

CABINET – 16 OCTOBER 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 August 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 -£0.720m, or -0.17% against a budget of £417.517m as shown in the table below. This compares to an underspend of -£1.408m or -0.34% forecast at the end of July 2012.

Original Budget 2012/13 £m		Latest Budget 2012/13 £m	Forecast Outturn 2012/13 £m	Variance Forecast August 2012 £m	Variance Forecast August 2012 %
105.814	Children, Education & Families (CE&F)	107.315	105.063	-2.252	-2.10
219.635	Social & Community Services (S&CS)	212.136	212.089	-0.047	-0.02
77.658	Environment & Economy	80.262	80.282	+0.020	+0.02
8.394	Chief Executive's Office	17.804	17.460	-0.344	-1.93
411.501	In year Directorate total	417.517	414.894	-2.623	-0.63
	Less: Net overspend on Council Elements of Pooled Budgets			+1.903	
	Total Variation including Council Elements of Pooled Budgets			-0.720	-0.17

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	Capital Programme Update

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 -£2.252m. In addition there is a forecast underspend of -£0.936m 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.

CEF1 Education & Early Intervention

6. Education & Early Intervention are reporting a forecast underspend of -£2.411. This includes -£0.991m relating to Home to School Transport and a further -£0.909m variation forecast for Educational Effectiveness. £1.650m of the £1.861m placed in an earmarked reserve in 2011/12 to be spent on school intervention projects in 2012/13 has now been committed leaving a balance of -£0.211m. In addition, there is an underspend of -£0.505m on the 2012/13 school intervention budget. This is after taking account of the request to utilise a further £0.300m to meet academy conversion costs (see paragraph 23 and Annex 2). Another -£0.193m relates to the School Improvement Staffing budget where the number of schools transferring to academy status has affected recruitment decisions. The underspend on Early Intervention Hubs has reduced from -£0.317m to -£0.213m following a detailed review of staffing and activity.

CEF2 Children's Social Care

7. Children's Social Care is reporting a net overspend of +£0.159m. The +£0.632m overspend on placements reported previously has reduced to +£0.295m as a result of budget being transferred from other areas that have been forecasting underspends.

Social & Community Services (S&CS)

8. The forecast outturn for S&CS is a variation of -£0.047m. In addition, there is an overspend on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget (+£2.746m) and an underspend on the Learning Disabilities Pooled Budget (-£0.843m).

SCS1 Adult Social Care

9. As previously reported Adult Social Care is broadly on track to deliver the business strategy. Pressures relating to Fairer Charging income and additional staffing resources required by locality teams to manage operational pressures are being managed using carry forwards, underspends elsewhere in the service, and reserves.

SCS5 Fire & Rescue and Emergency Planning

10. There is a forecast overspend of +£0.070m on fire-fighter pay. This is due to the recently agreed national fire-fighters' pay award of 1% back dated to 1 July 2012. The retained duty system (RDS) is forecasting an

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underspend of -£0.170m. This would normally be returned to balances at year end but the overspend on pay will be offset against this for 2012/13.

11. The budget for fire-fighter ill health retirements is forecasting an overspend of +£0.100m. As this is a budget that the service cannot control, the variance will be met from balances at year end.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pooled Budget

12. As shown in Annex 6 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£6.150m. +£2.746m relates to the Council's element and +£3.404m to the Primary Care Trust (PCT) (which is shadowed by the Oxfordshire Clinical Commissioning Group).
13. The forecast overspend on the Council elements of the Older People's Pooled Budget (+£0.538m) comprises additional expenditure 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 and an increase in the average price of placements.
14. The council element of the Physical Disabilities Pool is expected to exceed budget by +£1.842m. In February 2012 Council approved additional funding of £0.800m from 2012/13 to move the base budget to a level to fund current clients and the needs of future clients. Based on more recent information this is insufficient to fund the current year activity and significantly increased demand. Further work is being undertaken, both to analyse and model the future expenditure and demand, and to identify underspends which can be used to fund the overspend. A supplementary estimate will be requested if it is not possible to manage this within the Directorate.

Learning Disabilities Pooled Budget

15. As set out in Annex 6 the Learning Disabilities Pooled Budget continues to forecast an underspend of -£1.000m. This comprises -£0.843m on the Council's element and -£0.157m on the PCT element.

Environment & Economy (E&E)

16. The directorate is forecasting a variation of +£0.020m.

EE1 Highways & Transport

17. Highways and Transport are forecasting an underspend of -£0.334m. This includes an overspend of +£0.433m due to an increase in highway maintenance, vehicle maintenance and rapid incident responses and -£0.730m Public Transport contract savings.

EE2 Growth & Infrastructure

18. An overspend of +£0.138m is forecast by Growth and Infrastructure. This includes an overspend on Property and Facilities of +£0.426m which as reported previously relates to the partial non – realisation of the asset rationalisation strategy savings and contract implementation costs. This

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is currently offset by a forecast underspend in Business & Skills but options for utilising this across the skills spectrum are being considered.

19. Waste Management are continuing to forecast a breakeven position. Tonnages for landfill & recycling remain above the budgeted levels and market factors and changes to regulations are impacting on the forecast. The service expects to be able to manage these pressures in 2012/13 but the on-going impact will be reviewed as part of the Service & Resource Planning process.

EE3 Oxfordshire Customer Services

20. An overspend of +£0.216m across Oxfordshire Customer Services includes the partial non – achievement of the 2012/13 Customer Services savings. This will be considered as part of the Service & Resource Planning process and alternative savings found.

Chief Executive's Office (CEO)

21. The directorate is forecasting an underspend of -£0.344m. This mainly relates to staffing vacancies in Strategy and Communications, and in Corporate Finance and Internal Audit.

Virements and Supplementary Estimates

22. Virements larger than £0.250m requiring Cabinet approval are set out in Annex 2a. Virements requested include a £0.766m reduction in the revenue expenditure and income budgets within ICT in Environment & Economy to ensure consistency with amounts chargeable to the Capital Programme. This virement does not represent a change of policy.
23. A further virement request relates to the restructuring taking place within Children's Social Care in CEF. This budget movement adjusts part of the virement agreed by Cabinet on 19 June 2012 to reflect a more appropriate allocation of services between Corporate Parenting and Social Care. It is also proposed to transfer £0.300m from Educational Effectiveness to be spent on the costs associated with schools converting to academies as it is anticipated that the £0.600m set aside in reserves in 2011/12 will not be sufficient.

Grants Monitoring

24. Ring-fenced grants totalling £381.286m (including £337.418m Dedicated Schools Grant) are included in Directorate budgets and will be used for the specified purpose. The effect of a further four schools converting to academy status is reflected in a £9.531m reduction in the DSG total.
25. £0.264m received from the Education Funding Agency relates to Adult Learning in Environment & Economy.

Bad Debt Write Offs

26. There were 149 general write offs to the end of August 2012 and these totalled £23,459. In addition Client Finance has written off 33 debts totalling £30,354.

Treasury Management

27. The latest treasury management approved lending list (as at 24 September 2012) is included at Annex 7. The 2012/13 Treasury Management Strategy includes the provision to set the limits for term deposits with part nationalised banks outside of those implied by the credit rating matrices in the strategy. Following a review of Lloyds TSB, including the bank's exposure to European sovereign debt, and in recognition of the 40% government ownership of the bank, it has been decided to increase the maximum limits for Lloyds to £25m and 12 months.
28. The average cash balance during August 2012 was £314.2m and the average rate of return was 0.96%. 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.
29. During August the authorised lending limit of £10m for Lloyds was breached by £6.8m as a result of a training issue relating to the checking of primary records. This was identified during a routine reconciliation and the excess funds, which were held in an overnight deposit facility, were withdrawn immediately. The Council has not incurred any loss as a result of the breach and the training requirement has been addressed.

Part 2 – Balance Sheet

Reserves

30. Annex 3 sets out earmarked reserves brought forward from 2011/12 and the forecast position as at 31 March 2013. These are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan. Forecast reserves are £96.047m and include £12.761m school balances. Corporate reserves are £56.293m of the total and include the Efficiency Reserve which is being used to support the implementation of the Business Strategy (£20.2m) and Capital Reserve (£17.9m) which will be used to fund the Capital Programme.
31. The increase of £1.587m in the forecast total since the last report mainly reflects the increased forecast revenue underspend which would need to be transferred to the carry forward reserve at year end. This is before offsetting the forecast overspend on the Council elements of the Pooled budget.

Balances

32. There have been no calls on balances to date in 2012/13 and as set out in Annex 4 current balances remain at £16.693m.

Part 3 – Capital Programme

Capital Monitoring

33. The capital monitoring position shows the forecast expenditure for 2012/13 is £50.0m (excluding schools local capital), which is a decrease of £0.1m compared to the latest approved capital programme. The table on the next page summarises the variations by directorate.

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Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	20.9	21.2	+0.3
Social & Community Services	3.4	3.6	+0.2
Environment & Economy - Transport	23.1	22.5	-0.6
Environment & Economy - Other	1.7	1.7	0.0
Chief Executive's Office	1.0	1.0	0.0
Total Directorate Programmes	50.1	50.0	-0.1
Schools Local Capital	5.1	5.1	0.0
Total Capital Programme	55.2	55.1	-0.1

* Approved by Cabinet 17 July 2012

34. The increase in the Children, Education & Families forecast expenditure relates to a payment of £0.223m to the Oxford Diocesan Board of Education for the final settlement of the account relating to the new 10 class primary school, SS Philip and James. A provision was included in earmarked reserves for this purpose. This has been released so the effect on the overall programme is neutral.
35. In the Social & Community Services Programme, the Upgrade to the Fire Command and Control Centre scheme has been removed. £1.150m of corporate resources have been returned to the programme and will be held for the capital budget setting process. This scheme has been replaced with the Joint Control Room scheme with Royal Berkshire Fire and Rescue Service which is grant funded.
36. Savings of £1m have been identified on the Thornhill Park & Ride scheme in the Transport Programme. A total of £0.944m is a saving on corporate resources and will be held in earmarked reserves for the capital budget setting process.
37. A new transport scheme for improvements to the access to Bicester Town Centre has been included in the programme. The total scheme will cost £1.310m, with £0.5m being spent in 2012/13, and is funded from S106 contributions.
38. £0.444m funding relating to the Potash Lane Rail Bridge, has been removed from the Transport Programme and added to earmarked reserves. This is being held for settlement of a final account with Network Rail.

Actual & Committed Expenditure

39. As at the end of August 2012 actual capital expenditure for the year to date (excluding schools local spend) was £5.6m. This is 12% of the total forecast expenditure of £49.5m, which is around 4% below the expected position compared to the profile of expenditure in previous years. Actual and Committed spend is 42% of the forecast.

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Five Year Capital Programme Update

40. The total forecast 5-year capital programme (2012/13 to 2016/17) is now £365.7m, an increase of £3.3m compared to the last capital programme approved by Cabinet in July 2012. The full updated capital programme is set out in Annex 9. The table below summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

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	139.3	+1.3
Social & Community Services	23.5	22.9	-0.6
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	286.5	+1.0
Schools Local Capital	14.0	14.1	+0.1
Earmarked Reserves	62.9	65.1	+2.2
Total Capital Programme	362.4	365.7	+3.3

* Approved by Cabinet 17 July 2012

41. As reported previously, the increase in the Children, Education & Families programme is due to the inclusion of external funding for Basic Needs projects at Rose Hill and Cholsey Primary Schools.

42. The variations in forecast expenditure have an impact on the overall capital programme. As a result, the earmarked reserves have increased by £2.2m. This will be allocated for priority schemes in the capital budget setting process.

RECOMMENDATIONS

43. **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.

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Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 31 August 2012.

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October 2012