reward Grant. The service has reviewed the commitment on this sum and £0.141m is required for projects in 2010/11. The remaining balance of £0.195m will be used to offset part of the business efficiencies overspend of +£0.304m that was requested to be carried forward from 2009/10.

Commissioning, Performance & Quality Assurance (CPQA)

14. The overall position for CPQA is an underspend of -£1.279m. An underspend of -£1.5m relates to Home to School Transport and includes -£0.450m relating to Area Based Grant. This is included in the proposals to reduce expenditure funded by Area Based Grant (ABG) as set out in Annex 3e and Part 4 of the report. The underspend will reduce next month if the proposals included at Annex 3e are agreed.

Dedicated Schools Grant (DSG) Funded Services

15. Services funded by DSG are forecast to overspend by +£0.643m. This includes an overspend of +£0.429m on Nursery Education Funding arising from an increase in the number of pupils. Work is continuing to verify the upward trend in pupil numbers and level of budget in this area and updates will be provided in future reports.

Social & Community Services: +£1.609m, or +0.88%, in – year directorate overspend

Community Services

16. The forecast overspend in Community Services is +£0.294m. This relates to overspends in Adult Learning (+ £0.233m) and the Music Service (+£0.61m). Both services have recovery programmes in place to repay the overspends, Adult Learning by March 2013 and the Music Service over the next three years.

Social Care for Adults

17. Social Care for Adults is forecasting on overspend of +£1.315m including +£0.573m on Older People Care Management. This is mainly due to the cost of additional staff required for safeguarding work, to reduce waiting lists and delayed transfers of care and meet other performance targets. It also includes all legal costs for Adult Social Care which is currently predicted to overspend by +£0.130m. The service is working to reduce the level of overspend by the end of the year. Savings maybe achieved in this area once personalised budgets have been implemented as part of the Transforming Social Care project.

18. Fairer Charging and Residential Client Income is forecast to be underachieved by +£0.410m. This is a volatile area so it is likely the position will improve although actual income to date is lower than at the same time last year. This will be monitored closely over the next few months.

19. The Learning Disabilities Service is forecasting an overspend of +£0.216m this includes a overspend of +£0.147m on the Supported Living Internal budget due to increasing numbers of clients using the service and the delivery of planned efficiency savings. Discussions are taking place to reduce the level of over-spend.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

20. As shown in the table on the next page the forecast outturn on the Older People, Physical Disabilities and Equipment Pooled Budgets is an overspend of +£5.113m. This includes overspends of £2.001m carried forward from 2009/10. The Council element of the pool is forecast to overspend by +£2.724m.

21. The overspend on Older People's services is +£2.203m. This reflects overspends on Care Homes with Nursing, Transitional Beds and 12 Week Property Disregards. These have been partially offset by underspends on Residential Homes and Intermediate Care. Further overspends are forecast on External Home Support and the Assessment and Enablement Service. The forecast includes an estimated cost of £1.184m in respect of Section 117 clients previously funded by Continuing Health Care where the responsibility is transferring to OCC as they are receiving social rather than health care. It also reflects the full year effect of the movement from residential to more expensive nursing beds. The overspend of +£0.686m to be brought forward from 2009/10 has been included in these figures.

22. The Physical Disabilities Budget is forecast to overspend by £0.521m on Residential and Nursing Beds and External and Internal Home Support. This is due to the full year effect of placements made in 2009/10 and an increase in client numbers.

23. In order to reduce expenditure strict quotas will be applied on the number of placements and packages agreed during the year for both Older People and Physical Disabilities. This will lead to an increase in waiting lists.

24. The Primary Care Trust (PCT) element of the pool is forecast to overspend by +£2.338m. This includes an overspend of +£1.315m for 2009/10 for which the PCT is expected to make an additional contribution. However, the figures include efficiency savings that have yet to be identified.

25. The Equipment Pool is currently forecast to overspend by +£0.051m.

Original Budget	**Latest Budget**		**Forecast Variance May 2010**		
2010/11 £m	2010/11 £m		OP £m	PD £m	Total £m
		OCC Elements			
88.902	88.902	Forecast in-year variance	2.203	0.521	2.724
		PCT elements			
27.907	27.907	Forecast in-year variance	0.991	1.347	2.338
116.809	**116.809**	**Total Older People & Physical Disabilities**	**3.194**	**1.868**	**5.062**
1.481	1.481	Equipment Pool			0.051
118.290	**118.290**	**Total - Older People, Physical Disabilities & Equipment Pool**	**3.194**	**1.868**	**5.113**

Learning Disabilities Pool

26. As shown in the table on the next page the forecast outturn on the Learning Disabilities Pooled Budgets is an overspend of +£1.513m. This includes an underspend of -£0.101m brought forward from 2009/10. The Council element of the pool is forecast to overspend by +£1.043m. This is largely due to £0.969m commitments agreed in April and May 2010. It also includes the full year effect of two high cost packages agreed in late 2009/10 amounting to £0.300m and the full year effect of savings on packages made during 2009/10. It also includes the shortfall in income of £0.326m which currently sits outside of the pool.

Original Budget £m	**Latest Budget £m**		**Variance May 2010 £m**
42.391	42.391	**OCC contribution**	1.043
31.775	31.775	**PCT contribution**	0.470
74.166	**74.166**	**Total - Learning Disabilities**	**1.513**

Environment & Economy: zero variance

Transport

27. The new transport contract commenced in April 2010 and is expected to be fully implemented by the end of August 2010. It is anticipated that any financial benefit will be re-invested into the service to support the potential for reducing the future year operating costs of the contract.

28. The cost of implementing the transfer of responsibility for the administration of concessionary fares from District Councils will be funded through a carry forward of £0.083m. Any additional pressure will need to be absorbed within Transport.

Sustainable Development

29. Within Sustainable Development it is anticipated that the overall level of waste disposed of will be comparable with 2009/10. Although the budget has been reduced compared to last year it is anticipated that any additional Waste Treatment project costs will be absorbed within the waste budget.

Community Safety & Shared Services: zero variance

30. All services in Community Safety & Shared Services are continuing to forecast a nil variance against budget. However, there are potential pressures on some services.

Fire & Rescue

31. As reported last month, there are pressures on the retained duty system budget. This is a difficult budget to forecast accurately as a significant proportion of the expenditure is linked to the number of emergency call outs which are governed by unpredictable factors such as weather conditions. Anticipated changes to the national pay and conditions of retained fire-fighters are expected to place a further pressure on this budget which is currently difficult to quantify.

32. Delivery of the action plan drawn up in response to the recommendations of the Health & Safety Executive (HSE) following its inspection of the fire & rescue service may also put a pressure on training and pay budgets.

Shared Services

33. Shared Services is expected to meet most of its efficiency savings target of £0.5m this year. Where the savings are dependent on system development, there may be some slippage. At this stage of the year, it is expected that any pressures can be contained within Shared Services.

34. Food with Thought and Quest Cleaning Services are forecasting to break-even. A programme of investment in primary school kitchens to replace old ventilation systems and gas equipment that do not comply with gas, ventilation and other health & safety regulations has begun. The equipment will cost approximately £0.4m and will be funded from the Food with Thought Reserve.

Corporate Core: zero variance

35. All services in Corporate Core are continuing to forecast a nil variance against budget. However, there are significant pressures within ICT and Legal & Democratic Services which need to be managed by these services.

ICT

36. ICT is expected to reach its target establishment of 132 full time equivalents by November 2010. As at the end of May 2010 redundancy costs were £0.190m. These are in addition to the £0.362m costs already agreed to be funded from the Efficiencies Reserve in 2009/10. The Business Strategy Board will be asked to give approval for these additional costs to be met from Reserve. Hidden pension costs resulting from the redundancies will total £0.100m. If possible, ICT will meet the cost this year. Otherwise, it will be spread over the next five years.

37. An overspend against the SAP budget is expected due to pressures on staffing, licensing and the completion of the Organisational Management project. This pressure will be managed within the total ICT budget.

38. The contract with Oxford City Council is expected to break-even. In other areas, reduced activity may put pressure on income targets.

Legal & Democratic Services

39. As reported last month, there are continuing pressures on the legal services budget, in particular in the safeguarding children and planning areas. The service expects to be able to manage these pressures. However, two cases, a village green application and a child protection case have already been identified which are likely to cost over £0.025m. It is likely that supplementary estimates will be requested for both cases when the full costs are known.

Virements and Supplementary Estimates

40. The virements requested this month are detailed in Annex 2a with virements previously approved in Annex 2b and 2c and virements to note in Annex 2d. Annex 2e shows the cumulative virements to date and their status in respect of requiring Council approval where over £0.5m. There are no new virement requests over £0.5m this month. Annex 2e shows cumulative virements larger than £0.5m for CS6.1.4 within Community Safety and Shared Services. These are temporary virements relating to the allocation of Learning & Development budgets to Directorates so do not represent a change in policy. No Supplementary estimates have yet been requested in 2010/11.

Bad Debt Write Offs

41. There were 24 general write offs to the end of May 2010 totalling £10,624.37. Of these the largest was £1,600. In addition Client Finance wrote off 26 debts totalling £13,000.91.

Strategic Measures

42. The average cash balance during May 2010 was £181.3m and the average rate of return was 0.87%.

43. There have not been any changes to the Treasury Management lending list since the last report.

Part – 2 Balance Sheet

Reserves

44. Annex 4 sets out earmarked reserves brought forward from 2009/10 and the forecast position as at 31 March 2011. Forecast reserves are £60.8m.

Corporate Reserves

45. Corporate Reserves are forecast to be £36.2m as at 31 March 2011. £6.0m relates to the Insurance Reserve, £15.1m to Capital Reserve, £6.1m to the Budget Reserve and £4.0m to the Prudential Borrowing Reserve.

46. £0.618m of the £0.791m balance brought forward on the Local Authority Business Growth Incentive (LABGI) reserve is planned to be utilised in 2010/11. As set out in Part 5 no further grant will be received.

47. As noted in the report to Cabinet on 20 April 2010, £0.516m reflecting the reduction of Green Book pay inflation to nil in 2010/11 has been added to the Efficiency Savings reserve, along with £1.4m Council funding removed from S&CS that was originally agreed in respect of Personal Care at Home. A further planned contribution of £2.929m from one off funding built into the budget agreed by Council in February 2010 takes to total contributions in 2010/11 to £4.845m. The total balance is currently £6.364m.

Directorate Reserves

48. The Shared Services Funding Reserve will make a £1.224m repayment to the capital programme during 2010/11. £3m was repaid in 2009/10 so this will complete the repayment of the £4.2m loan for set – up costs.

49. As noted in paragraph 34 £0.400m of the Food with Thought/QCS Cleaning reserve will be used to replace kitchen equipment. The balance at year end is expected to be £0.561m.

50. £0.598m of the Change Fund is currently unallocated. £1.169m is committed for projects in 2010/11.

51. It is expected that the schools ICT reserve will be fully utilised in 2010/11.

Balances

52. Annex 5 sets out the current position for general balances taking into account known changes. The balance brought forward from 2009/10 was £12.154m. This includes £1.009m Local Area Agreement (LAA) Performance Reward Grant (PRG) which is held within balances pending the agreement of supplementary estimate requests to release it for use in 2010/11. Forecast balances are currently £15.095m excluding the Reward Grant.

53. In setting the 2010/11 budget the risk assessed level of balances was calculated to be £12.5m. As balances were lower than that, an additional £1.975m was agreed to be added to balances as part of the 2010/11 budget

increasing the total planned contribution to £3.344m. It is estimated that up to £2.0m could be called from balances in year giving a planned year end position of £12.5m as per the risk assessment.

54. After taking account of the overspends reported by Directorates and the overspends on the Council elements of the Pooled budgets, consolidated revenue balances are forecast to be £10.817m (or £9.808m excluding the PRG).

Part 3 – Capital Programme Update & Monitoring

5-year Capital Programme (2010/11 – 2014/15)

55. The existing capital programme has been updated in light of the 2009/10 outturn position and latest information on scheme profiles and changes in funding. For 2010/11- 2014/15 there is increase of £7.8m compared to the programme approved by Council in February 2010, mainly due to resources brought forward from 2009/10. The overall size of the capital programme has increased by £2.4m if the effect of expenditure originally planned to be in 2009/10, but now in 2010/11 is excluded. The table below summarises the variations by directorate and the main reasons for the increase in the size of the programme are explained in the following paragraphs.

Directorate	Latest Capital Programme Budget (Position as at end of Dec '09, approved by Council Feb '10)	Forecast Expenditure (Position as at end of May 2010 – per Annex 7)	Forecast Variation (2010/11 to 2015/16) May 2010	Variation in the size of the programme (including 2009/10)
CYP&F	243.0	247.0	+ 4.0	+ 1.5
S&CS	41.5	42.5	+ 1.0	+ 0.2
E&E – Transport	104.4	105.7	+ 1.3	- 0.5
E&E – Other	17.0	18.1	+ 1.1	- 0.2
CS&SS	2.8	3.2	+ 0.4	+ 0.1
Corporate Core	3.0	3.0	0.0	+ 1.3
Total Directorate Programmes	**411.7**	**419.5**	**+7.8**	**+ 2.4**
Schools Capital/ Devolved Formula	51.9	47.4	- 4.6	- 4.9
Earmarked Reserves	5.7	7.9	+ 2.2	+ 0.1
Total	**469.4**	**474.8**	**+ 5.4**	**- 2.5**

56. The value of the disposals programme has decreased by £1.3m. Corresponding reductions of £0.9m in expenditure or earmarked reserves have been met, so there is a £0.4m impact on capital contingencies.

57. In 2009/10 the purchase of ICT equipment for Oxford City Council was required to be treated as capital expenditure and the repayments made by the City Council over five years as capital receipts (a "soft loan"). This therefore increased the size of the capital programme by £1.3m.

58. A forecast spend profile for the reinvestment of repayments received from the first round of the Salix Energy[1] scheme has now been built into the programme. This totals £1.3m over 5 years.

59. The amount of developer funding included in the capital programme has been an increased by £1.4m. £1.0m of this is funding increases in costs on Cogges Link Road and Didcot Parkway Forecourt. An additional £0.4m of developer funding has been utilised in the CYP&F programme.

60. £2.1m of new grant funding is now included in the programme:

- £0.6m Bicester Cooper School Sixth Form (Eco-Town)
- £0.1m Safer Stronger Communities Fund
- £1.3m Winter Damage Grant (Highways)

61. The Department for Transport has announced £2.4m of 2010/11 capital grant funding cuts (see Part 5) and the transport programme has been reduced to meet these as set out in paragraph 84.

62. The Department for Transport has also announced that its Major Projects Programme is now under review and further announcements will be made following the Comprehensive Spending Review. This includes the £62m funding for Access to Oxford.

63. An adjustment has been made to the schools capital section to take into account contributions made by schools from their devolved formula grant towards major projects included in the capital programme and also the recalculation of school capital balances.

Capital Monitoring (2010/11)

64. Annex 7 shows forecast expenditure of £109.0m in 2010/11 (excluding schools local capital expenditure). This is a decrease of £8.5m compared to the capital programme agreed by Council in February 2010. A rigorous examination of spending profiles has been carried out and the resulting re-profiling of expenditure now represents a more realistic position. The forecast expenditure and position as at the end of 2009/10 is now reflected in the Capital Programme Update as set out at Annex 6. The table below summarises the variations by directorate compared to planned expenditure in 2010/11 as set out in Annex 7.

[1] £0.6m of initial investment in energy saving measures is nearly completed. The schools and services benefiting from the resulting energy cost savings repay the investment cost over 4 years. These repayments are ring-fenced as a rolling fund and reinvested in further schemes.

Directorate	Latest Capital Programme (Position as at end of Dec 2009, approved by Council Feb 2010) £m	Forecast Expenditure as at 31 May 2010 £m	Forecast Variation as at 31 May 2010 £m
CYP&F	66.4	62.9	-3.5
S&CS	14.0	12.0	-2.0
E&E – Transport	25.9	25.2	-0.7
E&E – Other	8.8	6.2	-2.6
CS&SS	1.3	1.6	+0.3
Corporate Core	1.0	1.0	0.0
Sub-total	**117.4**	**108.9**	**-8.5**
Schools Capital/ Devolved Formula	12.1	11.9	-0.2
Earmarked Reserves	0.8	0.6	-0.2
Total	**130.3**	**121.4**	**-8.9**

Actual Expenditure

65. As at the end of May actual capital expenditure was £0.9m. This is 0.8% of the total forecast expenditure of £109.2m. Expenditure has increased by £4.1m increase since last month and is consistent with the position for the same period last year.

Part 4 – Moratorium on Capital Schemes in 2010/11 & Capital Programme Review

66. Following its last meeting, the Cabinet asked that the Capital Programme be reviewed, as it had become apparent that there were a number of significant new pressures arising. These include growing unfunded requirements arising from Section 106 schemes, a pressure in the basic needs in schools, reductions in capital grants and an expectation that the formula funding allocations will be substantially reduced as part of the comprehensive spending review period 2011/12 to 2014/15.

67. In light of the review it is recommended that a moratorium should be placed on any capital schemes programmed for 2010/11 which are not currently contractually committed. A limited number of schemes are recommended to be released from the moratorium and given approval to go ahead. These will be set out in Annex 8 (which is being despatched separately and will follow) and are either funded by prudential borrowing and will generate savings to offset the cost; schemes relating to the pressures arising from schools basic needs; or schemes which have a substantial element of external funding. All other schemes will remain held pending further work on the future programme over the summer and autumn and information about future funding following the Comprehensive Spending Review. More information is set out in the Service & Resource Planning Report elsewhere on the agenda.

68. Uncommitted capital schemes held in the moratorium will not go ahead without specific Cabinet approval. Requests for further schemes to be released will need to be agreed by Cabinet. Where an urgent decision is required Cabinet are asked to delegate authority to release specific schemes to the Chief Executive and Chief Finance Officer after consultation with the Leader of the Council and Cabinet Member for Finance.

69. The pressures identified as part of the capital programme review process referred to above are not included in the current 5 year capital programme (2010/11 to 2014/15).

Part 5 – Grant Reductions in 2010/11

Background

70. A series of announcements impacting on the Council's capital and revenue funding for 2010/11 have been made recently. The process began on 24 May 2010 when broad savings totals for four Government departments were announced. After that there were a series of letters and statements which gave more details of the reductions. Most details were announced on 10 June 2010. Subsequently, the Government announced its Emergency Budget on 22 June 2010. A statement from Department for Education (DfE) on 5 July ended 'Building Schools for the Future'. Another statement from the Treasury on the same day set out further reductions for the DfE and other departments. The impact of these announcements on the Council is set out in the following paragraphs.

Announcements in May and June

71. The Government announced details of in – year reductions in Area Based Grants (ABG); Reward Grants; Capital Grants and Specific Grants, along with the removal of ring-fencing of a number of grants in June 2010. The table below summarises the impact on the Council and is consistent with the report to Council on 15 June 2010. Further detail is included in Annex 3d.

	£m
Area Based Grant (ABG)	-3.551
Performance Reward Grant (PRG)	-4.282
Local Authority Business Growth Incentive Grant (LABGI)	-0.329
Capital Grants	-2.720
TOTAL	**-10.882**

72. In addition, a number of Specific Grants were expected to reduce, although the amounts allocated to Oxfordshire were not clear at the time of the June Council meeting. Some further revenue reductions from the Department for Education (DfE) revenue grants are now known and have also been included in Annex 3d. This shows reductions totalling £0.166m of DfE Specific Grants (Play Pathfinder and Contact Point). These are in addition to the £10.882m. It should be noted that the Capital Play Pathfinder grants were already committed and therefore remain unchanged. Further reductions are possible as each government department determines how they will implement their savings.

73. For clarity Annex 3a-c show specific grants and ABG as originally agreed as at the end of May 2010 (i.e. prior to further decisions in - year).

Area Based Grant (ABG)

74. The government announcement targeted a number of grants within the Area Based Grant. These are primarily in CYP&F. However, as these grants are not ring-fenced they may have been spent on other areas, and the reductions can also be achieved from other areas. The Cabinet has reviewed the current levels of spend, legal commitments and the numbers of staff engaged in each service area. As noted in paragraphs 80-81, proposals on which grants will be reduced and the level of those reductions are included at annex 3e.

Performance Reward Grant (PRG)

75. The Oxfordshire Partnership earned £8.564m of Local Area Agreement (LAA) Performance Reward Grant, which was split 50/50 between revenue and capital. The Public Service Board (PSB) originally agreed to allocate half of this funding to those who delivered the targets and half to a range of projects though a bidding system. Around half the funding was to be paid to external bodies and half to Council services or partnerships held in the Council's accounts.

76. The total grant has now been reduced by half to £4.282m. On 1 July 2010 the Public Service Board made the following revisions to the allocation of the £2.141m to the projects subject to the bidding system. Except where expenditure has already been incurred at a higher level it was agreed that all targets are subject to the 50% reduction in grant from government.

	Original Allocation	Reduction		Revised Allocation
	£m	%	£m	£m
Breaking the Cycle of Deprivation	1.000	50	0.500	0.500
Becoming a World Class Economy:				
• Visitor Economy	0.200	50	0.100	0.100
• Business Formation & Growth	0.294	50	0.147	0.147
• Frederick's Foundation Oxfordshire loan fund	0.120	50	0.060	0.060
Grants for voluntary and community groups	0.500	50	0.250	0.250
Building Low Carbon Communities	0.500	50	0.250	0.250
Safer Communities	0.500	50	0.250	0.250
Local Area Agreement Management	0.010	-	0.000	0.010
Partnership development	0.088	-	0.000	0.088
Self-Build Project (youth home build project in Banbury)	0.324	50	0.162	0.162
Understanding the needs of vulnerable communities	0.100	100	0.100	0
Unallocated	0.646		0.322	0.324
TOTAL	**4.282**	**50**	**2.141**	**2.141**

77. In addition the allocations to those who delivered the targets, within the Council and its partners, have also been reduced pro-rata by 50%. Furthermore, it should be noted that the Local Government Association is currently lobbying central government to lift the restriction requiring 50% of this grant to be spent on capital. As a result of this uncertainty, definitive allocations to Council revenue budgets will be set out in a later report.

Local Authority Business Growth Incentive (LABGI)

78. The entire 2010/11 allocation for LABGI has been removed. However, there is sufficient funding to manage the agreed expenditure of £0.618m in 2010/11 and for part of 2011/12 (£0.173m of planned expenditure of £0.248m). It is proposed that any decisions on this area are deferred until further information on the expected reductions in SEEDA funding for the Oxfordshire Economic Partnership are known.

79. The LABGI scheme may be replaced by incentives for local authorities to deliver sustainable development, including for new homes and businesses.

Proposals to meet the reductions in Area Based Grant

80. Virements are required to reduce both grant income and the associated expenditure. Under the Council's Financial Regulations, Council approval is required for virements larger than £0.5m or where they represent a change in policy. Cabinet have agreed that for transparency Council should approve the changes relating to the reduction in grant funding.

81. Annex 3d sets out the ABG and specific grants which have been reduced in 2010/11. These total £3.717m. Annex 3e sets out proposed reductions in Area Based Grant and specific grant funded expenditure totalling £3.310m. This leaves a further £0.407m which is still to be determined. Cabinet are recommended to approve the reductions in grant funding and associated virements set out in Annex 3e. Whilst the intention is that the reductions need to be absorbed in - year, any pressures arising will be reflected in the forecast position for the relevant Directorate in future monitoring reports.

Policy Issues and Implications

82. Within CYP&F there are policy implications for both which will need to be agreed if the savings proposed at Annex 3e are accepted. These are:

- Youth Opportunities Fund – there will need to be a change in existing policy regarding youth services and a clear statement that only the statutory provision will be made. There will be implications on both the Youth Justice Plan (YJP) and Children and Young People Plan (CYPP).
- Extended Rights to Free Travel – current policy is to support low income families with their children's travel to school. If demand rises from the level seen in prior years there may be implications.

83. It should also be noted that the proposed reductions set out in Annex 3e will have an impact on the delivery of the Children and Young People's Plan, which is also used within the Annual Children's Service Assessment and the announced Ofsted inspection.

Capital Grants

84. A total of £2.4m of 2010/11 capital grant funding has been cut by the Department for Transport. £1.9m relates to integrated transport, £0.3m to road safety and £0.2m to de-trunking grant. There is an unallocated sum in the current year transport programme of £0.675m and it is proposed that this is removed to meet some of the reduction. The remaining reduction will be met by deferring the following expenditure to future years:

Scheme	Reduction in Allocation (£m)
Access to Oxford (replaced with 'preparation pool' funding)	0.275
Road Safety: B480 Cowley Rd MPR Supplementary Measures	0.176
Road Safety: Low Cost Measures	0.080
Controlled Parking Zones (Divinity & Magdalen Roads)	0.137
St Ebbes Public Realm Improvements	0.080
Abingdon Town Centre	0.120
Local Initiatives	0.410
Better Ways to School	0.250
Public Transport Real Time Information	0.150
Total	**1.678**

85. In addition £0.368m grant funding relating to new pitches at Gypsy & Travellers sites was not approved.

86. Further details are awaited on the reductions to specific grant allocations relating to the programme for CYP&F that were announced as part of the funding reductions for 2010/11 on 16 June 2010. These include:

- Extended Schools - £0.5m allocated between Primary Capital Programme & Children Centre's Phase 3 Programme.

- Specialist Schools – allocation of £25,000 per secondary school on a bid process.

Statements in July

87. On 5 July 2010 an announcement by the Chief Secretary to the Treasury set out reductions of £1.54bn relating to year end flexibility arrangements. Of that £1bn relates to the Department for Education, £0.220bn to the Department for Communities and Local Government (CLG) and £0.055bn to the Home Office.

88. The impact on Oxfordshire of the £1bn reduction in DfE grant funding is as follows:

- Harnessing Technology (capital) – 50% reduction in Oxfordshire's allocation of £2.5m. £1.3m of the original £2.5m was allocated to schools on a formula basis and £1.2m retained centrally. The Schools Forum will consider options for reducing expenditure at its meeting on 19 July

2010, but it is expected that they will seek the minimum impact on schools. Council will be asked to approve the proposals on 27 July 2010.

- Co – Location (capital) – Oxfordshire's allocation is £4.178m. National guidance is that projects will be cancelled where progress has not been satisfactory or are not good value for money. The contract for Banbury New Futures (£3m) has been let. Tenders for Chipping Norton and Bampton projects are due by September. It is not yet known whether they will be affected.

- 14 – 19 Diploma Provision (capital) – Allocations have been reduced for authorities not included in early BSF waves. £6m funding in 2010/11 (part of £8m total allocation) will therefore reduce by approximately £0.660m. This will require a reassessment of the current programme.

- Sure Start (capital) – Sure Start, Early Years and Childcare Grant (SSEYCG) will be managed down by identifying savings and projected underspends with Local Authorities. The expectation is that it will be possible to manage down the expenditure without the need to cut allocations beyond those identified savings and underspends. Work is ongoing to assess the level of contingency built into individual projects and to identify projects which have not yet entered contract let. Further details on the impact will become clearer following advice from the grant advisers.

- Youth (capital) has been reduced by 50% and quarter 3 & 4 payments will not be made. The Council's original allocation for 2010/11 was £0.299m. This has been reduced to £0.150m. Including a carry forward from 2009/10 £0.152m is available. Allocations have already been made totalling £0.154m. No further bids will be accepted.

89. The impact of the reductions in other Government departments (including Communities and Local Government (CLG), and the Home Office on Oxfordshire County Council are still not known at this stage. Updates will be provided as information becomes available.

90. Also on 5 July, the Secretary of State for Education ended the Building Schools for the Future programme. A comprehensive review of capital investment in education will commence in July 2010. It will report to ministers in mid – September and a forward plan for capital investment over the next spending review period will be produced by the end of the calendar year. Oxfordshire schemes in the first phase which will not now go ahead are Banbury School, Cheney School, Iffley Mead School and Larkmead School.

91. In addition notification has been received on Academy schemes. Building works for the European School (Oxfordshire 3) have been stopped. The Oxford Academy, including work relating to Mabel Pritchard School, is on site and work is unaffected. Oxford Community School (Oxfordshire 4) is subject to discussion.

Impact of increased rate of VAT on fees and charges

92. VAT will increase to 20% from 4 January 2011. In view of the costs involved in updating accounting systems to deal with marginally increased fees, it is not deemed economic to do this in 2010/11. Revised fees with the higher level VAT will be brought to Cabinet as part of the Review of Charges for implementation in 2011/12.

93. There may be further reductions required in specific grants, and once detailed allocations are known they will be reported separately.

RECOMMENDATIONS

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

(a) note the report;

(b) approve the virements as set out in Annex 2a;

(c) approve the updated capital programme as set out in Annex 6.

(d) agree the moratorium on capital schemes in 2010/11 that are not yet committed;

(e) agree to release the capital schemes set out in Annex 8 (to follow) from the moratorium;

(f) agree that any further urgent changes to the schemes held in the capital programme moratorium ahead of further review in the Autumn should be delegated to the Chief Executive and Chief Finance Officer after consultation with the Leader of the Council and Cabinet Member for Finance & Property;

(g) recommend Council to approve the reductions in revenue grant funded expenditure and related virements as set out in Annex 3e; and

(h) note the increase in VAT with effect from 4 January 2011, and agree that the current scale of charges will not be amended in 2010/11.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports to 31 May 2010

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