

## CABINET – 17 JULY 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 May 2012. Amendments to the 2011/12 Statement of Accounts that change the Revenue and Capital Outturn Report considered by Cabinet on 19 June 2012 are included in Part 3. The Capital monitoring and Capital Programme Update is included at Part 4.

#### Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of -£1.329m, or -0.32% against a budget of £411.531m as shown in the table below.

Original Budget 2012/13 £m		Latest Budget 2012/13 £m	Forecast Outturn 2012/13 £m	Variance Forecast May 2012 £m	Variance Forecast May 2012 %
105.814	Children, Education & Families (CE&F)	105.481	104.621	-0.860	-0.82
219.635	Social & Community Services (S&CS)	211.300	210.998	-0.302	-0.14
77.658	Environment & Economy	77.854	77.854	0.000	0.00
8.394	Chief Executive's Office	16.896	16.866	-0.030	-0.18
411.501	In year Directorate total	411.531	410.339	-1.192	-0.29
	Add: Underspend on Council Elements of Pooled Budgets			-0.137	
	<b>Total Variation including Council Elements of Pooled Budgets</b>			<b>-1.329</b>	<b>-0.32</b>

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
Annex 9	Updated Capital Programme 2011/12 to 2017/18

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.

## **Part 1 - Revenue Budget & Business Strategy Savings**

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

5. The directorate is forecasting a variation of -£0.860m. In addition a forecast underspend on services funded by the Dedicated Schools Grant (DSG) of -£0.467m. Any underspend will be placed in a reserve at the end of the year for use in 2013/14.
6. An underspend of -£0.991m is forecast on Home to School Transport. A further saving of £0.200m in 2013/14 is already built into the Medium Term Financial Plan but the total savings that could be achieved by this service will be reviewed as part of the 2013/14 Service and Resource Planning process. As in previous years the forecast may change during the year as the full effect of the last tendering process are known along with the impact of the new academic year changes.

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

7. The outturn position for S&CS is a variation of -£0.302m. There is an overspend on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget (+£0.706m) and an underspend on the Learning Disabilities Pooled Budget (-£0.843m).

#### SCS1 Adult Social Care

8. 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 but the service is expecting to manage this pressure by utilising underspends elsewhere in the service.

#### SCS3 Joint Commissioning

9. The restructure of commissioning services in S&CS and CE&F will deliver the savings in the Business Strategy but, as the new structure is not yet complete, there is a risk that savings may not be achieved in full in 2012/13.

#### SCS5 Fire & Rescue and Emergency Planning

10. The service is forecasting a variation of -£0.202m. This relates to underspends on the Retained Duty System (-£0.170m) and whole time fire-fighters (-£0.080m) offset by an overspend on fire-fighter ill health retirements (+£0.048m).
11. Elsewhere on the agenda Cabinet are considering the business case for a joint fire control centre with Royal Berkshire Fire Authority. Each fire authority has received government grant funding of £1.8m (£1.3m capital and £0.5m revenue) for this programme.

### **Pooled Budgets**

#### Older People, Physical Disabilities and Equipment Pooled Budget

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12. As shown in Annex 6 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£2.958m. +£0.706m relates to the Council's element and +£2.252m to the Primary Care Trust (PCT).
13. The forecast overspend on the Council elements of the Older People's Pooled Budget represents current variations from forecasts made on how many people will start and stop needing care in the financial year.
14. Most of the under spending brought forward from last year has been set aside to meet the costs of additional care home placements in this year and future years. The remaining element of the underspend from last financial year has been used to fund the costs of 3 additional care home placements per week from June through to the end of September. However, the current level of care home placements which reflect continuing high levels of demand for adult social care especially for frail older people in hospital is not financially sustainable in the longer term. It is also inconsistent with the agreed policy direction set out in the Business Strategy. Discussions are taking place with the NHS to ensure that care needs can be met in alternative ways which reduce the demand for care home placements.
15. The Oxfordshire Care Partnership (OCP) is being renegotiated to explore ways of meeting long term care needs in a way which reduces costs and leads to developments that achieve efficiencies. Savings of -£3.362m are planned by 2014/15. Contract negotiations are near completion with a new contract expected to start in October 2012. The exact timing of the premises developments are not known so there is a risk that the anticipated saving of -£0.741m for 2012/13 may not be delivered this year but delivered later. The budget is being kept under close review and if the saving is delayed, the resulting pressure will be managed from within the Older People's Pool.

### Learning Disabilities Pooled Budget

16. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting 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 future reports.
17. Savings in excess of £1.8m are planned to be delivered during the year. A significant proportion of the savings target has already been achieved as a result of work carried out in 2011/12.

### **Virements and Supplementary Estimates**

18. 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 19), transfer of the Business Systems Teams from CE&F and S&CS to ICT, and income and expenditure budgets relating to the Thriving Families Funding received from the Department for Communities and Local Government. Annex 2a also includes virements relating to the inclusion of Food with Thought under the new Property and Facilities Contract from 1 July 2012.

### **Grants Monitoring**

19. Ring-fenced grants totalling £411.609m (including £366.604m of DSG) are included in Directorate budgets and will be used for the specified purpose. Changes this month include the latest DSG allocation that was received from the Department for Education on 26 June 2012. The revised allocation is based on the January pupil count and schools converting to Academy status on 1 April 2012.

### **Bad Debt Write Offs**

20. There were 25 general write offs to the end of May 2012 and these totalled £9,506. In addition Client Finance has written off 14 debts totalling £24,064.

### **Treasury Management**

21. On 6 June the lending maturity limits for Lloyds TSB and RBS were reduced from 35 days to overnight deposits only. This was in anticipation of the downgrading of UK banks by Moody's ratings agency on 21 June 2012. With the exception of HSBC, Barclays Bank Plc. and Nationwide Building Society, which have six or three month maturity limits, all UK banking institutions are now restricted to overnight deposits only or have been previously removed from the lending list. The full Treasury Management lending list as at 27 June 2012 is included at Annex 7.
22. The average cash balance during May 2012 was £277.3m and the average rate of return was 1.09%. 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**

23. Annex 3 sets out earmarked reserves brought forward from 2011/12 and the forecast position as at 31 March 2013. Forecast reserves are £117.065m. As set out in Annex 4 current balances are £16.693m taking into account known changes.

### **Part 3 – Changes to 2011/12 Outturn**

24. The Revenue and Capital Outturn Report to Cabinet on 19 June 2012 set out the directorates' outturn position compared to budget, based on directorate net revenue expenditure of £418.962m. However, changes were required following the Secretary of State for Transport's decision on the Cogges Link Road Development. £4.550m costs relating to the scheme have been written off to revenue, offset by developer contributions and revenue previously applied to capital spend totalling £3.069m. This increased directorate net revenue expenditure by £1.481m to £420.443m. Total Capital Programme expenditure for 2011/12 reduced by £1.650m to £68.195m, and the use of capital resources revised to 91%.
25. The increase in directorate net revenue expenditure of £1.481m has been met from the County Fund balance, reducing this from £15.374m as set out in the Outturn Report to £13.893m. This revised position is in line with the estimate used for the Medium Term Financial Plan 2012/13 to 2016/17.

26. The Grants and Contributions Reserve has increased by £0.800m since the Outturn Report as a result of late notification of additional reablement funding from the Primary Care Trust. This has increased the total Earmarked Reserves to £117.061m.

## Part 4 – Capital Programme

### Capital Monitoring

27. The capital monitoring position set out in Annex 8a, shows the forecast expenditure for 2012/13 is £50.1m (excluding schools local capital expenditure). This is a decrease of £0.3m compared to the programme agreed by Council in February 2012. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	20.1	20.9	+0.8
Social & Community Services	3.1	3.4	+0.3
Environment & Economy – Transport	24.1	23.2	-0.9
Environment & Economy – Other	2.3	1.7	-0.6
Chief Executive's Office	0.8	0.9	+0.1
<b>Total Directorate Programmes</b>	<b>50.4</b>	<b>50.1</b>	<b>-0.3</b>
Schools Local Capital	5.2	5.1	-0.1
<b>Total Capital Programme</b>	<b>55.6</b>	<b>55.2</b>	<b>-0.4</b>

\* Approved by Council 10 February 2012

28. The majority of the variations are due to the re-profiling of schemes to take into account the impact of the 2011/12 outturn position. Significant in-year variations for each directorate are listed in Annex 8b. New schemes and changes requiring Cabinet approval are listed in Annex 8c.

### Five Year Capital Programme Update

29. The total forecast 5-year capital programme (2012/13 to 2016/17) is now £362.1m, a decrease of £1.7m compared to the programme approved by Council in February 2012. The full updated capital programme is set out in Annex 9. Taking into account the outturn position for 2011/12, the overall size of the capital programme has decreased by £5.6m. Overall, the level of funding for the capital programme remains the same. The surplus over the 5 year programme has reduced by £0.050m to £0.203m and capital programme contingencies (held within earmarked reserves) remain at the recommended level of 3% of the total programme.
30. The table on the following 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	Variation in the size of the overall programme (including 2011/12) £m
Children, Education & Families	138.3	138.0	-0.3	+0.5
Social & Community Services	23.0	23.5	+0.5	0.0
Environment & Economy - Transport	103.5	91.3	-12.2	-14.9
Environment & Economy - Other	30.0	30.0	0.0	-0.1
Chief Executive's Office	2.6	2.7	+0.1	+0.2
<b>Total Directorate Programmes</b>	<b>297.4</b>	<b>285.5</b>	<b>-11.9</b>	<b>-14.3</b>
Schools Local Capital	12.3	14.0	+1.7	+0.2
Earmarked Reserves	54.1	62.6	+8.5	+8.5
<b>Total Capital Programme</b>	<b>363.8</b>	<b>362.1</b>	<b>-1.7</b>	<b>-5.6</b>

\* Approved by Council 10 February 2012

31. Following the decision by the Secretary of State for Transport on the Cogges Link Road, the scheme has been removed from the programme. This has returned £4.0m of funding back to the programme and this is being held in earmarked reserves. The developer contributions funding have also been removed.
32. On 11 April 2012, the Department for Education announced that the Council would receive an additional £5.5m funding for Basic Need in schools in 2012/13. This has now been included in the programme. The estimated funding for the Schools Structural Maintenance grant (2013/14) has been reduced to reflect the number of schools converting to academy status.
33. A programme of works for rural roads has now been approved and is included within the Transport programme. £1m has been released from earmarked reserves to fund this.
34. The Council will receive an additional £0.6m for Fire Capital Grant in 2012/13. This grant was announced after the February 2012 programme was approved and is not ringfenced or time limited.

**RECOMMENDATIONS**

35. **The Cabinet is RECOMMENDED to:**
- a) note the report;**
  - b) approve the virement requests set out in Annex 2a;**
  - c) note the updated Treasury Management lending list at Annex 7;**
  - d) approve the updated Capital Programme at Annex 9 and the associated changes to the programme in Annex 8c.**
  - e) note the updated position for the 2011/12 revenue and capital outturn and the updated position on balances and reserves.**

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**Assistant Chief Executive & Chief Finance Officer**

Background papers: Directorate Financial Monitoring Reports 31 May 2012.

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