

CABINET – 18 SEPTEMBER 2012

2012/13 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report focuses on the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2012/13 – 2016/17. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of July 2012. The Capital monitoring is included at Part 3.

Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of -£1.408m, or -0.34% against a budget of £417.517m as shown in the table below. This compares to an underspend of -£1.329m or -0.32% forecast at the end of May 2012.

Original Budget 2012/13 £m		Latest Budget 2012/13 £m	Forecast Outturn 2012/13 £m	Variance Forecast July 2012 £m	Variance Forecast July 2012 %
105.814	Children, Education & Families (CE&F)	107.315	106.099	-1.216	-1.13
219.635	Social & Community Services (S&CS)	212.163	211.993	-0.170	-0.08
77.658	Environment & Economy	80.327	80.604	+0.277	+0.34
8.394	Chief Executive's Office	17.712	17.506	-0.206	-1.16
411.501	In year Directorate total	417.517	416.202	-1.315	-0.31
	Add: Underspend on Council Elements of Pooled Budgets			-0.093	
	Total Variation including Council Elements of Pooled Budgets			-1.408	-0.34

3. The following annexes are attached:
 - Annex 1 Original and Latest Estimates for 2012/13
 - Annex 2 Virements & Supplementary Estimates
 - Annex 3 Forecast Earmarked Reserves
 - Annex 4 Forecast General Balances
 - Annex 5 Ring-fenced Government Grants 2012/13
 - Annex 6 Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
 - Annex 7 Treasury Management Lending List
 - Annex 8 Capital Programme Monitoring
4. The Directorate reports which set out the detail behind this report are available from the contact officers named at the end of this report or in the Members' Resource Centre.

Part 1 - Revenue Budget & Business Strategy Savings

Children, Education & Families (CE&F)

5. The directorate is forecasting a variation of -£1.216m. In addition there is a forecast underspend of -£0.808m on services funded by the Dedicated Schools Grant (DSG). Any underspend on DSG will be placed in a reserve at the end of the year for use in 2013/14.
6. An underspend of -£0.991m continues to be forecast on Home to School Transport. A further saving of £0.200m in 2013/14 is already built into the Medium Term Financial Plan. As in previous years the forecast may change during the year as the full effect of the last tendering process become known along with the impact of the new academic year changes.
7. Early Intervention hubs are forecasting an underspend of -£0.317m. A review of the staffing and activity spend at each of the hubs is currently taking place and further information will be included in the next report.
8. Children's Social Care is reporting a net overspend of +£0.180m. This includes underspends on Corporate Parenting (-£0.287m), Referral & Assessment (-£0.179m) and Family Support (-£0.134m) which offset overspends on External Placements (+£0.632m), Asylum (+£0.092m) and Safeguarding (+£0.072m). The overspend on external placements relates to a number of high cost placements being made in July which are anticipated to continue until the end of the year. This service area is subject to significant fluctuations depending on demand so updates will be included in future reports.

Social & Community Services (S&CS)

9. The forecast outturn for S&CS is a variation of -£0.170m. In addition, there is an overspend on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget (+£0.750m) and an underspend on the Learning Disabilities Pooled Budget (-£0.843m).

SCS1 Adult Social Care

10. As previously reported Adult Social Care is broadly on track to deliver the business strategy over the next three years and a breakeven position is forecast. Fairer Charging income is expected to be underachieved. It is recommended that Cabinet agree to change the use of the Learning Disabilities Pooled Budget underspend from 2011/12 that is held in reserves so that it can be used to manage this pressure in 2012/13 as well as fund additional staffing resources within the Locality Teams.

SCS2 Community Safety

11. The Cabinet Member for Safer & Stronger Communities, at Delegated Decisions on 3 September 2012, approved a rent of £90.00 per week for nine additional pitches which have been constructed at the Redbridge Hollow Traveller Site. The rent for the existing plots at Council run sites is £63.00. The higher rent recognises the improved facilities provided for the new plots.

SCS5 Fire & Rescue and Emergency Planning

CA8

12. The service is forecasting a variation of -£0.070m. This relates to underspends on the Retained Duty System (-£0.170m) offset by an overspend on fire-fighter ill health retirements (+£0.100m). As in previous years this variation will be returned to balances at the end of the financial year.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pooled Budget

13. As shown in Annex 6 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£3.372m. +£0.750m relates to the Council's element and +£2.622m to the Primary Care Trust (PCT) (which is shadowed by the Oxfordshire Clinical Commissioning Group).
14. The forecast overspend on the Council elements of the Older People's Pooled Budget (+£0.495m) comprises +£1.4m on care home placements offset by underspends on Home Support, Prevention and Early Support. The care home placements overspend arises from variations to the forecast number of services users.

Learning Disabilities Pooled Budget

15. As set out in Annex 6 the Learning Disabilities Pooled Budget continues to forecast an underspend of -£1.000m, -£0.843m on the Council's element and -£0.157m on the PCT element. The forecast underspend is largely due to underspends on personal budgets. The underspend could increase during the year due to personal budgets starting later than planned or service users not utilising their complete packages. Further updates will be included in future reports.

Environment & Economy (E&E)

16. The directorate is forecasting a variation of +£0.277m.
17. Highways and Transport are forecasting a breakeven position. This position includes an overspend of +£0.500m due to an increase in highway maintenance, vehicle maintenance and rapid incident responses. This is offset by the early delivery of Public Transport contract savings of -£0.500m.
18. An overspend of £0.208m is forecast by Growth and Infrastructure. This includes an overspend on Property and Facilities of +£0.456m which mainly relates to the partial non-realisation of the asset rationalisation strategy savings and additional contract implementation costs.
19. Waste Management are forecasting a breakeven position. However, tonnages for the first three months are above budgeted levels. This has put an estimated pressure on the disposals budget of £0.5m, which can be met within the directorate in year. The on-going impact will be reviewed as part of the Service & Resource Planning process. Some of this pressure may be weather related and therefore the forecast may change throughout the year as more tonnage data is collected.

Chief Executive's Office (CEO)

20. The directorate are forecasting an underspend of -£0.206m which mainly relates to staffing vacancies in Strategy and Communications.

Virements and Supplementary Estimates

21. Virements larger than £0.250m that require Cabinet approval are set out in Annex 2a. These include requests to update the expenditure and income budgets for the revised DSG allocation (see paragraph 21), transfers between the pool and non-pooled budgets within Adult Social Care as decisions have been made on how additional funding is allocated, transfer of budgets from Adult Social Care to Joint Commissioning as part of the restructure of the service, transfer of the Oxfordshire Broadband Project budget from E&E to CEO, and transfer of the Business Systems Teams from E&E to CEO.

Grants Monitoring

22. Ring-fenced grants totalling £390.553m (including £346.949m of DSG) are included in Directorate budgets and will be used for the specified purpose. Changes this month include the latest DSG allocation which has been adjusted for schools that have converted to academy status.

Funding Changes

23. On 17 July 2012 notification was received from the Department for Education on the Government response to the consultation on the Academies Funding Transfer (LACSEG¹) for 2011/12 and 2012/13. This set out the steps taken by the Government to ensure that the deductions from local authority formula grant budgets for 2011/12 and 2012/13 better reflect the pattern of Academy provision across the country. A refund will be paid to any local authority where the amount deducted in 2011/12 or 2012/13 was bigger than it would have been had the deduction been based on the number of Academies in the local authority during that financial year. The Council has since received a refund of £1.298m. Cabinet is recommended to approve the transfer of this additional one-off funding to the Efficiency Reserve to support the Council's Medium Term Financial Plan.

Bad Debt Write Offs

24. There were 142 general write offs to the end of July 2012 and these totalled £19,127. In addition Client Finance has written off 25 debts totalling £27,070.
25. Cabinet is recommended to approve the write off of the balance of £11,441.34 on a deferred interest loan. The loan was for building adaptations to enable a client to remain in the family home. The Head of Law & Culture is satisfied that this debt cannot be recovered.

Treasury Management

26. The latest treasury management approved lending list (as at 14 August 2012) is shown in Annex 7. The maturity limits for the strongest Canadian and Australian banks have been revised upwards to 12 months following the

¹ Local Authority Central Spend Equivalent Grant

consideration of updated guidance from the council's advisors, Arlingclose. In addition, the Swedish bank Svenska Handelsbanken has been reinstated to the lending list ending the temporary suspension which has been in place since December 2011. This recognises the importance of Svenska Handelsbanken to the Swedish economy and the strong credit rating of the bank. A conservative maturity limit of 100 days is in place.

27. The average cash balance during July 2012 was £298.9m and the average rate of return was 0.98%. The budgeted return for interest receivable on balances invested internally is £2.50m for 2012/13, it is expected that this budget will be achieved.

Part 2 – Balance Sheet

Reserves

28. Annex 3a sets out earmarked reserves brought forward from 2011/12 and the forecast position as at 31 March 2013. Forecast reserves are £94.460m which includes the forecast for School Balances as set out in the paragraphs below. Other changes since the last report include the carry forward requests that were agreed by Council on 10 July 2012 transferring from the Carry Forward Reserve and being added to revenue budgets on a one-off basis along with the planned use of the School Intervention Reserve following the agreement of the Education Strategy by Cabinet on 17 July 2012. Requests for new reserves are set out in Annex 3b.
29. The Learning Disabilities Pool Reserve has a balance of £0.804m. As the Pooled Budget Joint Management Group has no commitments against this reserve, it is proposed that it is used to provide one-off funding for the pressures in the Locality Team budget and Fairer Charging income as set out in paragraph 10. The amount required will be in the region of £0.600m. Cabinet is recommended to approve this change of use.

Schools Balances

30. 2012/13 budgets have been received from all 274 maintained schools. Budgets for 259 (95%) out of 274 schools have been validated with follow-up actions notified to the remaining 15 schools, including a number of visits arranged for early September. Six of the remaining budgets are for schools that have submitted deficit budgets where the aggregate balance is £0.159m.
31. The projected net surplus revenue balances for schools with validated budgets is £12.761m. The conversion to academy status process requires the local authority to transfer the school's revenue and capital balances to the academy. The Local Authority has transferred £1.5m to schools that have converted to an academy since 1 April. This is in addition to the £1.7m passed to the five academies that opened in the final month of last financial year.

Balances

32. As set out in Annex 4 current balances are £16.693m taking into account known changes.

Part 3 – Capital Programme

Capital Monitoring

33. The capital monitoring position shows the forecast expenditure for 2012/13 is £50.5m (excluding schools local capital), which is an increase of £0.4m compared to the latest approved capital programme. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	20.9	20.9	0.0
Social & Community Services	3.4	3.5	+0.1
Environment & Economy - Transport	23.2	23.5	+0.3
Environment & Economy - Other	1.7	1.7	0.0
Chief Executive's Office	0.9	0.9	0.0
Total Directorate Programmes	50.1	50.5	+0.4
Schools Local Capital	5.1	5.1	0.0
Total Capital Programme	55.2	55.6	+0.4

* Approved by Cabinet 17 July 2012

34. The main variation in the Transport programme is the inclusion of a new scheme in West Way, Oxford on the A34 Slip Road. This scheme will cost £0.248m and is funded by developer contributions.

Actual & Committed Expenditure

35. As at the end of July actual capital expenditure for the year to date (excluding schools local spend) was £2.7m. This is 5% of the total forecast expenditure of £50.5m, which is around 4% below the expected position compared to the profile of expenditure in previous years. Actual and Committed spend is 33% of the forecast.

Five Year Capital Programme Update

36. The total forecast 5-year capital programme (2012/13 to 2016/17) is now £364.0m, an increase of £1.6m compared to the last capital programme approved by Cabinet in July 2012. The table on the next page summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

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Directorate	Last Approved Total Programme (2012/13 to 2016/17) * £m	Latest Updated Total Programme (2012/13 to 2016/17) £m	Variation £m
Children, Education & Families	138.0	139.2	+1.2
Social & Community Services	23.5	23.6	+0.1
Environment & Economy - Transport	91.3	91.6	+0.3
Environment & Economy - Other	30.0	30.0	0.0
Chief Executive's Office	2.7	2.7	0.0
Total Directorate Programmes	285.5	287.1	+1.6
Schools Local Capital	14.0	14.1	+0.1
Earmarked Reserves	62.9	62.8	-0.1
Total Capital Programme	362.4	364.0	+1.6

* Approved by Cabinet 17 July 2012

37. The increase in the Children, Education & Families Programme is due to the inclusion of external funding at the Stage 2 approval process for projects at Rosehill and Cholsey Primary Schools in the Basic Need Programme.

RECOMMENDATIONS

38. **The Cabinet is RECOMMENDED to:**
- a) note the report;
 - b) approve the virement requests set out in Annex 2a;
 - c) Agree the transfer of the LACSEG refund to the Efficiency Reserve as set out in paragraph 23;
 - d) Agree the creation of new reserves as set out in Annex 3b;
 - e) Agree the change of use of the Learning Disabilities underspend from 2011/12 as set out in paragraph 29;
 - f) Agree the bad debt write off as set out in paragraph 25;
 - g) note the updated Treasury Management lending list at Annex 7;
 - h) Approve the changes to the Capital Programme in Annex 8c.

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Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 31 July 2012.

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September 2012