Division(s):

CABINET – 21 JUNE 2011

PROVISIONAL REVENUE & CAPITAL OUTTURN 2010/11 AND REQUESTS FOR CARRY FORWARDS

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the provisional revenue and capital outturn for 2010/11 and shows how actual expenditure and income for the year compares to the budgeted position. It also includes proposals for the use of revenue carry forwards from 2010/11 in 2011/12. The report is consistent with the Council's Statement of Accounts for 2010/11[1]. This will be submitted to the Audit Committee on 7 July 2011 following certification by the Chief Finance Officer and prior to external audit.

2. During 2010/11 directorates have been working hard to reduce costs in readiness for implementing their Business Strategies from 2011/12 and there has been a firm focus on cost minimisation. As a result some revenue savings, particularly relating to vacant posts, have been achieved early and through careful service management, it has also been possible to absorb the impact of the in – year revenue grant reductions of £3.717m agreed by Council on 27 July 2010. £2.334m of these reductions related to the Children, Young People and Families Directorate, £0.647m to Environment & Economy and £0.320m to Social and Community Services[2]. The revenue variation also reflects the achievement of savings of £35m built into the 2010/11 budget. 2010/11 capital expenditure reflects the grant reductions and capital programme moratorium.

3. From 2010/11 all local authorities are required to prepare their accounts using International Financial Reporting Standards (IFRS). This requires a change in the way unspent elements of some specific grants and contributions are recorded at the year end. £6.515m of grants and contributions are required to be carried forward in accordance with Council procedures. The table on the next page shows the forecast Directorate position before and after the changes relating to IFRS.

[1] Due to external accounting requirements the presentation of the figures may vary.
[2] The remaining £0.138m related to Oxfordshire Customer Services and £0.012m to the Chief Executive's Office with the balance being funded from balances pending a further decision.

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Variance to Latest Budget £m	Variance to Latest Budget %
389.870	Revenue (*) (after IFRS)	385.745	375.386	-10.359	-2.68
389.870	Revenue (*) (before IFRS)	385.745	381.901	-3.844	-1.00
130.248	Capital	101.026	93.426	-7.600	-7.52
12.500	General Balances	13.056[3]	14.059	+1.003	+7.68
64.870[4]	Reserves	72.323[5]	84.739	+12.416	+17.16

4. The last Financial Monitoring Report for 2010/11 was considered by Cabinet on 19 April 2011. The final outturn for each Directorate, and a comparison to the forecast position at that point, is set out in summary in this report. Individual directorate reports which set out the detail by service area are available in the Members' Resource centre.

5. The following Annexes are attached and referenced in the report:

Annex 1	Provisional Revenue Outturn (Summary and by Directorate)
Annex 2 (a)	Proposed carry forwards to 2011/12
Annex 2 (b)	Proposed virement of 2010/11 underspends to other budget heads.
Annex 3	Specific Grants and Area Based Grant
Annex 4	Earmarked Reserves and Provisions
Annex 5	General Balances
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	On - Street Parking – Statement of Income and Expenditure for 2010/11
Annex 8	Redundancy Costs
Annex 9	Shared Services Savings
Annex 10	Provisional Capital Outturn (Summary and by Directorate)

(*) Throughout the report a minus sign (-) represents an underspend compared to the final approved budget and a positive sign (+) indicates an overspend.

[3] Per the Service & Resource Planning – Financial Plan 2011/12 – 2015/16.
[4] Per Service & Resource Planning – Financial Plan 2010/11 – 2014/15
[5] Per February 2011 Financial Monitoring Report to Cabinet on 19 April 2011.

Part 1 – Provisional Revenue Outturn

Summary in accordance with IFRS requirements

6. The year end revenue position for 2010/11 as shown in Annex 1, and consistent with the Council's Statement of Accounts, is as follows:

2010/11	Gross Expenditure £m	Income £m	Net Expenditure £m
Original Budget	907.459	-516.644	390.815
Brought forward from 2009/10	1.066	0	1.066
Virements & Grant Changes	-21.051	13.525	-7.526
Supplementary Estimates	1.390	0	1.390
Final Approved Budget	888.864	-503.119	385.745
Provisional Outturn	997.980	-622.594	375.386

Total Variation	**109.116**	**-119.475**	**-10.359**
Less variations returned to balances (see paragraph 7)	0.468		0.468
Adjusted Directorate Variation	**109.584**	**-119.475**	**-9.891**

Variations Returned to Council in 2010/11 (Annex 1 Column 10)

7. Some specific variations are removed from carry forwards because they represent variations to budgets which are recognised to be outside the control of the Directorate. The total net variation returned to balances at the end of 2010/11 is -£0.468m.

Directorate	Variation	Calls on £m	Returns to £m
Environment & Economy	Non – domestic rates		-0.149
	Council Tax	+0.010	
	Flood Levy		-0.004
Community Safety	Retained Firefighters		-0.224
	Firefighter Pension Scheme – ill health retirements	+0.084	
Chief Executive's Office	External Audit Fee		-0.185
Total		**+0.094**	**-0.562**

Directorate Variations (Annex 1 column 9)

8. The tables on the next page show that the total variation of -£10.359m shown in Annex 1 is made of the underlying directorate outturn of -£3.844m and further grant and contribution variations of -£6.515m. The directorate variation compares to a forecast position of -£5.016m in the last Financial Monitoring Report to the end of February 2011, a net reduction of -£1.172m. A limited number of more significant variances since February are explained in the following paragraphs. Analysis of the underlying variations are set out in the Financial Monitoring Reports considered by the Cabinet during 2010/11 and are available on the Council's website.

	Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Provisional Outturn Variance £m	Provisional Outturn Variance %	Variance Forecast February 2011 £m	Variance Forecast February 2011 %
Children, Young People & Families	97.899	96.534	-1.365	-1.39	-2.426	-2.50
Social & Community Services	206.046	206.690	+0.644	+0.31	-0.355	-0.17
Environment & Economy	69.931	69.329	-0.602	-0.86	-0.247	-0.34
Oxfordshire Customer Services	1.590	0.284	-1.306	-82.14	-1.148	-81.48
Chief Executive's Office	10.279	9.064	-1.215	-11.82	-0.840	-7.71
Total Directorate variation including Pooled Budgets	**385.745**	**381.901**	**-3.844**	**-1.00**	**-5.016**	**-1.30**

9. In addition to the Directorate position of -£3.844m there are grant and contribution variations of -£6.515m.

Grant & Contributions/Directorate	**£m**	**£m**
Dedicated Schools Grant (DSG)	-0.961	
Integrated Workforce Grant	-0.022	
Education Business Partnership	-0.110	
National PE/ School Sports	-0.036	
Healthy Schools	-0.060	
Play & Participation - National Citizen Service	-0.004	
National Literacy Fund	-0.003	
Play Pathfinder	-0.004	
YPLA – Home to School Transport	-0.263	
Total Children, Young People & Families		-1.463
Social Care Reform Grant	-1.065	
New Dimensions Training Grant	-0.072	
Total Social & Community Services		-1.137
Exceptional Highways Maintenance Grant	-3.525	
Supporting Community Transport Grant	-0.279	
Wychwood Project	-0.033	
Biodiversity Grant	-0.016	
Windrush Project	-0.007	
Thames Valley Environmental Records Centre	-0.046	
Preliminary Flood Risk Assessment	-0.009	
Total Environment & Economy		-3.915
Total All Grant Underspends		**-6.515**
Add Directorate Variation (from table above)		**-3.844**
Total Variation for IFRS Reporting Requirements		**-10.359**

Children, Young People & Families (CYP&F): in - year Directorate variation of -£1.365m or -1.39%.

10. The outturn position for CYP&F is a variation of -£1.365m a decrease of +£2.013m since the February report. There are also unspent elements on the Dedicated Schools Grant (-£0.961m) and on grants and contributions (-£0.502m).

11. As previously reported the final position for the directorate includes actual redundancy costs of £0.030m (Student Support), accrued redundancy costs of £1.255m (Primary & Secondary National Strategies, Equality and Diversity Achievement Service (EDAS) and Harnessing Technology). However, a further provision for redundancy costs of £1.958m in relation to the service redesign is now included and is the main reason for the reduction in the variation. That means all redundancy costs to date have been met within the directorate. The directorate is also making a contribution of £0.058m to the Efficiency Reserve.

12. The underspend on Home to School Transport has increased by -£0.420m to -£1.817m since the last report. This relates to unspent -£0.263m of the Young People's Learning Agency (YPLA) grant and ongoing savings plan delivery. This is a ring fenced grant that can be spent over academic years.

<u>Dedicated Schools Grant and Standards Fund</u>

13. On 18 March 2011 the Council was notified by the Department for Education (DfE) that it would not be receiving the final £1.371m instalment of the 2010/11 Standards Fund grant. In previous years this income was received after 1 April (in the following financial year) and could be spent up until the end of the academic year. £0.633m of this reduction relates to funds which have already been spent by schools in 2010/11.

14. The Government has provided local authorities with a choice of methods to deal with the resulting pressure with a view to avoiding school allocations for 2010/11 and 2011/12 being amended. The option agreed by Schools Forum is to offset the £0.633m 2010/11 pressure against Dedicated Schools' Grant (DSG) underspends. The remaining £0.738m for which costs have not yet been incurred will be offset against the DSG underspend carried forward to 2011/12.

15. The underspend on Devolved School Costs has decreased by +£0.619m to -£0.377m since the February report and relates to a pressure in respect of the final DSG allocation for 2010/11. This is due to a difference between the adjustment the Council was expecting and that made by the DfE in respect of academies. A response is still awaited from the DfE so at present the pressure has been offset against DSG contingency.

Social & Community Services (S&CS): in - year Directorate variation of +£0.644m or +0.31%.

16. The outturn position for S&CS is an overspend of +£0.644m an increase of +£1.086m since the February report. This excludes underspends on grants (-£1.137m), which under IFRS need to be treated as a carry forward.

17. The Music Service have overspent by +£0.065m. This will be carried forward to 2011/12 in line with the agreed four year Music Service Change Programme. From 1 April 2011 the Music Service has transferred to Children, Education and Families directorate.

18. Social Care for Adults are reporting an overspend of +£1.216m, an increase of +£1.061m since the last report. This now includes the Council elements of the overspends on the Older People and Physical Disabilities Pooled budget (+£0.205m) and the Learning Disabilities Pooled budget (£1.192m) which have been brought into the revenue account at year end.

19. Fairer Charging and Residential Client Income has underachieved by £0.055m an improvement of £0.255m since the last report through additional residential income and changes to bad debts.

20. Strategy and Transformation have underspent by -£0.891m. Of this -£1.065m relates to the balance of the Social Care Reform Grant which is requested to be carried forward to 2011/12 to be used as agreed.

21. Community Safety has underspent by -£0.707m. The retained duty system (RDS) underspend has increased by £0.089m due to lower than forecast emergency call outs and management action taken to control non emergency expenditure. The full RDS underspend of -£0.224m has been returned to balances as in previous years. The remaining underspend is explained by delayed completion of projects including Fire Control and the training hub, late receipt of a grant and tight control of expenditure.

<u>Pooled Budgets</u>

22. The OP&PD Pooled Budget is overspent by +£1.101m as shown in Annex 6. Including the +£0.686m overspend brought forward from 2009/10, the Council elements are overspent by +£0.205m (a decrease of -£0.528m since the last report). The Primary Care Trust (PCT) element has overspent by +£0.896m (a decrease of -£2.878m since the last report and includes the additional contribution made by the PCT in March of £3.893m).

23. £1.424m of the £1.531m funding from the NHS for winter pressures announced by the Department of Health in January 2011 has not been spent in 2010/11. This has been transferred to an earmarked reserve and will be used to meet the on-going costs for the relevant clients in 2011/12 and future years.

24. The Council element of the overspend is made up of an underspend on Older People of -£1.106m, an overspend on Physical Disabilities of +£1.144m and an overspend on Equipment of +£0.167m. The reduction in the underspend since the last report mainly relates to lower than forecast spend on older people's residential and nursing beds arising from the transfer of costs to the Winter Pressures funding and increased income from funded nursing care. However, spending on residential and nursing care for people with physical disabilities is higher due to increased client numbers and backdated payments.

25. As shown in Annex 6 the year end position on the Learning Disabilities Pooled Budget is an overspend of +£1.425m. The Council's element of the overspend is +£1.192m. The PCT element of the overspend is +£0.233m.

26. The PCT are expected to make a further contribution to meet the overspends from 2010/11 on the Older People and Physical Disabilities Pool and Learning Disabilities Pool. An adjustment has been made to the Council's accounts in the form of a creditor so the overspend does not impact on the outturn position of the Council.

Environment & Economy (E&E): in - year Directorate variation of -£0.602m or -0.86%.

27. The outturn position for E&E is variation of -£0.602m, a change of -£0.212m since the last report. This excludes unspent grants and contributions (-£3.915m).

28. An additional +£0.580m has been spent in delivering the Corrective Roads Maintenance Action Plan due to pro-active over-programming of the work against the original allocation of £0.987m. This has been off-set by underspends of -£0.265m on Safety Fence tensioning and -£0.209m due to the Section 38[6] transfer being less than anticipated.

29. Waste Management has underspent by -£2.183m (a movement of -£0.057m since the last report). As previously reported this has been transferred to the Waste Management Reserve to fund one off project costs relating to the Waste Treatment Project.

30. The net underspend of -£0.143m on Rates, Council Tax and Flood Levy has been returned to Council balances in line with Council policy.

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[6] Section 38 is income from developers based on a scale of charges. It is for works in/on the existing highway and mainly new developments and is the Council's fee for checking drawings, creating an agreement (usually a highway adoption agreement) and for monitoring and inspecting works.

Oxfordshire Customer Services (OCS): in - year Directorate variation of -£1.306m.

31. The outturn position for OCS is a variation of -£1.306m, a change of -£0.158m since the last report. The change mainly relates to ICT income being higher than expected, while expenditure was also less than forecast.

32. Adult Learning are reporting an overspend of +£0.035m a decrease of £0.057m since the last report. A four year recovery plan is in place to reduce this overspend and repay the supplementary estimates totalling £0.181m by 2012/13. The improved position compared to the forecast is explained by higher levels of income received towards the end of the year.

33. The Food with Thought trading account recorded a surplus of £0.736m (9.5% of turnover). Meal numbers were 3.4% ahead of target and food costs, labour costs and overheads were all kept within budget. School Lunch Grant received via Schools was not spent in full but will be used in future years to improve the schools meals service. QCS cleaning has recorded a surplus of £0.049m (2% of turnover). These surpluses have been transferred to the relevant earmarked reserves.

34. Annex 9 analyses savings delivered by the original Shared Services business case together with additional savings included in the 2010/11 Medium Term Financial Plan. Annual savings will be £0.166m ahead of the original business case target from 2011/12.

Chief Executive's Office (CEO): in - year Directorate variation of -£1.215m.

35. The outturn position for the CEO is a variation of -£1.215m, a change of -£0.375m since the last report. The changes include -£0.125m unspent Performance Reward Grant in the Partnership unit funding that will not be allocated to the voluntary sector until 2011/12.

36. The variation on Human Resources has also increased by -£0.110m since the last report. This relates to early delivery of the business strategy and an underspend on the Future Jobs Fund due to the final cohort of work placements to be funded from this grant started in February 2011 and will end in August 2011.

37. The underspend on the Audit Fee of -£0.185m has been returned to Council balances in line with Council policy.

Use of Carry Forwards from 2009/10 and Previous Years

38. Carry forwards from 2009/10 of under and overspends totalling £1.046m carried forward to be used in 2010/11 were set out in the Provisional Outturn Report to Cabinet on 22 June 2010. These have been reflected in the budgets shown in the monitoring report since the report to Cabinet on 19 July 2010. The use of those underspends and

recovery of overspends including an overspend of £0.686m within the OP&PD Pool, and £0.629m relating to Asylum Seekers, are reflected in the overall outturn position for 2011/12.

39. At the end of 2009/10, a further £0.107m was held in the carry forward reserve and related to underspends from 2007/08 that had not been utilised. As agreed in the Financial Monitoring Report to Cabinet on 22 June 2010, £0.087m of this has been transferred to the Efficiency Savings reserve in 2010/11. The remaining £0.020m was agreed for use by S&CS in 2010/11.

40. £0.204m of the CEO carry forwards from 2009/10 have been requested as carry forwards to 2011/12 as planned.

Proposed Carry Forward of under and over spends in 2010/11 to 2011/12

41. Under the Council's Financial Regulations, the Cabinet is responsible for approving all carry forwards. Carry forwards of underspends have been requested in writing through the Chief Finance Officer (with delegated officer approval) who has considered them, in consultation with the Cabinet Member for Finance, subject to an acceptable use and definite programme for expenditure. Directorates have either asked to carry forward underspends to the service in which they were generated or requested a virement of the carry forward to meet pressures in other areas. In some cases the carry forward was planned and reflects the agreed use of one - off funding over more than one year.

42. As set out in paragraph 9 there are IFRS grant and contribution underspends of -£6.515m that will be carried forward. Taking into account overspends in the Music Service and Adult Learning that will be carried forward to be recovered in future years as planned, along with the overspends on the Pooled Budgets that will need to be carried forward and then recovered within the relevant Pool in 2011/12, the total directorate underspend proposed as a carry forward is -£3.106m. A further -£0.270m (comprising a -£0.058m contribution from CYP&F and -£0.212m from CEO) is recommended to be transferred to the Efficiency Reserve in 2011/12 to support the Business Strategy. The total of these amounts is shown in column 14 of Annex 1.

43. The table on the next page summarises the proposed carry forwards by Directorate. These are set out in detail in Annex 2a and the virements behind them in Annex 2b. Some of the virements for CYP&F, S&CS and E&E are larger than £0.5m and require approval by Council under the authority's Financial Regulations.

44. The remaining planned overspend of +£0.178m on the City School's reorganisation that would have been carried forward to 2011/12 was offset against the Home to School Transport underspend during 2010/11 as reported to Cabinet on 16 February 2011.

Directorate	Overspend to be carried forward £m	Underspend requested to be carried forward £m	Net total requested to be carried forward £m	Grants Proposed to be carried forward £m	Total Proposed Carry Forward £m	Underspend Transferred to Efficiency Reserve £m
CYP&F (non – DSG)	+0.065[7]	-1.307	-1.242	-0.502	-1.744	-0.058
CYP&F (DSG)				-0.961	-0.961	
S&CS		-0.568	-0.568	-1.137	-1.705	
OP&PD Pooled Budget	+0.205		+0.205		+0.205	
LD Pooled Budget	+1.082		+1.082		+1.082	
Total S&CS	**+1.287**	**-0.568**	**+0.719**	**-1.137**	**-0.418**	
E&E		-0.459	-0.459	-3.915	-4.374	
OCS	+0.035	-1.247	-1.212		-1.212	
CEO		-0.912	-0.912		-0.912	-0.212
Total per Annex 2a	**+1.497**	**-4.483**	**-3.106**	**-6.515**	**-9.621**	**-0.270**

Strategic Measures

45. Overall there is no variance on the Strategic Measures budget. However, within this there is a variation of -£0.208m on the interest paid on various sums which are included within the Council's cash balance, including Developer Contributions. This is mainly due to the 7 day LIBID rate (on which the interest payments are calculated) being lower than originally anticipated in the budget. Interest earned on cash balances invested in house was -£0.198m more than budgeted due to higher than expected cash balances throughout the year. Interest earned on balances invested externally was -£0.142m more than budgeted due to a better than expected performance from our external fund managers. There was an overspend of +£0.548m on capital financing. The amount rechargeable to directorates for capital prudential borrowing schemes was lower than budgeted and borrowing more long term debt than originally expected increased the amount of debt interest payable.

46. The Provisional Outturn Report for 2009/10 included an amount which represented the element of potential lost deposit and associated interest on amounts placed with Landsbanki. At present Local Authority deposits with Landsbanki have "Preferred Creditor status" as held by the Reykjavik District Court. The decision is being appealed through the Icelandic Supreme Court. If this position is held, following the appeal case currently being heard, then the Council expects to receive 95% of the original deposit back in instalments over the next

[7] Planned overspend on the Music Service which has moved to CEF from 1 April 2011.

eight financial years. If not, it is expected the Council will receive 38% of the original deposit over the same period. CIPFA recommend that Local Authorities base their estimated impairments on the assumption that we will continue to be eligible for "Preferred Creditor status". The 2010/11 accounts therefore show an impairment of £0.05 in every £1.00.

47. The Treasury Management Outturn report for 2010/11, which covers all of the related activities in detail, will be considered by Cabinet on 19 July 2011.

Bad Debt Write Offs

48. For the year ended 31 March 2011 there were 316 debts written off (as recorded on SAP) totalling £0.132m. Of these the largest was £0.074m and related to a Section 106 debt in connection with a planning obligation which was agreed to be written off by Cabinet in May 2010.

49. In addition Client Finance wrote off £0.103m in respect of 149 debts relating to care provided by Social & Community Services. The largest of these debts was £0.021m and related to Fairer Charging income. This was approved by Cabinet in April 2011.

50. After taking account of ad hoc write offs and other adjustments totalling £0.009m, total write offs for the year were £0.244m. This compares to total write offs of £0.230m for 2009/10. Most of the debts have been written off because it is uneconomical to recover through the courts.

Specific & Area Based Grants

51. From 2010/11 all local authorities are required to prepare their accounts using International Financial Reporting Standards (IFRS). The basis for recognising income from grants and contributions relating to capital and revenue expenditure changes under IFRS and the Final Accounts reflect unspent elements of most grants as an underspend.

52. During May and June 2010, Government departments notified local authorities of reductions to 2010/11 grant funding. These reductions total £3.717m for Area Based Grant and other specific grants (Annex 3).

53. £5.365m of unspent grants have been requested as carry forwards. These will be available for use in 2011/12 in accordance with the conditions attached to them.

54. Unspent DSG of -£0.961m has been requested to be carried forward and will be used as agreed Schools' Forum in 2011/12.

Redundancy Costs

55. As set out in Annex 8 redundancy costs totalling £9.057m have been incurred in 2010/11. £4.597m has been funded from Directorate underspends and a further £4.460m from the Efficiency Reserve. £6.958m of the total relates to individual payments that will be incurred in 2011/12, but for which the decision was effectively made as part of the 2010/11 Service & Resource Planning process and as such have been included in the 2010/11 accounts in accordance with accounting standards.

Part – 2 Consolidated Provisional Capital Outturn

Summary Programme Expenditure

56. The original capital programme for the year is agreed by Council in the February preceding the start of the financial year as part of the Medium Term Financial Plan. The February 2010 programme was based on the position forecast at the end of December 2009. The latest updated programme, based on the position forecast at the end of December 2010, was agreed by Council on 13 February 2011.

57. The summary outturn position compared to both the original and latest capital programme and also the latest position forecast at the end of February 2011 and considered by Cabinet on 19 April 2011, is shown in Annex 10b. For completeness year end accounting adjustments are included. These include the capitalisation of revenue expenditure on vehicles and the treatment of loans as capital expenditure.

58. Overall, the programme progressed slower than planned. This reflects the announcement of the national emergency budget and in-year grant reductions by the national government and the related moratorium on new scheme starts agreed on 20 July 2010.

59. Total capital programme expenditure in 2010/11 was £93.5m. This is £36.8m or 28% lower than the programme agreed in February 2010. Excluding schools' local spend the variation on the total directorate programmes is £34.5m (29%).

60. When the overall performance of the programme is adjusted to take into account the impact of the in-year grant reductions, capital moratorium, cost reductions and other technical adjustments on the level of expenditure in 2010/11 the variation reduces to £10.8m (9%) as set out in the table below. This represents 91% use of resources on capital, compared to the original capital programme. This is shown Annex 10a and is summarised in the table on the next page :

	Total Directorate Programmes £m	Schools Capital & Earmarked Reserves £m	Total Capital Programme £m
Original Capital Programme	117.4	12.8	130.2
Final Outturn Expenditure	82.8	10.7	93.5
Variation	**-34.5**	**-2.2**	**-36.7**
Impact of in-year grant reductions	3.7		3.7
Impact of the capital moratorium	13.8		13.8
Impact of other VfM & technical adjustments	5.0		5.0
Impact of Cost Savings & Returned Contingencies	1.2		1.2
Adjusted Variation	**-10.8**	**-2.2**	**-13.0**
Use of Resources	**91%**	**83%**	**90%**

61. Although this adjusted use of capital resources in 2010/11 represents a reduction compared to the last years performance (94%), it is still within the tolerances recommended by best practice and at a reasonable level given the level of uncertainty affecting the programme delivery in such a challenging year. This position needs to be viewed within the context of the significant re-prioritisation of the programme and re-allocation of the capital resources in order to achieve most effective re-alignment of the capital programme to the Council's Business Strategy. The Council still maintains the improvement made in the use of resources position compared to 2008/09 (90%) and 2007/08 (82%).

62. The outturn position for the total directorate programmes compared to the latest updated capital programme is a reduction of £6.2m (7%) in the last quarter of the year. The outturn position for the total directorate programmes compared to the last forecast position at the end of February 2011 is a reduction £4.0m (5%). While some of this variation could be explained by some projects and programmes being at very early stages of their development and by the reactive nature some of the programmes, there is a need to improve profiling of expenditure for major projects, prudentially funded schemes and schemes where working with third parties is required. It also shows the sensitivity of the used of resources position to reductions in major projects' expenditure profiles.

63. Therefore, increased levels of monitoring will continue into 2011/12 and beyond to address these issues effectively and maintain the balances position throughout the five-year Capital Programme. Changes to the spend profiles will continue to be managed in a controlled fashion as part of the regular monitoring process. This process will ensure that the impact on the overall programme deliverables for 2011/12 are minimised and the resources that can be carried forward into future years are maximised.

64. An explanation of the main movements within each directorate is set out below and in Annex 11d.

Children, Young People & Families

65. The total capital expenditure for the year 2010/11 was £53.3m (excluding schools local capital expenditure).

66. This is £2.7m (5%) lower than the latest forecast position. The main variations not previously reported are included in Annex 10d:

67. The variation compared to the latest approved Capital Programme is a reduction of £2.9m (5%). The majority of the movement in the last quarter of the year relates to the variations mentioned above. There was also a forecast delay in the Tackley Pre-School project leading to a reduction of £0.2m.

68. The variation compared to the original capital programme is a reduction of £13.2m (20%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £4.5m (7%). In addition to the variations above there were also the following other movements in forecasts over the year are included in Annex 10d.

Social & Community Services

69. The total capital expenditure for the year 2010/11 was £5.6m. This is a £0.2m (3%) reduction against the latest forecast position. There are no significant variations to report.

70. The variation compared to the latest approved Capital Programme is a reduction of £1.1m (16%). This includes -£0.4m relating to the Extra Care Housing Adaptations, -£0.2m for the Oxfordshire Records Office and -£0.2m relating to ICT Adult Social Care Infrastructure.

71. The variation compared to the original Capital Programme is a reduction of £9.5m (63%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £3.8m (25%). This adjusted figure also takes into account a decision made to finance the build cost of Chipping Norton Homes for Older People through the bed price, as financial assessments did not adequately justify prudential borrowing as a better Value for Money option. £4.1m of capital expenditure and borrowing were therefore removed from the programme. Other variations are included in Annex 10d

72. These reductions were offset by the inclusion of new (mainly grant funded) projects totalling £0.5m including Health & Wellbeing, Deferred Interest Loans, Transforming Adult Social Care and Stronger and Safer Communities.

Environment & Economy - Transport

73. Total capital expenditure for the year 2010/11 was £18.3m. The variation compared to the latest forecast position is a reduction of £0.8m (4%). There were underspends on the drainage programme (£0.1m) and bridges programme (£0.2m), but no other major variations.

74. The variation compared to the latest capital programme is a reduction of £1.7m (8%). The main movements forecast in the last quarter of the year are included in Annex 10d.

75. The variation compared to the original capital programme is a reduction of £7.6m (29%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of £1.0m (4%).

76. Within this overall variation an increase in the Structural Maintenance programme of £1.7m (13%) is offsetting a decrease on the Integrated Transport Improvement programme of -£2.8m (22%).

77. The increased Structural Maintenance programme was mainly due to the additional non-principal road carriageway works undertaken using the Winter Damage Grant allocation of £1.5m.

78. Slippage on the Didcot Parkway Interchange (-£1.8m), accounts for a large part of the reduction in the Integrated Transport programme. There was also slippage across the programme on several developer funded schemes. These were partly offset by increased costs on London Road Phase 3 (£0.5m) due to unforeseen ground conditions. £0.2m of spend was also brought forward on Cogges Link Road in order to carry out advance overhead electricity cable works during the summer.

Environment & Economy – Other

79. Total capital expenditure for the year 2010/11 was £4.8m. The variation compared to the latest forecast position is a reduction of £0.2m (4%). There are no major variations to report.

80. The variation compared to the latest capital programme is a reduction of £0.5m (9%).

81. In the last quarter of the year the Backlog Maintenance Programme was reduced by £0.2m because of a reduction in the estimated level of contributions due to be received from schools. Despite this the target for contributions was achieved overall so the prudential borrowing was able to be reduced instead. This will reduce the ongoing revenue borrowing costs. This £25m programme is now completed.

82. The variation compared to the original capital programme is a reduction of £4.0m (46%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of

£2.6m (30%). This is mainly due to the re-profiling of expenditure on the Waste Recycling Centre programme (-£2.4m) to better reflect a realistic delivery timescale. A further reduction was on the Prudential Energy programme (£0.3m) and reflects lower than anticipated take up of loans from schools.

Oxfordshire Customer Services

83. Total capital expenditure for the year 2010/11 was £0.9m. There is no variation when compared to the latest updated programme or when compared to the latest forecast.

84. The variation compared to the original capital programme is a reduction of £0.2m (22%). This is due to a technical adjustment that needed to be made to the funding for Capitalised ICT.

Chief Executive's Office

85. There was no capital expenditure for the Chief Executive's Office in 2010/11.

Summary Programme Financing

86. The table in Annex 10c summarises the outturn financing of the 2010/11 capital programme and compares it to the financing planned in the original and latest capital programme. Overall, this reflects the strong flexible resources position at the start of the new 5-year capital programme.

87. The Capital Programme expenditure of £93.5m was funded from a combination of supported borrowing (£26.1m), capital grants and other external contributions (£57.5m), developer contributions (£4.4m), project specific prudential borrowing (£4.0m) and revenue contributions (£1.5m).

88. Although the level of expenditure was significantly reduced, supported borrowing allocations were fully utilised.

89. Use of capital grants has been maximised as far as possible. However, the level of un-ringfenced grant balances held increased by £2.1m to £6.0m. There are no issues foreseen with utilising these grants by their deadlines and many are not time limited. However, there are large unapplied ringfenced balances held for Primary Capital and Co-location grants and delivery of the planned schemes within the first half of 2011/12 is crucial to be able to utilise these grants by the deadlines.

90. Capital receipts and reserve balances increased by £8.6m to £24.2m during the year and there was no requirement to use these to fund the programme. The original forecast for capital receipts from the disposal programme for 2010/11 was £7.0m and actual capital receipts achieved were £6.0m.

91. The reduced programme also meant that £2m of additional prudential borrowing[8] was able to be deferred. There was also a reduction of £10.6m in the amount of project specific prudential borrowing taken out when compared to that originally planned, which was mainly due to re-profiling of expenditure on Homes for Older People/Extra Care Housing programmes.

Part 3 – Balance Sheet

General Balances

92. Changes affecting the Council's general balances during the year have been reported as part of the monthly financial monitoring reports to Cabinet. These are shown in full at Annex 5.

93. The provisional outturn position for general balances is £14.059m as at 31 March 2011. In addition £0.968m of Performance Reward Grant was received in March 2011. This will be distributed as agreed by the Public Services Board in 2011/12. The £0.678m revenue element (70% of the total) has been accounted within balances taking the total to £14.737m. The remainder has been included as capital financing.

94. As part of the 2011/12 Service and Resource Planning Process, balances were forecast to be £13.056m on 31 March 2011, £0.5m above the assessed risk level of £12.6m. Budget proposals agreed by Council on 15 February 2011 include the use of the additional £0.5m. At year end balances are a further £1.0m above the assessed risk level as there have been less calls on balances towards the end of the year than anticipated.

95. The table below shows the changes to general balances since the last monitoring report.

	£m
Forecast position per February monitoring report	13.763
Net return of balances variations outside Directorates' control (para 7)	0.468
Variation on Strategic Measures	0.066
Reduction in Provision for doubtful debts (impairment allowance) and other final accounts adjustments	-0.238
Total Balances Available 31 March 2011	**14.059**
Add Local Area Agreement (LAA) Performance Reward Grant accounted for in 2010/11 (revenue element)	0.678
Total Balances 31 March 2011	**14.737**

[8] Part of the £25m additional prudential borrowing over 10 years agreed by Cabinet in 2008/09.

Earmarked Reserves

96. Details of the movements on earmarked reserves in 2010/11 are set out in Annex 4. Reserves have increased by £12.416m to £84.739m since the February report. This is mainly due to the change in School Balances. Explanations of this and other changes to Directorate and the Corporate reserves during the year are set out in the subsequent paragraphs.

Children, Young People & Families

97. The balance on the Building Schools for the Future (BSF) reserve and £0.590m unused BSF budget for 2010/11 was transferred to the Efficiency Reserve as a result of the Government decision to terminate the BSF project.

98. The underspend on the joint-use agreements with the District Councils for the use of sports/leisure facilities has been transferred to a new earmarked reserve. Underspends in this area cannot be used to offset overspends in other areas within the directorate.

School Balances

99. As noted in the Financial Monitoring Report to Cabinet on 15 March 2011, 247 schools were forecasting to be in surplus and 42 in deficit in 2010/11 as at the end of December 2010.

100. As at 31 March 2011, the actual number of individual schools with deficits and surpluses and the total value of those is:

	Number of Schools 31 March 2010		Change in 2010/11		Number of Schools 31 March 2011	
	Deficit Balance	Surplus Balance	Deficit Balance	Surplus Balance	Deficit Balance	Surplus Balance
Primary	41	203	-11	+11	30	214
Secondary	11	21	-4	+4	7	25
Special	1	12	+4	-4	5	8
Total	**53**	**236**	**-11**	**+11**	**42**	**247**

	Balances 31 March 2010			Movement in 2010/11			Balances 31 March 2011		
	Deficit Balance £m	Surplus Balance £m	Total Balance £m	Deficit Balance £m	Surplus Balance £m	Total Balance £m	Deficit Balance £m	Surplus Balance £m	Total Balance £m
Primary	1.095	-8.464	-7.369	-0.598	-2.087	-2.685	0.497	-10.551	-10.054
Secondary	1.501	-3.720	-2.219	-0.710	-1.024	-1.734	0.791	-4.744	-3.953
Special	0.032	-1.179	-1.147	0.022	0.044	0.067	0.054	-1.135	-1.080
Total	**2.628**	**-13.363**	**-10.735**	**-1.285**	**-3.067**	**-4.352**	**1.343**	**-16.430**	**-15.087**

101. Seven secondary schools had a total deficit of £0.791m and 25 a total surplus of £4.744m. The largest surplus or deficit held by an individual school is as follows:

	Largest Individual Surplus £m	Largest Individual Deficit £m
Primary School	-0.242	0.056
Secondary School	-0.579	0.241*
Special School	-0.304	0.020

* School closed December 2010

102. The increase in balances during 2010/11 reflects uncertainty over future funding levels during 2010/11 and the reduction in the number and value of deficit balances during the year. As the Guaranteed Unit of Funding for pupils is expected to remain frozen at the 2011/12 level over the medium term, it is anticipated that the level of schools balances will reduce further as schools utilise this funding to support their budgets.

103. In addition to the individual school balances set out above, balances held on behalf of Partnerships of groups of Schools totalled £5.311m at 31 March 2011. This has increased by £2.332m compared to the £2.979m surplus as at 31 March 2010.

104. The following table analyses how the total schools' reserves shown in Annex 4 are built up:

	(Surplus)/ Deficit £m
Delegated Budgets (see paragraph 100)	-15.087
Partnership funds (see paragraph 103)	-5.311
Provision for closure of The Oxford School	-0.200
Schools' contingency	-0.972
Gross Balance	**-21.570**
Less School Loans Scheme	1.187
Net Schools Balance	**-20.383**

105. The schools' contingency of £0.972m includes £0.199m which relates to the unspent balance of the Harnessing Technology Grant which needs to be distributed to schools during 2011-12 in line with the grant conditions. The remaining balance relates to the net effect of formula adjustments and additional allocations made to schools during the year, it is usual for this balance to vary from year to year.

106. Recent announcements by the Secretary of State for Education emphasise that the Government is seeking to provide increasing levels of autonomy for all schools. This means there will be a reduced role for local authorities in managing the surplus balances of schools. Specifically local authorities have been instructed not to operate the

"clawback mechanism" at March 2011 unless the school has a significant history of excessive balances over a number of years. Furthermore the DfE required all authorities to remove the limits on surplus balances from their Schemes for Financing Schools with effect from 1 April 2011. Therefore this mechanism will not exist in future.

107. However, local authorities' existing role in resolving the financial difficulties of schools in deficit has been reiterated by the Secretary of State and may be strengthened in future. From 2011/12 reporting on school balances will focus on the forecasting of balances and on progress made in eliminating deficits.

Social & Community Services

108. As reported to Cabinet on 16 February 2011, £0.250m of the Section 117 reserve was utilised in year to make an additional contribution to Occupational Therapy and Equipment. This reserve was set up to meet potential future claims in respect of refunds to clients under the S117 of the Mental Health Act. The balance at 31 March 2011 is £0.023m.

109. A contribution of £0.230m has been made to the ICT/Digitisation Project reserve. £0.106m has been utilised in year.

110. The £0.101m reserve for the Learning Disabilities pooled budget has been utilised for pool activity in year. A contribution of £1.424m has been made in respect of the balance on winter pressures funding within the Older People and Physical Disabilities Pool.

111. An additional £0.140m has been added in respect of unutilised balances on personal budgets under Self Directed Support.

112. In Community Safety the largest reserve is the Fire and Rescue Vehicle Renewals Funds reserve which has a balance of £0.457m. Most of the movements relate to this reserve.

Environment & Economy

113. As noted in paragraph 29, Waste Management underspends of -£2.183m have been transferred to reserves. This is in addition to £0.327m budget not required for the purchase of LATS credits in 2010/11. New reserves have been created for the West End Partnership to account for the net surplus income from partners which is used for the sole purpose of the partnership and for Developer Funding.

114. Contributions from the On - Street Parking reserve (-£1.566m) include the funding of the Oxford Park & Ride car parks (£1.292m), the costs of the extension of the Decriminalised Parking Areas (£0.103m) and the deficit from Camera Enforcement (£0.172m). Contributions of -£1.082m relate to the net surplus on On-Street Parking which reflects income of £3.337m and expenditure of £2.255m. Analysis of these totals is provided in Annex 7. The overall movement on the account as shown in Annex 4 is as follows:

Parking Account balance as at 1 April 2010	**£1.577m**
Less drawdowns and the cost of Off-Street Parking (contributions from reserve).	-£1.566m
Add net in – year surplus from On-Street Parking (contributions to reserve)	£1.082m
Parking Account balance as at 31 March 2010	**£1.093m**
Reduction in Parking Account balance	-£0.484m

Oxfordshire Customer Services

115. The Shared Services Funding Reserve was opened in 2006/07 with an initial starting balance of £4.224m transferred from the capital programme. £3.0m was repaid in 2009/10 and the balance of £1.224m during 2010/11. The Development Reserve is used for system development to deliver the Oxfordshire Customer Services business strategy. The balance on the Funding reserve has been transferred to the Development Reserve.

116. The Food with Thought/OCS Cleaning Reserve has a year end balance of £1.399m. This includes the transfer of the surpluses and deficit from the trading accounts. A contribution of £0.470m from the reserve was used for the refurbishment of school kitchens and dining areas. The reserve will be used to fund a programme of refurbishment work over the next three years to modernise school kitchens and comply with health and safety and food hygiene regulations. A contingency of £0.500m will be retained to cover any future potential losses.

117. Two new reserves have been created during the year. The Oxon-Bucks Partnership was set up for this partnership which administers the graduate teacher training programme for the two counties. The balance is the income received from Teacher Development Agency not spent at 31 March 2011. The Customer Services reserve was also set up during the year and contains all of the funding for the Customer Services Centre project.

118. The ICT school reserves have been used to complete the Learning Platform, SAP for Schools and other School ICT projects.

Chief Executive's Office

119. The following table summarises movements in the Change Fund:

	£m
Total fund 1 April 2010	1.259
Budget 2010/11	0.508
Total funds	**1.767**
Expenditure on projects 2010/11	0.898
Balance 31 March 2011	**0.869**

Thirteen projects were financed by the Change Fund in 2010/11. The £0.869m balance is committed to these projects for 2011/12 onwards.

Corporate Reserves

120. Council agreed the planned use of Local Authority Business Growth Incentive (LABGI) grant funding as part of the 9 February 2010 Service & Resource Planning report. No further grant funding was received in 2010/11 as this was one of the grants removed in – year. The remaining balance as at 31 March 2011 is £0.496m. The revised plan for the use of this funding in 2011/12 and beyond is included in the April Financial Monitoring Report item CA7 on the agenda.

121. The Efficiency Reserve was created in 2009/10 with the intention of supporting the implementation of the Council's Business Strategy. During 2010/11, £6.546m has been added to the reserve and includes a budgeted contribution of £2.929m, a contribution of £1.000m from the Customer Services Project as reported to Cabinet on 19 October 2010 and transfers totalling £1.916m from budget not required for pay awards and Personal Care at Home. £4.307m has been used to fund redundancy costs. The balance as at 31 March 2011 is £3.776m.

Provisions

122. The Older People's Pool provision which was set up to deal with a liability resulting from a backlog in the processing of Continuing Care Clients has been reduced as clients have been dealt with. £0.260m has been utilised in 2010/11 and an additional provision of £0.696m has been made to reflect the year end position.

123. Provisions have been created (see Annex 9) in CYP&F (£1.958m) and S&CS (£2.917m) in relation to estimated redundancy costs of implementing the Council's Business Strategy.

RECOMMENDATIONS

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

(a) note the provisional revenue and capital outturn, and the year end position on balances and reserves as set out in the report;

(b) approve the carry-forwards and virements as set out in Annex 2;

(c) recommend Council to approve the virements greater than £0.5m for Children, Young People & Families, Social & Community Services and Environment & Economy Directorates as set out in Annex 2b;

(d) agree that the surplus in the On-Street Parking Account at the end of the 2010/11 financial year, so far as not applied to particular eligible purposes in accordance with Section 55(4) of the Road Traffic Regulation Act 1984, be carried forward in the account to the 2011/12 financial year (paragraph 114); and

(e) approve the creation of new reserves as set out in Annex 4 and paragraphs 98 & 113.

(f) agree the proposal from the Schools Forum to offset £0.633m spent by schools in 2010/11 relating to the final payment from the DfE of £1.371m which will not now be received, against unspent DSG in 2010/11 and to offset the remaining £0.738m of the £1.377m which will be spent in 2011/12 against unspent DSG from 2010/11 carried forward to 2011/12.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

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