

Division(s):

## CABINET – 19 JUNE 2012

### REVENUE & CAPITAL OUTTURN 2011/12 AND REQUESTS FOR CARRY FORWARDS

Report by the Chief Finance Officer

#### Introduction

1. This report sets out the revenue and capital outturn for 2011/12 and shows how actual expenditure and income for the year compares to the budgeted position. It also includes proposals for carry forwards from 2011/12 to 2012/13. The report is consistent with the Council's Statement of Accounts for 2011/12<sup>1</sup>. This will be submitted to the Audit Committee on 4 July 2012 following certification by the Chief Finance Officer and prior to external audit.

#### Context

2. Savings of £54.6m were planned to be achieved in 2011/12 as part of the four year Business Strategy aiming to deliver £119m savings overall. The final revenue variation of -£8.670m is the position after those savings have been achieved and reflects the early achievement of savings through a firm focus on cost minimisation.

#### Summary of Revenue Outturn

3. As set out in Annex 1 the adjusted year end revenue position for 2011/12 is a variation of -£8.410m. Variations totalling -£0.260m have been returned to balances as they are outside the control of Directorates. Details are set out in Annex 5.

	Final Budget 2011/12	Outturn 2011/12	Outturn Variation compared to final budget	Outturn Variation compared to final budget
	£m	£m	£m	%
Children, Education & Families	111.564	107.829	-3.735	-3.35
Social & Community Services	222.761	221.026	-1.735	-0.78
Environment & Economy	84.329	81.906	-2.423	-2.87
Chief Executive's Office	8.978	8.201	-0.777	-8.65
<b>Total Directorate variation including Pooled Budgets</b>	<b>427.632</b>	<b>418.962</b>	<b>-8.670</b>	<b>-2.03</b>
Less variations returned to balances			0.260	
<b>Adjusted Directorate Variation</b>			<b>-8.410</b>	

<sup>1</sup> Due to external accounting requirements the presentation of the figures may vary.

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

Annex 1	Revenue Outturn
Annex 2 a	Proposed carry forwards to 2012/13
Annex 2 b	Proposed movement of 2011/12 underspends to other budgets.
Annex 2c	Virements to Note
Annex 3	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 4a	Reserves and Provisions
Annex 4b	School Balances
Annex 5	General Balances
Annex 6	On and Off - Street Parking – Statement of Income and Expenditure for 2011/12
Annex 7	Capital Outturn

## Part 1 – Revenue Outturn

### Children, Education & Families (CE&F)

5. The outturn position for CE&F is a variation of -£3.735m. In addition unspent Dedicated Schools Grant totalling -£4.717m has been placed in a reserve for use in 2012/13.

#### Education and Early Intervention

6. The Service is reporting an underspend of -£2.421m. This reflects the early delivery of savings in the Early Intervention Hubs (-£1.006m) and for Home to School Transport (-£1.115m).

#### Children's Social Care

7. An underspend of -£2.159m for Children's Social Care includes -£1.216m relating to Placement and Care Costs. Savings have been achieved through working with the courts to use more cost effective working methods such as minimising the use of out of county placements. However, where children have significant complex needs that require specialist or secure placements these have been met. Asylum is also reporting a underspend of -£0.596m due to a decrease in the number of clients.
8. The Youth Offending Service have underspent by -£0.400m. This relates to early delivery of savings through the restructuring of the service which were expected to be delivered in 2012/13.

#### Quality and Compliance

9. The Service has overspent by +£0.823m. This mainly relates to redundancy costs and savings that have not yet been achieved due to the delays in the restructuring of Joint Commissioning.

### Social & Community Services (S&CS)

10. The outturn position for S&CS is a variation of -£1.735m. Underspends on the Older People Pooled Budget (-£5.413m) and Learning

Disabilities Pooled Budget (-£0.804m) have been placed in a reserve for use in future years.

#### Social Care for Adults

11. The service is reporting an underspend of -£1.393m. This includes £1.448m one-off rent income received in 2011/12.
12. Fairer Charging income relating to Older People and Physical Disabilities has been underachieved by +£0.317m. The on-going impact of the reduction in income will be considered as part of the Service and Resource Planning process for 2013/14.
13. Locality teams are reporting an overspend of +£0.636m which relates to unachievable savings. The on-going impact of this was addressed as part of the Service and Resource Planning process for 2012/13. In 2011/12 the overspend has been offset by underspends on staffing costs related to restructuring within the Prevention & Early Support Team (-£0.416m) and Learning Disabilities (-£0.146m).

#### Fire and Rescue Service

14. The service is reporting an underspend of -£0.218m which includes -£0.170m on the retained duty system. This has been returned to balances. The £0.036m overspend on Firefighters ill health retirements will be funded from balances.

#### Community Safety

15. An underspend of -£0.131m is reported by Community Safety. This mainly relates to additional rental income and savings achieved

#### Quality and Compliance

16. An overspend of +£0.089m is reported. Delays in the restructuring of Joint Commissioning have led to unachieved savings of £0.455m partly offset by underspends on Supporting People (-£0.245m) and Transforming Adult Social Care (-£0.175m).

#### Pooled Budgets

17. The Council's element of the Older People's Pooled Budget has underspent by -£5.413m. This partly relates to Winter Pressures funding received from the Department of Health in January 2012. This will be used to fund three additional care home placements per week for 17 weeks to the end of May 2012. The total number of additional care home placements agreed for the 17 week period is 51. The funding for each placement will continue until the client no longer needs it. In line with the Pool agreement the underspend has been placed in a reserve. Other elements of the underspending will be used to meet the costs in future years of the additional care home placements made during 2011/12 and 2010/11.
18. There was an overspend of +£1.743m on the Physical Disabilities Pooled Budget relating to increased demand for the service. The on-going effect and future demographic pressure in this service was considered as part of the Service and Resource Planning process for

2012/13. The 2011/12 overspend has been funded by general balances.

19. The Council's element of the Learning Disabilities Pooled Budget has underspent by -£0.804m. This reflects a reduction in the number of clients and overachievement of efficiency savings. This has been transferred to a reserve for use in 2012/13.

### **Environment & Economy (E&E)**

20. The outturn position for E&E is variation of -£2.423m.
21. Growth and Infrastructure have underspent by -£2.085m. Waste Management are reporting an underspend of -£0.550m due to waste tonnages being lower than budgeted for. This follows the pattern of recent years and is broadly in line with the national profile associated with economic recession. Recycling and Composting activity levels are 61%. This is higher than the original strategy agreed by the Oxfordshire Waste Partnership.
22. The remaining underspends in Growth and Infrastructure relate to Local Area Agreement reward grant (-£0.356m), the Minerals and Waste Framework (-£0.191m), Planning Implementation (-£0.405m) and Business and Skills (-£0.286m).
23. Property and Facilities are overspent by +£0.593m. This relates to dilapidation costs for Cricket Road and additional costs of the contract procurement. Highways and Transport underspent by -£0.091m.
24. Oxfordshire Customer Services are underspending by -£0.789m. This includes underspends on ICT (-£0.226m), Human Resources (-£0.209m) and Finance (-£0.186m).

### **Chief Executive's Office (CEO)**

25. The outturn position for the CEO is a variation of -£0.777m. This includes underspends on Human Resources (-£0.209m), Strategy and Communications (-£0.265m), and Chief Executive & Business Support (-£0.227m).

### **Proposed Carry Forward of under and over spends in 2011/12 to 2012/13**

26. Under the Council's Financial Regulations, the Cabinet is responsible for approving all carry forwards. 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.
27. The following table 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 CE&F, S&CS

and E&E are larger than £0.5m and require approval by Council under the authority's Financial Regulations.

Directorate	Directorate Variation after agreed variations to balances £m	Total Directorate Proposed Carry Forward £m	Underspend Transferred to Efficiency Reserve £m
CE&F	-3.735	-2.457	-1.278
S&CS	-1.494	-1.204	-0.285
E&E	-2.416	-1.899	-0.489
CEO	-0.765	-0.426	-0.339
<b>Total per Annex 2a</b>	<b>-8.410</b>	<b>-5.986</b>	<b>-2.424</b>

### Strategic Measures

28. There is a variation of -£0.621m on the Strategic Measures budget. This consists of a variation of +£0.623m on Capital Financing and -£1.244m on Interest on Balances. The variation on Capital Financing is due to higher than forecast interest payable on long term borrowing as a result of non-repayment of three LOBO loans. Interest earned on balances was -£1.244m more than budgeted due to higher than forecast average cash balances was during the financial year.
29. The Treasury Management Outturn report for 2011/12, which covers all of the related activities in detail, will be considered by Cabinet on 19 July 2012.

### Debt Write Offs

30. For the year ended 31 March 2012 there were 137 debts written off totalling £0.055m. In addition Client Finance wrote off £0.156m in respect of 133 debts relating to care provided by Social & Community Services.
31. £0.030m loans to Foster Carers, provided under the Children's were also written off. The largest of these was £0.012m and was agreed by Cabinet on 20 December 2011.
32. Total debt write offs for the year were £0.241m. This compares to £0.244m for 2010/11. Most of the debts were written off because they are uneconomical to recover through the courts.

## Part – 2 Consolidated Capital Outturn

### Summary Programme Expenditure

33. The capital programme is updated three times each year to reflect the latest forecast profile of expenditure. The original budget for the year is the programme agreed by Council in the February preceding the start of the financial year. The latest updated programme, based on the position forecast at the end of December 2011, was agreed by Council on 10 February 2012.
34. Total capital programme expenditure for 2011/12 was £69.8m. The variation between the original programme and the final outturn was -£8.2m or -10%. Excluding schools local spend the variation on the total directorate programmes was -£7.8m (-11%). The summary outturn position is shown in Annex 7a.
35. The overall variation has been adjusted to take into account the impact of changes that have arisen due to factors that do not reflect the performance of the programme (e.g. technical accounting changes and value for money decisions). Excluding local spend by schools the adjusted variation reduces to -£4.8m (-7%). This represents 93% use of resources compared to the original capital programme. This is shown Annex 7b and is summarised in the following table:

	Total Directorate Programmes £m	Schools Capital & Earmarked Reserves £m	Total Capital Programme £m
Original Capital Programme	71.0	7.0	78.0
Final Outturn Expenditure	63.2	6.6	69.8
<b>Variation</b>	<b>-7.8</b>	<b>-0.4</b>	<b>-8.2</b>
Impact of in-year grant reductions/project removals	0.2		0.2
Impact of in-year increased funding	-3.6		-3.6
Impact of other Value for Money & technical adjustments	5.7		5.7
Impact of Cost Savings & Returned Contingencies	0.7		0.7
<b>Adjusted Variation</b>	<b>-4.8</b>	<b>-0.4</b>	<b>-5.2</b>
<b>Use of Resources</b>	<b>93%</b>	<b>94%</b>	<b>93%</b>

36. The 93% use of capital resources in 2011/12 represents an increase compared to last year's performance (90%). Notable schemes and completions for each directorate are set out below. A detailed analysis by scheme is provided in Annex 7d.

#### Children, Education & Families

37. Total capital expenditure was £31.8m (excluding schools local capital expenditure) and included:

- £2.3m for the replacement of buildings at Wood Farm School in Oxford. This was completed in June 2011. Phase 2 of the scheme is on – site and will continue in 2012/13;
- £1.1m for a new classroom block at The Grange, Banbury to replace temporary classrooms. This is due for completion in June 2012;
- £1.6m for Phase 2 of the modernisation of Wantage, Fitzwaryn. Work to provide new facilities for post – 16 education is now on site with forecast completion in August 2012;
- £1.1m for a new classroom block and food technology facility at Northern House School, which was completed in March 2012;
- £2.4m of improvements at Oxford Academy;
- £6.1m for the provision of 315 additional school places. This includes a new Sixth Form Centre at the Cooper School in Bicester which was completed in July 2011.
- Five projects totalling £3.7m were completed at Young People’s Centres in Abingdon, Didcot, Banbury, Chipping Norton and Witney;
- £7.6m for the Schools’ Structural Maintenance Programme which was available for the first time in 2011/12.

#### Social & Community Services

38. Total capital expenditure was £3.4m and includes the first grant payments for the Extra Care Housing projects in Oxford to provide 191 rented flats, the installation of 11 self-service projects in libraries and the completion of the Oxfordshire Records Office project.

#### Environment & Economy - Transport

39. Total expenditure of £24.5m includes £17.5m on structural maintenance and £1.7m improvements to Iffley Road in Oxford.

#### **Summary Programme Financing**

40. Expenditure of £69.8m in 2011/12 was funded from a combination of capital grants and other external contributions (£58.3m), developer contributions (£5.3m), project specific prudential borrowing (£1.3m) and revenue contributions (£4.9m). Annex 7c compares the actual financing of the capital programme in 2011/12 with the financing planned in the original and latest capital programme.
41. 2011/12 was the first year that the Council received capital grant from central government rather than credit approvals. These grants are un-ringfenced and are not time limited, therefore other funding sources were utilised before un-ringfenced grants. The level of un-ringfenced grant balances held increased by £6.0m to £12.0m.
42. The unapplied ringfenced balance held at the start of the year has reduced by £9.0m to £2.4m (excluding Growing Places Fund). The remaining grants are expected to be utilised by their deadlines.

43. There was no requirement to use capital receipts or the capital reserve in 2011/12 and the combined total has increased by £2.1m to £26.4m. The original forecast for capital receipts from the disposal programme for 2011/12 was £1.9m and actual capital receipts achieved were £1.8m.

## Part 3 – Balance Sheet

### General Balances

44. As set out in Annex 5 general balances are £15.374m as at 31 March 2012.

### Earmarked Reserves

45. Details of the movements on earmarked reserves in 2011/12 are set out in Annex 4a. Overall reserves have increased by £31.522m to £116.261m. Explanations of significant changes to Directorate and Corporate reserves are set out below.

### Grants and Contributions

46. Total grants and contributions of £6.515m reported as an underspend at the end of 2010/11 were carried forward to 2011/12. Following guidance from CIPFA unspent grants and contributions at the end of 2011/12 have been placed in a reserve rather than being reported as an underspend. £6.403m has been transferred to the Grants and Contributions reserve in 2012/13. The most significant of this is DSG at £4.717m.

### Children, Education & Families

47. £4.222m has been placed in reserves during the year to support key projects and pressures within the directorate in 2012/13. They include costs associated with the conversion of schools to Academy status, Joint Working with Thames Valley Police, and School Intervention.

### School Balances

48. After incorporating partnership balances the number of schools in deficit has reduced from 27 as at 31 March 2011 to 16 at 31 March 2012. The number of schools with surplus balances was 265 at 31 March 2012. This compares to 261 as at 31 March 2011. Details of number of schools and the value of the balances are set out in Annex 4b.
49. Surplus balances of £0.990m for academies which converted in April 2012 remain in the Council's accounts at 31 March 2012. Regulations state that these balances must be transferred to the academy three months following conversion.
50. School balances are now £29.299m. 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 as schools utilise unspent balances to support their budgets.

51. Local authorities have been instructed not to operate the "clawback mechanism" unless a school has held excessive balances for a number of years. A number of Oxfordshire schools which fell into this category were formally advised that if any excessive balance persisted at March 2012 then the amount would automatically be deducted from their balance in line with guidance. Once final school balances have been confirmed it is intended to proceed with this deduction as formally flagged to the individual schools involved. A decision will need to be made regarding the use of such funds. One possibility would be to apply the funds to any maintenance backlog on each school's site.

#### Social & Community Services

52. Reserves held by the directorate have increased by £5.794m. This mainly relates to the -£5.413m underspend on the Council's element of the Older People's Pooled Budget being transferred to reserves at year end in line with the Pooled Budget agreement.

#### Environment & Economy

53. The balance on the Parking Account at 31 March 2012 was £1.990m. £1.000m was taken from the reserve in year to fund costs relating to the Oxford Park & Ride car parks. Contributions to the Parking Account during 2011/12 include Camera Enforcement income of £0.452m, On – Street Pay & Display charges income of £1.447m for Oxford City, and a planned contribution from revenue of £0.161m. £0.113m was deducted from contributions to cover losses associated with parking enforcement in Oxford. Further analysis is provided in Annex 6.
54. The main changes to reserves within Oxfordshire Customer Services relate to the ICT reserve that was created during 2011/12 to manage projects that span financial years, and an additional contribution of £0.738m to the Oxfordshire Customer Services Development Reserve. This will be used to support the Oxfordshire Customer Service Transformation Programme.

#### Chief Executive's Office

55. Eleven projects were supported by the Change Fund in 2011/12. The £0.541m balance is committed to these projects for 2012/13 onwards.
56. Other changes to Chief Executive's Office reserves relate to new reserves for the Big Society Fund (£0.161m), Coroners (£0.133m), and Change Management and New Ways of Working (£0.160m).

#### Corporate Reserves

57. The remaining balance of the Local Authority Business Growth Incentive (LABGI) Funding as at the end of 2011/12 is £0.435m. The funding will be used to support economic development activities (£0.354m), the Diamond Jubilee and Support for Returning Military Personnel (£0.016m).

58. The Efficiency Reserve was created in 2009/10 with the intention of supporting the implementation of the Council's Business Strategy. During 2011/12, £6.783m has been added to the reserve and includes a budgeted contribution of £6.018m, unspent grant funding of £2.043m (which has been allocated in 2012/13), transfers totalling £0.328m from budget not required for pay awards, and £0.270m that was carried forward from 2010/11. £1.660m has been used to fund redundancy costs. The balance as at 31 March 2011 is £10.829m.

## **RECOMMENDATIONS**

59. **The Cabinet is RECOMMENDED to:**
- (a) note the 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, Education & Families, Social & Community Services and Environment & Economy Directorates as set out in Annex 2b;**
  - (d) agree that the surplus on the On-Street Parking Account at the end of the 2011/12 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 2012/13 financial year.**

### **SUE SCANE**

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

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