

CABINET – 25 FEBRUARY 2014

2013/14 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the 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 2013/14 – 2016/17. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of December 2013. Capital Programme monitoring is included at Part 3.

Summary Position

2. The forecast directorate variation is currently an overspend of +£3.021m or +0.73% against a net budget of £415.194m as shown in the table below. This has reduced by £1.528m since the last report to Cabinet in December.

	Latest Budget 2013/14	Forecast Outturn 2013/14	Variance Forecast December 2013	Variance Forecast December 2013	Variance Forecast October 2013	Variance Forecast October 2013
	£m	£m	£m	%	£m	%
Children, Education & Families (CE&F)	105.804	107.453	+1.649	+1.56	+0.817	+0.78
Social & Community Services (S&CS) ¹	209.220	211.074	+1.854	+0.88	+3.344	+1.60
Environment & Economy	79.194	79.050	-0.144	-0.18	+0.559	+0.71
Chief Executive's Office	20.976	20.638	-0.338	-1.61	-0.171	-0.79
Public Health ²	0	0	0	0	0	0
Directorate total	415.194	418.215	+3.021	+0.73	+4.549	+1.10

3. Directorates continue to work hard to manage pressures and there is an expectation that management action, including, where possible, the use of reserves to offset overspends on a one – off basis, will reduce the forecast overspend further by the end of the 2013/14 financial year. Requests for supplementary estimates up to the amount required to cover the overspends that cannot be managed otherwise in Children, Education & Families and the Older People and Equipment Pools in Social & Community Services are included as part of the report.

¹ Social and Community Services includes the forecast outturn and variance for the Pooled Budgets.

² Public Health is funded by a ring-fenced grant of £25.264m which is received from the Department of Health. An underspend of -£2.386m is forecast against the grant and will be placed in reserves at year end (see paragraph 46).

4. The following annexes are attached:

Annex 1	Forecast Expenditure for 2013/14
Annex 2	Virements & Supplementary Estimates
Annex 3	Ring-fenced Government Grants 2013/14
Annex 4	Treasury Management Lending List
Annex 5	Forecast Earmarked Reserves
Annex 6	Forecast General Balances
Annex 7	Capital Programme Monitoring

5. 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' Lounge.

Part 1 - Revenue Budget

Children, Education & Families (CE&F)

6. The directorate is forecasting an overspend of +£1.649m. There is a -£2.525m forecast underspend on services funded by the Dedicated Schools Grant (DSG).

CE&F1 Education & Early Intervention

7. The Education & Early Intervention service is forecasting a variation of -£0.355m, compared to -£0.901m in the last Financial Monitoring Report to Cabinet on 17 December 2013.
8. As reported previously £1.675m one – off funding is available to be allocated to school intervention projects of which -£0.322m is still to be committed. In addition to that -£0.426m of the £0.685m one – off funding allocated to the Improvement and Development service from the School Intervention Fund, has yet to be allocated and is also contributing to the underspend for the service area. If these amounts are returned to reserves at year end, the overall forecast variation will increase by the equivalent amount.
9. Elsewhere there is an underspend of -£0.077m for the virtual school as this no longer requires funding from the School Intervention Fund. Special Needs Advisory Support Teachers have generated -£0.079m of additional income from courses. Children's Centres and Childcare are forecasting to underspend by -£0.144m. There are also underspends on Management & Central costs (-£0.191m) and the negotiable legal recharges budget (-£0.131m). As noted in the last report this is offset by an overspend on the equivalent budget in Children's Social Care.
10. The Thriving Families team have a budget of £1.861m to spend in 2013/14. This comprises the second year of funding agreed by Council and the non-ringfenced grant received from central government. In addition £1.471m that was unspent at the end of 2012/13 is being held in earmarked reserves. The use of the reserve, and a forecast underspend of -£0.807m on the in – year budget which is assumed will be added to it at year end, is being considered by the Directorate Leadership Team.

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11. These underspends are offset by an overspend of +£1.218m on home to school transport. This has increased from the +£0.500m forecast overspend reported to Cabinet in December. Further work is required to validate this and there is an expectation that the forecast overspend may reduce by year end.
12. The overall underspend for CE&F1 will reduce if the underspends on one – off funding set out in paragraph 8 are placed in reserves at year end.

CE&F2 Children's Social Care

13. Children's Social Care is forecasting a variation of +£1.880m compared to +£1.595m in the last report. The forecast overspend of +£2.348m for external placement costs, has increased further from the +£2.137m overspend reported in December and reflects an increase in the number of support days from 2012/13 along with an increase in the number of support days in higher cost placements. The forecast includes a £0.562m allowance for 20 new placements coming into the service during the remainder of the year. A supplementary estimate of up to £1.200m is requested to meet part of this pressure on a one – off basis in 2013/14. The final amount will be dependent on other pressures within the directorate and the availability of underspends that can be used to offset part of the overspend. Given the continued uncertainty around demand in this service area, it would be difficult to manage the budget if this overspend is carried forward to the new financial year.
14. There are also overspends of +£0.463m on management and central costs, Children Looked After (+£0.066m) and +£0.208m on the Asylum Service Area. These are offset by underspends in Corporate Parenting (-£0.444m), Family Support (-£0.389m), and Referral and Assessment (-£0.207m). The Youth Offending Service is also forecasting an underspend of -£0.085m on staffing costs.

Dedicated Schools Grant (DSG)

15. Services funded from DSG are forecast to underspend by -£2.525m. -£1.565m of the total relates to payments for two year olds where the take up is lower than the funding provided. Schools Forum will be considering the proposed use of this underspend in February.
16. The Foundation Years Service is forecasting an underspend of -£0.342m as a result of demand for training and associated supply cover costs being lower than expected. There is also an underspend of -£0.135m on the funding agreed for the reading campaign and a -£0.074m underspend on the 'Every Child a Reader' project. Both of these projects will continue to the end of the academic year, so the underspend on the DSG grant funding will be carried forward through the reserve.

Social & Community Services (S&CS)

17. Social & Community Services directorate is forecasting an overall variation of +£1.854m, which is primarily due to overspends on pooled budgets. This has reduced from +£3.344m in the last report.

S&CS1 Adult Social Care

18. Adult Social Care is forecasting an overspend of +£2.570m. As shown in Annex 1b there are overspends on the Older People, Equipment and Learning Disabilities Pooled Budgets and on the non – Pool elements of the service. There is a forecast underspend on the Physical Disability Pooled Budget.
19. Together the County Council elements of the Older people and Equipment Pool are overspending by +£0.918m. The Oxfordshire Clinical Commissioning Group overspend is +£3.081m.
20. Under the risk share agreement agreed by Cabinet on 18 June 2013, the County Council will need to contribute up to a total of £2.182m to balance the Pool. The Council has a one – off refund of £1.000m from prior contractual arrangements to help fund this so will be left with a shortfall of up to +£1.182m. The Directorate intends to manage this by utilising underspends elsewhere within Joint Commissioning and the Physical Disabilities Pooled Budget. After these are taken into account the remaining balance on current forecasts would be +£0.540m. The continuing pressures on the Older People's Pooled Budget are such that it would be difficult to manage this within the Pooled Budget if it was carried forward. A supplementary estimate of up to £0.540m is requested to fund the remaining balance and meet the Council's obligation under the risk share agreement.

Older People Pooled Budget

21. As noted previously pressures of £5.2m were identified as part of the Council's Service & Resource Planning process for 2013/14 and the Older People's Pool is required to find savings to meet this pressure. £2.3m was set aside as a contingency in recognition of the difficulty in balancing the conflict of delivering savings in the face of increased demand. Cabinet approved the transfer of this funding, on a temporary basis, to the Council's Older People Pooled Budget Contribution on 17 September 2013.
22. The forecast overspend based on activity at the end of December is +£0.479m. This has reduced from +£1.572m in the last report.
23. As set out in Annex 1b(2), the overall position is made up of a +£4.628m overspend on Care Homes and the Community Support Purchasing Budget, where £2.400m of the £5.200m savings cannot be delivered. This includes a forecast overspend of +£2.388m on care homes due to an increase in the number of care packages. There is an additional overspend of +£0.487m in the Locality and Hospital Teams where additional temporary and permanent staffing resources have been put into the teams to manage Delayed Transfers of Care, case reviews and other operational pressures.

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24. These overspends are offset by a –£2.483m overachievement of client income reflected the increase in the number of packages. There is also a -£2.153m underspend on Prevention & Early Support Services due to sustained lower than anticipated activity in the Reablement and Alert Services.

Equipment Pooled Budget

25. The Council's element of the Equipment Pooled Budget is forecast to overspend by +£0.439m. This is mainly due to the pressure of meeting needs to keep people safely at home, reduce delayed transfers of care and avoid hospital admissions. The underlying position remains unchanged since the last report but Winter Pressures funding of £0.483m is now being used to fund part of the overspend.

Learning Disabilities Pooled Budget

26. The Council's element of the Learning Disabilities Pool is forecasting to overspend by +£1.613m. This is unchanged since the last report. The Directorate is intending to carry this overspend forward to be managed within the Pool in 2014/15.

Physical Disabilities Pooled Budget

27. The Physical Disabilities Pool is forecasting to underspend by -£0.315m. There has been an increase in the number of clients in care homes which is offset by the return of unspent direct payments.

Adult Social Care: Non – Pool Services

28. There is an overall overspend of +£0.354m for services outside of the Pools. The Emergency Duty Team is forecasting to overspend by +£0.145m as demand on day time teams has increased out of hours work. This is offset by an underspend of -£0.142m on Housing Related Support due to reduced expenditure on contracts and one – off income.
29. An overspend of +£0.422m is forecast on the Adult Social Care Improvement Programme. It was originally intended to draw down £0.500m one – off funding from the Efficiency Reserve to meet the costs of this programme in 2013/14 but it is now planned to manage the expenditure within the directorate and use the forecast underspend in Joint Commissioning to support this project. The funding in the Efficiency Reserve will instead be used to meet Adult Social Care Improvement Programme costs in 2014/15.

S&CS3 Joint Commissioning

30. The service is forecasting an underspend of -£0.752m. Of this -£0.387m relates to budgeted savings delivered earlier than planned.
31. Responsibility for managing a local social fund was transferred from the Department of Work & Pensions to local authorities this year. The council was given an unringfenced grant of £0.944m to provide welfare assistance to vulnerable people living in Oxfordshire. This includes the cost of administering the fund. The number of successful applications for assistance so far this year has been less than anticipated and unless there is a significant increase in the level of take up during the remainder of the year, it is forecast that the fund will underspend by at least -£0.365m.

32. The underspend within Joint Commissioning will be utilised within the directorate to help support the overspend against the Adult Social Care Improvement Programme (£0.422m). The remaining balance (£0.330m) will be used to fund part of the overspend on the Older People's Pooled Budget.

S&CS4 Fire & Rescue and Emergency Planning

33. The Fire & Rescue service continues to forecast an overspend of +£0.121m on fire-fighter ill health retirements. As this is a budget that the service cannot control, any variance will be met from Council balances at year-end.

Environment & Economy (E&E)

34. The last report noted that the forecast overspend for Environment & Economy was expected to reduce as a result of management action. This is reflected in the forecast underspend of -£0.144m, which compares to a +£0.559m overspend reported in December.

EE1 Strategy and Infrastructure

35. The service is forecasting to underspend by -£0.309m. This primarily reflects slippage on planned energy reduction projects and underspends on staffing budgets.

EE2 Commercial Services

36. Commercial Services is forecasting a net overspend of +£0.146m. This includes an overspend of +£0.811m on Highways Maintenance which reflects an increased number of defects. The severe flooding in the county in early 2014 will have a substantial impact on the outturn position but it is too early to quantify this as water levels remain high. Because business as usual work has been put on hold in order to react to the flooding, there is potential for the impact to be felt in the first quarter of 2014/15 as work is accelerated to catch up on the planned programme.
37. As noted in the December report there is a risk that the budgeted parking income anticipated for 2013/14 will not be realised. Because of this the budgeted drawdown from the reserve to support the revenue budget in 2013/14 needs to be reduced by £0.500m.
38. Waste Management is forecast to underspend by -£0.373m. There is a decrease in the level of growth in green waste predicted for the rest of the year. The growth predicted earlier in the year was based on first quarter data but there is now more substantiated data by which to more robustly forecast the rest of the year.
39. Property Programme Management is forecasting to overspend by +£0.551m, due to the under-recovery of contract management fees resulting from a smaller than predicted property related capital programme. Property Facilities management is forecast to underspend by -£0.107m. There is an underspend of -£0.386m on the management fee on the highways contract arising from higher than expected capital expenditure on which fees are chargeable.

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40. There are underspends on Concessionary Fares (-£0.332m) and the energy costs of Street Lighting (-£0.266m).

EE3 Oxfordshire Customer Services

41. Oxfordshire Customer Services is forecasting an overspend of +£0.019m compared to +£0.284m reported last time.

Chief Executive's Office

42. The services within the Chief Executive's Office are forecasting a combined underspend of -£0.338m. The largest element of this is Law & Culture which is forecast to underspend by -£0.154m. This includes a forecast underspend of -£0.151m on the Coroner's Service due the renegotiation of the mortuary contract and additional income. The Registration Service is forecasting an underspend of -£0.068m after assuming a contribution of £0.120m to reserves to help fund the refurbishment of registrar buildings and facilities.

Public Health

43. The directorate is forecasting an underspend of -£2.386m on the grant funding of £25.264m. This compares to -£0.778m reported in December.
44. The largest element of the underspend relates to the Drugs and Alcohol Service which is forecasting an underspend of -£1.572m against an expenditure budget of £8.519m on staffing costs, changes to contracts, reduced legal fees and as a result of the number of clients in treatment being lower than expected. In addition, the contingency budget of £0.393m has not been committed.
45. A further underspend of -£0.543m is due to significant staff vacancies in 2013/14. Recruitment to essential posts is in progress.
46. The final underspend will be placed in the Grants & Contributions Reserve at the end of the financial year and will be available to meet Public Health expenditure in future years in accordance with the grant criteria.

Virements and Supplementary Estimates

47. Virements larger than £0.250m requiring Cabinet approval under the Virement Rules agreed by Council on 19 February 2013 are set out in Annex 2a. Virements requested this month include a request to update the Dedicated Schools Grant, Pupil Premium and Education Funding Agency Budgets to reflect the latest grant notifications. A further virement is required to adjust the recharge budget created when the Home to School Transport budget transferred to Environment & Economy in December 2013.
48. There is a request to create a budget of £0.115m for the Supported Transport Programme funded from the Efficiency Reserve. A further £0.177m is expected to be requested to fund the programme on a one off basis in 2014/15. This one off investment will help to realise much greater savings to the recently pooled Supported Transport budget, as identified in the Medium Term Financial Plan. There are also requests to update budgets in the Chief Executive's office to reflect updated

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management responsibilities. None of these virements represent a major change in policy.

49. New virements for Cabinet to note this month are set out in Annex 2d.
50. Annex 2e sets out new supplementary estimate requests totalling £1.890m. As noted in paragraph 13, up to £1.200m is requested to meet part of the pressure on Children's Social Care on a one – off basis in 2013/14. A further request of up to £0.540m (see paragraph 20) may be required to support the overspend on the Older People and Equipment Pooled budgets in Social & Community Services. A supplementary estimate of £0.150m is requested by Environment & Economy in order to make a revenue contribution to part fund the capital works for the repair of Bagley Wood Road following subsidence which occurred in 2013.

Ringfenced Grants

51. As set out in Annex 3, ringfenced grants totalling £310.887m for CE&F and £6.393m for E&E are included in directorate budgets and will be used for the specified purpose. Children, Education & Families has also been directly allocated £0.115m that is being paid as part of un-ringfenced grant. This funding relates to statutory requirements on phonics and moderation and activities to develop Special Educational Needs (SEN) systems and services in line with the Government's SEN policy so has been allocated to the Directorate for those purposes despite being un-ringfenced.
52. Changes since the last report include a reduction in DSG reflecting an updated grant allocation from the Department for Education (DfE) due to academy conversions. The funding received for the National Citizen Service is no longer being treated as a government grant but as a contribution. This is because the funding is no longer received directly from the Cabinet Office.

Bad Debt Write Offs

53. There were 86 general write offs to the end of December 2013 and these totalled £39,354. This includes a single write off of £25,396 which was agreed by Cabinet on 17 September 2013. Client Finance has written off 100 debts totalling £88,398.

Treasury Management

54. The latest treasury management approved lending list (as at 23 January 2014) is shown in Annex 4. No new counterparties have been added to the lending list. JP Morgan Chase Bank has been suspended from the lending list.
55. Following a review of external investments by the Treasury Management Strategy Team it was decided that the Council should terminate its mandate with Investec Asset Management. Notice was given at the end of January 2014. The decision was taken due to the volatility of performance and returns being below those expected. The annualised return since inception from the Council's investment in the Investec 'Dynamic Fund' portfolio has been 0.88% compared with a benchmark of 1.41%. The funds from the disinvestment totalled £12.444m and were received on 31 January 2014.

56. In early February, the Council participated in a joint sale, via auction, of remaining Landsbanki claims. Following the sale, local authority participants have recovered approximately 95% of the original amounts deposited with Landsbanki. The sale of the council's claim has removed the risk of future Icelandic Krona currency fluctuations and accelerated the claim recovery period. The council no longer has an outstanding claim with Landsbanki.
57. The average in-house cash balance during December 2013 was £321.523m and the average rate of return for the month was 0.82%. The average in-house cash balance during November 2013 was £349.539m and the average rate of return for the month was 0.82%.

Strategic Measures

58. The budgeted return for interest receivable on balances is £2.115m for 2013/14. Additional interest receivable of -£0.836m is currently forecast. An overspend of +£0.131m is currently forecast on the 2013/14 interest payable budget of £18.405m.
59. Taking into account the Minimum Revenue Provision and the recharges expected from directorates for Prudential borrowing, where the forecast interest received is £0.4m less than budgeted, the overall position on Strategic Measures is a forecast underspend of -£0.4m. This will be added to balances at year end as set out in paragraph 64.

Part 2 – Balance Sheet

60. Annex 5 sets out earmarked reserves brought forward from 2012/13 and the forecast position as at 31 March 2014. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan.
61. As set out in the Provisional Outturn Report to Cabinet on 18 June 2013, revenue reserves were £84.075m at the end of 2012/13. These are forecast to reduce to £51.475m by 31 March 2014. The decrease of £4.633m since the last report includes a reduction of £3.997m in forecast school balances as a result of academy conversions and reductions in forecast balances at year end based on the latest school budget monitoring. Offsetting that there is an increase of £3.274m in the Grants and Contributions Reserve reflecting the increased underspends on Dedicated Schools Grant (see paragraph 15-16) and the Public Health Grant (see paragraph 43-46).
62. The forecast balance for the Efficiency Reserve has been updated to reflect the intention to fund agreed expenditure in 2013/14. The use of the reserve is currently estimated but will depend on expenditure incurred as at 31 March 2013.

Other Reserves

63. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £51.486m at 31 March 2014.

64. Annex 6 sets out that the forecast for general balances at 31 March 2014 is currently £17.409m. This position takes account of the forecast directorate overspend of +£3.021m and is higher than reported in December as the overspend has reduced. Balances will be adjusted for any variation on Strategic Measures, including the additional income receivable on balances, set out at paragraph 59, at year end.

Part 3 – Capital Programme Monitoring

65. An updated capital programme is being considered by Council on 18 February 2014. This reflects forecast expenditure as at the end of December 2013, so effectively also forms the monitoring position for this report. For completeness a summary of the changes since the programme considered by Cabinet on 28 January 2014 is set out below.

Directorate	28 January 2014 Programme * £m	Latest Forecast Expenditure** £m	Variation to 28 January Programme £m
Children, Education & Families	31.2	30.7	- 0.5
Social & Community Services	4.3	4.3	0.0
Environment & Economy - Transport	25.9	26.0	+ 0.1
Environment & Economy - Other	2.4	1.8	- 0.6
Chief Executive's Office	0.9	0.9	0.0
Total Directorate Programmes	64.7	63.7	- 1.0
Schools Local Capital	3.8	3.8	0.0
Earmarked Reserves	0.0	0.0	0.0
Total Capital Programme	68.5	67.5	- 1.0

* Considered by Cabinet 28 January 2014

** as per Council 18 February 2014

66. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes for Cabinet to note are listed in Annex 7c.
67. The annual corporate funded provision of £0.500m per year between 2013/14 to 2016/17 for the Schools Energy Reduction programme will be returned to the capital programme reserves. It has been proved difficult to find viable schools energy projects which have not been loan financed in the past (SALIX and Prudential) and other projects have been included within the Schools Maintenance Programme which has focused primarily on roof, windows and boiler replacements. The reduction of £0.500m for 2013/14 is reflected in the forecast expenditure for Children, Education & Families in the table above.
68. £0.729m has been re-profiled from 2013/14 to 2014/15 on the project to relocate the Customer Service Centre from Clarendon House to County Hall to reflect changes in the delivery timetable. The Customer Service Centre is expected to be operational in County Hall in mid - 2014.

Actual & Committed Expenditure

69. As at the end of December actual capital expenditure for the year to date (excluding schools local spend) was £31.4m. This is 49% of the total

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forecast expenditure of £63.7m. Actual and committed spend is 79% of the forecast.

Five Year Capital Programme Update

70. The total forecast 5-year capital programme (2013/14 to 2017/18) is now £412.9m. This has increased by £1.8m compared to the programme considered by Cabinet on 28 January 2014. The table below summarises the variations by directorate and the main reasons for these are explained in the following paragraphs.

Directorate	28 January 2014 Total Programme (2013/14 to 2017/18) * £m	Latest Updated Total Programme (2013/14 to 2017/18) ** £m	Variation £m
Children, Education & Families	177.4	175.7	-1.7
<i>CEF reductions to be identified</i>	-19.3	-18.4	+0.9
Social & Community Services	36.1	37.2	+1.1
Environment & Economy – Transport	124.7	124.8	+0.1
Environment & Economy – Other	28.6	28.6	0.0
Chief Executive’s Office	2.3	2.3	0.0
Total Directorate Programmes	349.8	350.2	+0.4
Schools Local Capital	10.1	9.6	-0.5
Earmarked Reserves	51.2	53.1	+1.9
Total Capital Programme	411.1	412.9	+1.8

* Considered by Cabinet 28 January 2014

** Council 18 February 2014

71. The reduction in the Children, Education & Families programme and increase in earmarked reserves is due to the removal of the Schools Energy Reduction programme. The use of this funding will be considered as part of the review of the programme during 2014/15 to identify options for meeting the funding shortfall.
72. The amount of Children, Education & Families programme reductions to be identified has been reduced by £0.9m following the announcement by the DfE of the education maintenance allocation for 2014/15, which is higher than previously estimated.
73. The total budget for the 2016/17 Oxfordshire Care Partnership programme has been increased by £1.125m to £8.900m. This will be funded by prudential borrowing.
74. Within the Transport Programme, the total budget for the Kennington Interchange major scheme has been increased by £0.290m due to cost pressures on the bridge elements included in the project. This has been met from the Bridges Structural Maintenance annual programme contingencies.

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75. The City Deal programme for Oxfordshire which was signed on 30 January 2014 is expected to bring £55m of government funding to the area. The council will receive £22m of grant funding to be spent or committed before April 2015. The schemes and phasing will be included in the next update of the capital programme.

RECOMMENDATIONS

76. **The Cabinet is RECOMMENDED to:**

- (a) **note the report;**
- (b) **approve the virement requests set out in Annex 2a;**
- (c) **approve the supplementary estimate requests set out in Annex 2e and paragraph 50;**
- (d) **note the updated Treasury Management lending list at Annex 4;**
- (e) **note the changes to the Capital Programme set out in Annex 7c.**

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