

CABINET – 19 JANUARY 2010

FINANCIAL MONITORING

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the Council's forecast financial position for the 2009/10 financial year based on eight months of actuals to the end of November 2009. It includes projections for revenue, balances, reserves and capital and a capital programme update. The report sets out explanations where the forecast revenue outturn is significantly different from the budget along with proposals to recover the position where appropriate.
2. The total in – year Directorate forecast is an overspend of £3.060m or 0.82% of the latest budget.

Original Budget 2009/10 £m		Latest Budget 2009/10 £m	Forecast Outturn 2009/10 £m	Variance Forecast Nov 2009 £m ¹	Variance Forecast Nov 2009 % ¹
98.277	Children, Young People & Families	96.958	97.360	+0.402	+0.41
166.800	Social & Community Services	167.136	167.916	+0.780	+0.47
68.631	Environment & Economy	70.360	69.846	-0.514	-0.73
29.908	Community Safety & Shared Services	30.660	30.739	+0.079	+0.26
9.426	Corporate Core	10.135	12.448	+2.313	+22.82
373.042	In year Directorate total	375.249	378.309	+3.060	+0.82

Plus: City Schools Reorganisation		+0.775	
Plus: Reallocation of Dedicated Schools Grant (see paragraph 21)		+3.322	
Plus: City Council Contract ICT Refresh		+1.200	
Total Variation		+8.357	

3. The current position for general balances is set out in Annex 5 and shows an forecast unchanged at £14.088m. After taking into account the forecast Directorate overspend, the consolidated revenue balances forecast is £11.028m. ²

¹ The variance has been calculated as the difference between the latest budget and forecast outturn. The percentage is a measure of variance to latest budget.

² The consolidated revenue balances forecast is the forecast general balances less the forecast Directorate in-year overspend.

4. Figures for each Directorate are summarised within the Annexes and individual Directorate reports setting out the detail have been placed in the Members' Resource Centre.
5. The following Annexes are attached:

Annex 1 (a-e)	Forecast Revenue Outturn by Directorate
Annex 2 (a-f)	Virements and Supplementary Estimates
Annex 3 (a-b)	Specific grants monitoring
Annex 3c	Area Based Grants
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6	Treasury Management Lending List
Annex 7 (a-g)	Capital monitoring
Annex 8	Capital Programme

Part 1 - Revenue

6. The forecast revenue outturn by Directorate based on the position to the end of November 2009 is set out below. Significant issues or movement in the variances are commented on below along with the management action being taken.

Children Young People & Families: £0.402m or 0.41% in-year Directorate overspend (£4.499m total overspend including £0.775m relating the City Schools Reorganisation and £3.322m on services funded by DSG).

Young People & Access to Education

7. The forecast overspend in Young People & Access to Education is now £0.278m.
8. Special Educational Needs Support Services Autism recoupment is now forecasting an income shortfall of £0.067m. This shortfall has reduced by £0.118m since the last report as a result of recruitment delays.
9. An overspend of £0.279m on Services to Disabled Children and underspend of -£0.188m on Connexions are virtually unchanged since the last report.

Children and Families

10. The forecast overspend across Children & Families is now £3.823m, and has increased by £0.471m since last month. Placements remains the most significant area of overspending at £1.806m. This month the total pressure has been reviewed and is now classified more accurately between the different social care services, so the apparent reduction of £0.519m in the forecast overspend is partly offset by changes elsewhere. These include Foster care placements which are forecast to overspend by £0.203m as a result of increased demand for medicals and assessments. The forecast overspend relating to the Southwark Judgement is unchanged at £0.300m,

but some of the costs relating to this were previously included within Placements overstating that pressure. The forecast overspend of £3.823m for the Children and Families Service Area assumes that £0.523m carry forward from 2008/09 will be utilised to offset pressures in this area on a one off basis.

11. Adoption and Special Guardianship Orders are forecast to overspend by £0.342m. As reported previously this reflects additional placements and insufficient base budget to cover the cost of service provision, which currently covers 47 orders. It is anticipated that the projection will increase over the remainder of the financial year as there are additional clients currently moving through the system.
12. The forecast overspend on Services for Asylum Seekers is now £1.391m and has reduced by £0.075m since last month. £0.590m of the overspend relates to expenditure carried forward from 2008/09 and the remaining £0.801m relates to the current financial year. The overall forecast for the Service Area still assumes that £1.000m of the overspend will be funded from the reserve created at the end of 2008/09 for anticipated future pressures.
13. In the past a number of pressures and savings agreed through the Service & Resource Planning process have been allocated to the Children & Families Head of Service cost centre in the first instance. An initial review has indicated that there is a pressure of £0.850m as these adjustments were not then reallocated to the appropriate Service Area. Virements to reallocate the pressures and savings appropriately will be made in a future report but it is not expected that the overall pressure will reduce.
14. As noted previously the Directorate has drawn up an action plan to mitigate pressures on the Placements budget. Work to complete this is continuing. If appropriate requests for virements to offset the overspends against underspends, will be made in the report to Cabinet in March.

Raising Achievement Service

15. The Raising Achievement Service is now reporting an overspend of £0.218m compared to £0.390m last month. Outdoor Education Centres are forecasting an overspend of £0.193m. This is associated with a shortfall in income and pressures relating to staffing and increased transport costs.
16. Last month it was reported that there was a pressure of £0.200m relating to changes to schools' subscriptions. This has now been reviewed and the forecast overspend has been reduced to £0.025m.

Commissioning, Performance & Quality Assurance (CPQA)

17. The total underspend for CPQA has increased from -£1.281m last month to -£1.342m. Within the total, Home to School Transport is now projecting an underspend of -£1.156m. Extended Rights to Free Travel, which is funded from Area Based Grant, continues to forecast an underspend of -£0.300m.

18. As noted previously the Children's Information & Integration Programme (ChIIP) which will provide improved information about the children in our care, is projecting an overspend of £0.396m.
19. Underspends on Joint Use (-£0.052m), and Premature Retirement Compensation (-£0.303m) are unchanged since last month.

Dedicated Schools Grant (DSG) Funded Services

20. The total overspend on DSG funded services is now £0.747m. Out of County Placements is forecast to overspend by £0.243m, a decrease of £0.108m since last month. Nursery Education Funding is still projected to overspend by £0.504m.
21. As noted previously the allocation of DSG across non-school services has been reviewed. The total available to reallocate to core areas to reduce the overspend stands at £3.322m but includes £0.700m which may be required for Early Years Development projects. £1.471m of the total available relates to one - off carry forward from 2008/09 so is not recurring funding that will be available in future years, whilst the remaining £1.851m is ongoing.

Action Plan – Overall Plan for Directorate

22. The forecast in-year overspend of £0.402m reflects the reallocation of DSG to core areas (£3.322m) and also the use of the CYP&F reserve which is holding carried forwards from 2008/09 (£1.523m). It also assumes that the reported underspends will offset overspends in other service areas. Virements to reflect this and to reallocate the DSG will be requested in the January report that will be considered by Cabinet in on 16 March 2010.

Social & Community Services: £0.780m overspend

23. Social & Community Services are forecasting an overspend of £0.780m against a budget of £167.136m, a variation of +0.47%. This is materially unchanged since the last report.

Community Services

24. The forecast overspend for Adult Learning has decreased from £0.335m to £0.291m. As reported previously radical changes in the Service are required as part of a four year action plan to balance the service to the funding available and repay supplementary estimates of £0.181m.

Social Care for Adults

25. The overspend in Social Care for Adults is now £0.397m. An action plan to balance this by year end is in place and it is expected that the position will improve further by year end. There are a number of small changes since last month contributing to an increase of £0.021m in the overall overspend.
26. The forecast underspend for Services for all Client Groups has decreased by £0.156m to -£0.125m, mainly as a result of increased Occupational Therapy

activity. Additional older people residential client income totalling -£0.455m, increased by £0.055m since last month, is forecast.

27. The Older People Care Management Teams are now forecasting a slightly reduced overspend of £0.590m. This is associated with costs of additional staff required for safeguarding work and to reduce waiting lists and delayed transfers of care and to meet other key performance targets.
28. The pressure within Learning Disabilities Internal Services is forecast at £0.421m compared to £0.442m last month.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

29. The forecast outturn on the Older People and Physical Disabilities Pooled Budget is an overspend of £7.387m as shown in the table on the next page. This has increased by £1.609m since last month. This takes account of the use of the Older People Pooled Budget Reserve of £1.130m created in 2008/09 to fund the extra commitments in 2009/10 resulting from the Continuing Care Framework and additional placements.
30. The Council element of the Pool is forecast to overspend by £2.892m, an increase of £0.023m from last month. Reductions in the forecast spend on Older People has largely been offset by an increase in forecast spend on Home Support for People with Physical Disabilities. Further work is being undertaken to verify the accuracy of these forecasts. An action plan is being implemented to reduce the overspend to £1.5m by year end. This will need to be carried forward to be recovered in 2010/11.

Latest Budget		Forecast Variance November 2009			Forecast Variance October 2009	Change in Variance
		OP £m	PD £m	Total £m	Total £m	Total £m
2009/10 £m						
88.650	OCC Elements Forecast in-year variance	2.150	0.742	2.892	2.869	0.023
24.880	PCT elements Forecast in-year variance	2.824	1.180	4.004	2.387	1.617
114.213	Total Older People & Physical Disabilities	4.974	1.922	6.896	5.256	1.640
1.658	Equipment Pool	0.491	0	0.491	0.522	-0.031
115.871	Total - Older People, Physical Disabilities & Equipment Pool	5.465	1.922	7.387	5.778	1.609

31. The forecast overspend on the Primary Care Trust (PCT) element of the pool reflects the year end position which they are planning to achieve in relation to Continuing Health Care. This has increased by £1.617m since the last forecast and reflects a slower than expected reduction in the number of people qualifying for Continuing Health Care offset by a reduction in the number of new placements. The PCT is responsible for any financial risk arising, and the forecast will be monitored monthly to take account of the actual activity levels.
32. No assessment has yet been made of the possible impact on the County Council elements of the pool in the current financial year of the withdrawal of Continuing Health Care funding from clients who may then qualify for social care funding. Because the expected reduction in clients qualifying for Continuing Health Care is lower than the PCT expected the possible impact on the County Council's budget is reduced.
33. In the 2008/09 financial year a provision of £1.8m was set up in respect of the estimated back dated costs of 172 named clients awaiting Continuing Care assessments. As only a small proportion of these clients have been awarded Continuing Care funding to date the full amount of the provision may not be required for these cases and so may be available to fund some of the other pressures in this budget. Work is being carried out with the PCT to clarify the position on each of these cases but it has not yet been completed. The outcome will be included in future reports.
34. An overspend of £0.491m is forecast on equipment, a reduction of £0.031m since last month. This is the result of work commissioned to identify the reasons for the over spend and to develop an action plan to reduce the level of overspending.

Learning Disabilities Pool

35. The Learning Disabilities Pooled Budget is currently forecasting an overspend of £1.040m, a decrease of £0.066m since the previous report. This is due to efficiency savings of -£0.213m being achieved offset by increased commitments resulting from the November Panel decisions. The forecast does not take into account any estimate for further panel decisions before the end of the year.
36. The forecast also includes the efficiency savings identified in the 2009/10 budget process which have already been achieved. Further efficiency savings of £0.887m are expected to be made during the year. In addition, work is underway to contain spending in this financial year by identifying any over-commitment in budgets, minimising spend and maximising savings and checking detailed Independent Living Fund income against forecasts with a view to bringing the pooled budget into balance by year end. However there is a risk that not all of this will be achieved this financial year.

Environment & Economy: -£0.514m underspend

37. The overall Directorate position is a forecast underspend of -£0.514m, or -0.73% of the latest budget of £69.846m. This has decreased by -£0.519m since the last report.
38. The net overspend position across Transport is £0.085m, a reduction of £0.468m since last month. As agreed by Cabinet on 15 December 2009, £0.472m funding received from the Highways Agency a number of years ago will be used to offset staffing pressures within Transport on a one off basis so the majority of the reduction since last time reflects that decision.
39. The underspend in Sustainable Development is virtually unchanged at -£0.732m. Total waste forecast is 7% less than budgeted for, and the proportion landfilled is 53% compared to the target of 58% while the proportion recycled or composted is 47% compared to a target of 42%.
40. In addition to the underspend reported and as noted in previous reports if landfill continues to reduce as predicted, the £0.695m budget set aside for the purchase of Landfill Allowance Trading Scheme (LATS) allowances will not be needed. In light of the directorate position later in the year, consideration will be given to transferring this underspend to the Waste Management general reserve to contribute to the funding package required to support the business case for an additional recycling centre in Oxford City. Any further underspends could also be used to support the Waste Recycling Strategy.
41. The forecast overspend within Property Services has reduced by from £0.056m to £0.011m. Overspends relating to the Better Offices Programme are offset against underspends relating to rents.
42. Business Support is forecast to overspend by £0.122m as a result of increased legal recharges and other pressures.

Community Safety & Shared Services: £0.079m overspend

43. Community Safety is forecasting an overspend of £0.079m, or 0.25%, compared to an underspend of -£0.176m last month, a movement of £0.255m.
44. Current activity in the retained duty system in the Fire & Rescue Service indicates an overspend of £0.225m as a result of measures to address crewing shortages, additional training needs and new administrative requirements resulting from a new national incident recording system. Urgent action is being taken to control expenditure where possible. Any variation at year end will be met from balances in line with Council policy.
45. Trading Standards is now forecasting an overspend of £0.030m which will be managed using part of the underspend in the Gypsy and Traveller Service.

46. Shared Services still expect to deliver £0.422m savings in 2009/10. As noted last month, options are currently being considered and a proposal to repay the £1.4m balance of the loan of £4.2m in 2010/11 will be made in a future report.
47. School meal sales for Food with Thought from April to November were 9.5% higher than the equivalent period last year. The cost per meal remains below budget but the food prices are increasing and this is narrowing the gap between the budgeted and actual meal cost. Food with Thought and QCS Cleaning Services are forecasting a combined surplus in the region of £0.2m. This trading surplus will transfer to the reserve at year-end.

Corporate Core: £2.313m in year Directorate overspend

48. Corporate Core is forecasting an overspend of £2.313m. This has increased by £0.063m since last month.
49. ICT continues to forecast an in year overspend of £2.250m. This comprises one off overspends against projects totalling £1.45m and ongoing pressures of £0.8m (OCN, maintenance etc). Further explanation was set out in detail in the report to Cabinet on 15 December 2009. An action plan has been produced for reducing the overspend. The process of reducing staff numbers is already taking place but most of the savings achieved this year in the pay budget are likely to be offset by one off redundancy costs. Other measures will be implemented to reduce or control costs but it is not expected that they will significantly reduce the size of this year's overspend.
50. ICT already has serious budget pressures to manage next year. If this year's overspend is carried forward to be absorbed within the service, it will not be possible to stay within budget without cuts in service at a level that would seriously impact on the resilience of the Council's ICT infrastructure and service delivery.
51. Levels of activity in the planning and child protection areas of Legal Services are high this year. This is reflected in increased income generation compared to last year but also in higher costs. The net effect is that an overspend in Legal and Democratic Services is now extremely likely. As per the Provisional Outturn Report to Cabinet on 23 June 2009, a £0.063m underspend from 2008/09 was held in the carry forward reserve pending a request to release it during the year if pressures could not be managed within budget. It is now recommended that £0.063m should be transferred from the Carry Forward Reserve to offset the overspend.
52. At least one legal case will exceed £0.025m this year. The policy for a number of years has been that exceptional legal costs over £0.025m, where no budget exists, are met from balances. A request for a supplementary estimate will be made before the end of the year if Legal Services is unable to cover these costs.

53. As at 1 April 2009, the total Change Fund was £1.862m. Forecast expenditure in 2009/10 is £1.668m for a range of projects, including £0.651m for Lead Oxfordshire. The remaining unallocated balance is £0.194m.

Virements and Supplementary Estimates

54. The virements requested this month are detailed in Annex 2a with virements previously approved in Annex 2b and 2c and temporary virements to note in Annex 2d. Annex 2e shows the cumulative total virements to date. There are no budget lines where these total over £0.5m this month.

Grants Monitoring

55. Annex 3a and 3b set out the movement on specific grants since the original estimate, along with a forecast of the grant funded expenditure in year. Annex 3c details the Area Based Grant.

Bad Debt Write Offs

56. During the first eight months of 2009/10 there were 107 debts written off totalling £9,991. The largest debt was £1,266 so most were very small and uneconomical to recover through the courts. In addition Client Finance wrote off 66 debts in relation to charges for care totalling £25,169. The largest of those was £4,115.
57. In September 2007 Sedgemoor Children's Services ceased trading and went into liquidation. At this time the Council had made payments in advance totalling £110,685.71 to the company. In the 2007/08 accounts an impairment allowance for this amount was created which will now be used to write-off this debt. Following this event the service has made a number of changes to their processes, including not making payments in advance and accepting credit notes. Cabinet are recommended to approve the write off of this debt.

Strategic Measures

58. The average cash balance during November 2009 was £200.1m and the average rate of return was 0.76%. As noted in previous reports the average rate of return has fallen each consecutive month in 2009/10, from the starting point of 2.66% achieved in April 2009. However, it is now expected that the rate of return should stabilise around the current level for the remainder of 2009/10. It is expected that the budgeted income from interest of £2.1m will be achieved.
59. The Treasury Management lending list is included at Annex 6 for completeness but is unchanged since the last report.

Part – 2 Balance Sheet

Reserves

60. Annex 4 shows the forecast movement on earmarked reserves.

School Balances

61. As reported in the 2008/09 Provisional Outturn Report to Cabinet on 23 June 2009, school balances were £13.439m at 31 March 2009. Updates and further analysis of the forecast position will be provided in future reports, but the current forecast outturn is £4.761m as at 31 March 2010, a reduction of £8.678m.
62. Budget monitoring submissions for the period up to October 2009 have been received from 286 out of 289 schools. These submissions indicate that year end balances will be more consistent with the total originally budgeted for than in previous years.
63. 59 schools are currently projecting a deficit at the end of 2009/10 while 230 expect to be in surplus. Half of the secondary schools in Oxfordshire are currently forecasting deficits.

Loans to Schools

64. Under paragraph 4.7 of the Section 48 document Scheme for Financing Schools, schools may apply for a loan. These may be used to fund the purchase or replacement of equipment (including computer hardware) or to contribute to premises projects; repair and maintenance; energy and environmental improvements and historic budget deficits. Several of the deficits currently reported are likely to be converted to loans. All current loans relate to secondary schools.
65. Overall the planned and forecast reduction in surpluses is to be welcomed as it will help to ensure that the Department for Children, Schools and Families (DCSF) does not claw back excess balances. However, the authority is close to allowable limits for loans and deficits. These are based on the level of surpluses so as the latter diminish, our ability to help schools to manage their deficits will also reduce.

Balances

66. Annex 5 sets out the current position for general balances taking into account known changes. Total balances were £14.088m at the end of November, with the position unchanged from the end of October.

Part 3 – Capital Programme and Monitoring

67. The capital monitoring position set out in Annex 7, shows forecast expenditure for 2009/10 is £91.2m (excluding schools), a decrease of -£1.6m when compared to the last capital programme approved by Cabinet in October 2009. This is a change of £0.7m in the variation reported to Cabinet in December 2009. The table on the next page summarises the variations by directorate which are explained in the following paragraphs.

Directorate	Latest Capital Programme Budget (Approved October 2009 Position as at end of August 2009)	Forecast Expenditure (Position as at end of November 2009)	Forecast Variation November 2009	Variation Forecast October 2009	Change in Variation Forecast
Children, Young People & Families	£41.3m	£40.0m	-£1.3m	-£0.3m	-£1.0m
Social & Community Services	£7.3m	£6.3m	-£1.0m	-£0.4m	-£0.6m
Environment & Economy	£42.5m	£41.1m	-£1.4m	-£2.0m	+£0.6m
Community Safety & Shared Services	£0.7m	£0.9m	£0.2m	£0.4m	-£0.2m
Corporate Core	£1.0m	£2.9m	£1.9m	£0.0m	+£1.9m
Sub-total	£92.8m	£91.2m	-£1.6m	-£2.3m	+£0.7m
Schools Capital/Devolved Formula	£11.3m	£12.1m	£0.8m	£0.8m	£0.0m
Earmarked Reserves	£0.1m	£2.0m	£1.9m	£0.0m	+£1.9m
Total	£104.2m	£105.3m	£1.1m	-£1.5m	+£2.6m

Children, Young People & Families

68. The Children, Young People & Families directorate is forecasting to spend £40.0m in 2009/10 compared to the latest capital programme budget of £41.3m, a variation of -£1.3m. This is a change of -£1.0m from the variation reported last month.
69. A review of how adjustments made between capital and revenue are included in the capital programme has been carried out. The results impact on the Children, Young People and Families, Environment and Economy and Corporate Core directorates. The saving shown in CYP&F is £1.0m in 2009/10 with a total of £4.7m over all years of the programme. Some of this saving is used to finance capital/revenue adjustments shown in other directorates. The

Capital Programme Board is going to develop an exit strategy for some of the adjustments and until this is in place the net impact of these adjustments (£1.9m) is being held in earmarked reserves.

Social & Community Services

70. The forecast spend for Social & Community Services is £6.3m, a variation of -£1.0m when compared to the latest capital programme and a movement of -£0.6m from the position reported last month. This is due to slippage of expenditure into later years of the programme on the Bicester Care Home and Supported Living for people with Learning Disabilities schemes. There is also a saving of £0.2m on retentions.

Environment & Economy

71. The spend forecast for 2009/10 for Environment and Economy is £41.1m compared to the latest budget of £42.5m, a variation of -£1.4m. This is a movement of £0.6m from the position reported in December 2009.
72. £0.5m of the increase reflects the review of Capital/Revenue switches mentioned above. The remainder is the net effect of a number of small variations.

Community Safety and Shared Services

73. The forecast spend for Community Safety & Shared Services is £0.9m, a variation of £0.2m when compared to the latest capital programme. This is a variation of -£0.2m from the position reported last month and is due to slippage of expenditure into later years of the programme on the Bicester Fire Station Upgrade scheme.

Corporate Core

74. The Corporate Core directorate is forecasting to spend £2.9m in 2009/10 compared to the last capital programme budget of £1.0m, a variation of £1.9m. This is because of a payment made in relation to the SAP support contract for software licences, approved at Cabinet in December 2009.

Actual Expenditure

75. As at the end of November actual capital expenditure was £46.5m, this is 44% of the total planned expenditure of £105.3m. This represents a £7.7m increase from last month and is consistent with the position for the same period last year. Total commitments were a further £25.1m; therefore total committed expenditure was 68% of the total planned expenditure.

Movement on Overall Capital Programme

76. The forecast expenditure for the capital programme is £475.4m (excluding schools); compared to the last capital programme update of £491.3m this is a variation of -£15.9m. This is a change of -£5.9m to the variation reported to

Cabinet in December 2009. The directorate variations are shown in the table on the next page:

Directorate	Latest Capital Programme Budget (Approved October 2009 Position as at end of August 2009)	Forecast Expenditure (Position as at end of November 2009)	Variation Forecast November 2009	Variation Forecast October 2009	Change in Forecast Variation
Children, Young People & Families	£298.5m	£282.5m	−£16.0m	−£11.2m	−£4.8m
Social & Community Services	£23.0m	£22.9m	−£0.1m	£0.1m	−£0.2m
Environment & Economy	£160.2m	£158.0m	−£2.2m	£0.6m	−£2.8m
Community Safety & Shared Services	£5.6m	£6.1m	£0.5m	£0.5m	£0.0m
Corporate Core	£4.0m	£5.9m	£1.9m	£0.0m	+£1.9m
Sub-total	£491.3m	£475.4m	−£15.9m	−£10.0m	−£5.9m
Schools Capital/Devolved Formula	£62.0m	£64.0m	£2.0m	£2.0m	£0.0m
Earmarked Reserves	£1.7m	£9.6m	£7.9m	−£0.3m	+£8.2m
Total	£555.0m	£549.0m	−£6.0m	−£8.3m	+£2.3m

77. The decrease on Children, Young People & Families is mainly due to the impacts of the capital/revenue adjustments discussed above.
78. The decrease of £2.8m in Environment and Economy is due to the removal of £4.0m for Thornhill Park and Ride extensions as the assumptions on developer contributions available for this scheme have been revised due to the current economic climate. Expenditure has increased by £0.8m for capital/revenue adjustments and by £0.4m for the Chipping Norton Access Road scheme.
79. The increase in Corporate Core is due to the payment for SAP software licences as mentioned above.
80. The increase in earmarked reserves is due to the amount being held for capital/revenue adjustments and for resources being earmarked for a second phase of the Homes for Older People scheme.

Capital Programme Update

81. The position reported this month has been incorporated in the updated capital programme, attached at Annex 8.
82. The overall deficit on the capital programme has decreased from £5.368m to £4.502m, a change of £0.866m. This is primarily due to transport identifying additional resources to reduce the deficit on their programme.

83. The cashflow position of the overall programme has improved significantly, with the majority of the shortfall now falling in the final year of the programme.

Part 4 – Other Financial Issues

Creation Theatre Company

84. In the summer of 2008, the Cabinet agreed to make a repayable grant of £30,000 (funded by a supplementary estimate) to Creation Theatre, given their financial difficulties. The City Council also helped the company financially. Repayment of this grant is due in July 2010.
85. A major condition of the funding was that Creation should plan to minimise their exposure to the risks of bad weather. As a consequence of doing this, and despite fears prompted by the recession, the summer season made a healthy profit. By March 2010, therefore, Creation expect to be in a position where they have turned a substantial deficit into a small surplus, albeit insufficient to make the repayment in July.
86. Creation have now put together a new plan which aims to generate sufficient surplus over the next two years to build up a reserve to assist them with managing future risks. In order to aid their ongoing position, Creation have now asked the County Council to defer and phase the repayment of the grant as follows:

Date of Repayment	Amount
31 August 2011	5,000
31 January 2012	7,500
31 July 2012	17,500
TOTAL	30,000

87. The cost of deferring repayment would be to forego interest estimated at £1,000. The Cabinet is recommended to agree to defer repayment of the grant by Creation Theatre Company as set out in paragraph 65. In addition interest will be charged to the Theatre Company at a fixed rate of 2% per annum from 31 July 2010, with interest due being paid on each staged repayment date. This will recompense the Council for the interest foregone.

RECOMMENDATIONS

88. The Cabinet is **RECOMMENDED** to:
- (a) note the report;
 - (b) approve the virements as set out in Annex 2a;
 - (c) approve the use of carry forward from 2008/09 to offset pressures in Legal and Democratic Services as set out in paragraph 51.
 - (d) Approve the write off of the bad debt of £110,685.71 in respect of a payment in advance to Sedgemoor Children's Services as set out in paragraph 57.
 - (e) Approve the updated Capital Programme as set out in Annex 8;
 - (f) Agree the deferral and phasing of the repayment of grant from Creation Theatre Company as set out in paragraphs 86 and 87.

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

Contact Officer: Kathy Wilcox, Principal Financial Manager
Tel: (01865) 323981

January 2010