

CABINET – 21 SEPTEMBER 2010**FINANCIAL MONITORING****Report by the Assistant Chief Executive & Chief Finance Officer****Introduction**

1. This report sets out the monthly financial monitoring and provides a further update on changes to funding in 2010/11 in addition to the position set out in the previous report and addenda to Cabinet on 20 July 2010, and the report to Council on 27 July 2010.
2. Part 1 and 2 set out the Council's forecast position for the 2010/11 financial year based on four months of actuals to the end of July 2010, including projections for revenue, balances and reserves. The Capital Monitoring is included at Part 3. Part 4 provides an update on national in – year grant reductions, while Part 5 updates the position on Oxfordshire schools applying for academy status and changes to 16 – 19 funding.
3. As part of the Council's Business Strategy, a new Directorate structure will be fully implemented by March 2011. Work continues on the restructure and the intention is to report in the new structure, subject to any further changes, from the monitoring report to the end of November 2010 that will be considered by Cabinet on 25 January 2011.

Summary Revenue Position

4. The in – year Directorate forecast is an overspend of +£1.610m, or +0.42% against a budget of £385.090m as shown in the table below. The in-year forecast excludes an overspend of +£0.496m on services funded from Dedicated Schools Grant (DSG) and +£0.178m relating to the City Schools Reorganisation which was carried forward from 2009/10 as planned.

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Forecast Outturn 2010/11 £m	Variance Forecast July 2010 £m	Variance Forecast July 2010 %
99.050	Children, Young People & Families (CYP&F)	96.588	96.546	-0.042	-0.04
183.657	Social & Community Services (S&CS)	178.020	179.810	+1.790	+1.01
70.408	Environment & Economy	71.850	71.850	0.000	0.00
28.122	Community Safety & Shared Services	28.406	28.406	0.000	0.00
9.578	Corporate Core	10.226	10.088	-0.138	-1.35
390.815	In year Directorate total	385.090	386.700	+1.610	+0.42

Plus: Overspend on DSG		+0.496	
Plus : Planned overspend on City Schools Reorganisation		+0.178	
Total Variation		+2.284	+0.59

5. Carry forwards from 2009/10 subject to virements larger than £0.500m were approved by Council on 27 July 2010. All carry forwards are now included in the latest budget. Forecasts include the impact of in – year grant reductions notified during 2010/11 and note where pressures are arising as a result.
6. General balances are £14.376m. This total includes £1.009m Performance Reward Grant held in balances pending supplementary estimate requests to release it for use in 2010/11. These will be included in the next report. After taking into account the forecast Directorate overspend (+£1.610m) and the Council elements of the overspend on the Pooled budgets (+£2.594m), the consolidated revenue balances forecast as at 31 March 2011, excluding the Performance Reward Grant is £9.163m.
7. Figures for each Directorate are summarised within the Annexes and individual Directorate Financial Monitoring Reports setting out the detail behind this report have been placed in the Members' Resource Centre.
8. 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-c)	Specific Grants and Area Based Grant as at 31 July 2010
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6	Capital Programme Monitoring
Annex 7	Treasury Management Lending List

Part 1 - Revenue

9. The forecast revenue outturn by Directorate based on the position to the end of July 2010 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: -£0.042m in – year Directorate underspend

10. CYP&F are forecasting an in-year Directorate underspend of a -£0.042m, or -0.04%, (+£0.632m total overspend including +£0.496m on services funded from Dedicated Schools Grant and +£0.178m planned overspend remaining in respect of the City Schools reorganisation).

Young People & Access to Education

11. Young People & Access to Education (YP&AE) is overspending by +£0.227m on services funded by the Council. +£0.120m of the total relates to Post 16 Special Educational Needs due to increased pupil numbers.
12. An overspend of +£0.021m in the Psychological Service relates to the backdated element of the pay band changes for Educational Psychologists for

the period September 2009 to March 2010. Due to the unavoidable and one-off nature of this pressure a supplementary estimate is requested.

13. The last report noted an overspend of +£0.150m on the Youth Offending Service where there is a loss of income following the reclassification of Huntercombe Young Offenders Institution. The service was due to receive Performance Reward Grant in 2010/11 and 2011/12. This grant has now been reduced by 50%. In light of this the service has reviewed and reduced its plan for this funding but will spread spend over the two years. Further details will be provided in the next report.

Children and Families

14. Since the last report a review of all Children's Social Care, Family Support & Assessment and Safeguarding budgets has been undertaken. The budgets in these areas have been realigned to match the forecast spend. The previously reported overspend of £1m has now been brought to a break even position. Current forecasts based on the realigned budgets show an underspend in the region of -£0.400m based on a flat-line projection i.e. not accounting for new clients entering the service.
15. With the budgets moved work is ongoing to establish what level of spend is affordable in light of current placements and for new cases that may arise during the year. Options which can provide the necessary services for existing and new clients at reduced cost are also being investigated. Whilst this is a volatile demand led budget, staff are working hard to achieve a breakeven position by year end. Work is ongoing to increase in-house provision in order to avoid, where possible, the use of agency placements for looked after children. In this year to date very limited use has been made of out of area placements, though some children have significant complex needs that require specialist or secure placements to avoid harm to themselves or others. Whilst it will be difficult to sustain this throughout the remainder of the financial year it is anticipated that activity will be contained within available provision.
16. The final asylum grant claim for 2009/10 has now been submitted to the Home Office. There have been a number of changes to the rates payable for clients which has meant that expenditure is again higher than the income that can be received. As in previous years the Council has claimed Special Circumstances grant but given the current economic situation it is unclear what the outcome will be. Notification is expected at the end of September 2010. An overspend of +£0.629m has been carried forward from 2009/10 but is not included in the forecast as the Directorate also carried forward sufficient underspends to offset this pressure should the claim for Special Circumstances Grant be unsuccessful. If, however, the Special Circumstances Grant is successful this funding will be available for an alternative purpose.
17. A number of young people have had their application for asylum refused by the Home Office. These are known as All Rights Exhausted (ARE) cases. The Directorate has had discussion with Legal Services regarding the withdrawal of funding from these cases. Notice has been given to these clients and families and it is anticipated that payments will cease in

September 2010. It is understood that these costs may be met by the National Asylum Support Service. The ARE clients were consulted and interpreters advised them of the situation so that they were clear and fully understood the process. The details regarding the levels of savings likely to be achieved will be reported as part of a future report.

Raising Achievement Service

18. There is no forecast variance to report in this area. However the Outdoor Education Centres are predicting a potential pressure of +£0.038m due to under achievement of income. Income has risen since the last report due to increased charges and the centres opening during August and may rise further as schools book visits for the remaining weeks.

Commissioning, Performance & Quality Assurance (CPQA)

19. The overall position for CPQA is an underspend of -£0.307m. Within that there is an underspend of -£0.817m on Home to School Transport, a decrease of -£0.683m since the last report. £0.450m of this variation relates to the exclusion of the previously reported underspend on Area Based grant which was cut as part of the in-year savings as agreed by Council on 27 July 2010. In addition an allowance of +£0.178m has been included in the forecast for Special Educational Needs transport as there are usually significant route changes in September to reflect the new school year.

Dedicated Schools Grant (DSG) Funded Services

20. Services funded by DSG are forecast to overspend by +£0.496m. The July report included an overspend of +£0.429m on Nursery Education Funding (NEF). This area is now forecasting a break even position. The final notification of DSG for 2010/11 has now been received and is higher than expected mainly because of the increased number of children aged three years. On 19 July 2010 it was agreed by Schools Forum that additional DSG funding of £0.424m received for three year olds would be allocated to NEF.
21. Alternative Education is forecasting an overspend of +£0.132m due to an under achievement of income. This position may improve in future reports following the restructuring of the service and implementation of changes to charging mechanisms.

Social & Community Services: +£1.790m, or +1.01%, in – year directorate overspend

Community Services

22. The forecast overspend in Community Services is +£0.218m, a decrease of £0.076m since the last report. This is due to the utilisation of the Adult Learning material reserve in accordance with the updated recovery plan. This reduces the Adult Learning overspend to +£0.157m which will be repaid by March 2013. The remaining overspend relates to the Music Service (+£0.061m). This is expected to be repaid over the next three years.

Social Care for Adults

23. Social Care for Adults is forecasting on overspend of +£1.401m. This includes +£0.459m relating to Older People Care Management and is mainly due to the cost of additional staff required for safeguarding work, to reduce

waiting lists and delayed transfers of care and meet other performance targets. The overspend also includes all legal costs for Adult Social Care where the budget is currently predicted to overspend by +£0.153m. The service is working to reduce the level of overspend by the end of the year. Savings may be achieved in this area as a result of the restructuring being carried out to fully implement self-directed support.

24. Fairer Charging and Residential Client Income is forecast to be underachieved by +£0.438m. This is due to changes in the bed based model being introduced to control expenditure in the Older People's Pooled Budget which will reduce income and delays in implementing increased charges for day services and home support to allow consultation to take place. This will be monitored closely over the next few months and updates will be provided in future reports.
25. The Learning Disabilities Service is forecasting an overspend of +£0.068m. This includes a overspend of +£0.090m on the Supported Living Internal budget due to increasing numbers of clients using the service and the delivery of planned efficiency savings. Discussions are taking place to reduce the level of overspend.
26. The Mental Health service is forecasting an overspend of +£0.410m. The increase of +£0.408m since the last report is due to the transfer of two very high cost Section 117 clients from Continuing Health Care. It has been agreed that these clients should be receiving social care so as such fall under the Council's responsibility.

Supporting People

27. The Supporting People Administration Grant of £0.320m, which was part of the Area Based Grant, has been withdrawn as part of the in-year grant reductions agreed by Council on 27 July 2010. The delivery of the Supporting People programme is dependent on the work of the team funded by this grant so the costs will be met from within the directorate budget. It is proposed that the uncommitted element of £0.149m from the AIDS/HIV grant should be used to partly alleviate the pressures caused by the loss of grant income. Investigations to identify sources of funding for the shortfall are ongoing. The service will be reviewing how the administration of this programme can be combined with similar functions to achieve efficiency savings. Until this is identified an overspend of +£0.171m is forecast.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

28. As shown in the table on the next page the forecast outturn on the Older People, Physical Disabilities and Equipment Pooled Budgets is an overspend of +£4.172m. This includes overspends of +£2.001m carried forward from 2009/10. The Council element of the pool is forecast to overspend by +£2.089m while the Primary Care Trust (PCT) element is forecast to overspend by +£1.868m.

Original Budget	Latest Budget		Forecast Variance July 2010			Variance May 2010	Change in Variance
			OP £m	PD £m	Total £m		
2010/11 £m	2010/11 £m					Total £m	Total £m
88.972	88.156	OCC Elements Forecast in-year variance	0.471	1.618	2.089	2.724	-0.635
21.964	27.807	PCT elements Forecast in-year variance	1.066	0.802	1.868	2.338	-0.470
110.936	115.963	Total Older People & Physical Disabilities	1.537	2.420	3.957	5.062	-1.105
1.481	1.481	Equipment Pool			0.215	0.051	+0.164
112.417	117.444	Total - Older People, Physical Disabilities & Equipment Pool	1.537	2.420	4.172	5.113	-0.941

29. The overspend on Older People includes Transitional Beds, Intermediate Care and 12 Week Property Disregards which is partially offset by underspends on Care Homes with Nursing and Residential Homes. Further overspends are forecast on External Home Support and the Assessment and Enablement Service. The forecast includes an estimated cost of +£1.143m in respect of Section 117 clients previously funded by Continuing Health Care who are now transferring to the Adult Social Care's responsibility. It also reflects the full year effect of the movement from residential to more expensive nursing beds. The overspend of +£0.686m brought forward from 2009/10 is included in these figures.
30. There has been a reduction in the forecast overspend on Older People since the last report. In order to bring the expenditure closer to budget it will be necessary to control the number of clients in receipt of services. The number of new Care Home placements per week has been reduced for the rest of the year. The number of Intermediate Care beds will be reduced during the year as contracts come to an end. A quota system has been introduced for both Internal and External Home Support which will reduce the projected costs in these areas. The forecast also includes a Primary Care Trust (PCT) contribution of £0.145m to the cost of care workers within the Assessment & Enablement Service.
31. The Physical Disabilities Budget is forecast to overspend by +£1.618m on Residential and Nursing Beds and External and Internal Home Support. This is due to the full year effect of placements made in 2009/10 and an increase in client numbers. The increase in forecast since the last report is mainly due

to 6 Section 28a Residential clients previously joint funded with the PCT being transferred into the sole responsibility of the Council. The Physical Disabilities – External Home Support forecast spend includes the cost of an expensive placement made since the last report. In order to reduce expenditure in this area, strict quotas will be applied to the number of placements and packages agreed during the year. However because of the low turnover of clients savings in this part of the budget are more difficult to achieve. A recovery action plan has been commissioned to review spending within the Physical Disabilities section of the Pool. Further details will be included in future reports.

32. The actions described above may lead to an increase in waiting lists if the service can not find ways of reducing the level of care that is required.
33. The PCT element of the pool is forecast to overspend by +£1.868m, a reduction of £0.470m on the previous forecast. This is in accordance with an expectation that client numbers will reduce throughout the year. It also reflects the transfer of costs for Section 117 clients to the Council from the PCT.
34. The forecast includes an overspend of +£1.315m for 2009/10 for which the PCT is expected to make an additional contribution. They also include efficiency savings that have yet to be specifically identified.
35. The Equipment budget is currently forecast to overspend by +£0.215m. This is an increase of £0.164m since last month and reflects the pattern of current spending on the new equipment contract.

Learning Disabilities Pool

36. The forecast outturn on the Learning Disabilities Pooled Budgets is an overspend of +£1.026m.

Original Budget £m	Latest Budget £m		Variance July 2010 £m	Variance May 2010 £m	Change in Variance £m
42.416	42.371	OCC contribution	0.711	1.043	-0.332
31.678	31.775	PCT contribution	0.315	0.470	-0.155
74.146	74.146	Total - Learning Disabilities	1.026	1.513	-0.487

37. This largely due to £1.631m of commitments agreed from April to July 2010, and the full year effect of two high cost packages agreed in 2009/10 amounting to £0.3m. It also reflects the full year effect of savings on packages made during 2009/10 and new efficiency savings of £0.657m already achieved this financial year. It also includes the shortfall in income of £0.311m which currently sits outside of the pool.

38. The variations since the last report are mainly due to the inclusion of £1.5m forecast efficiencies expected to be achieved over the next eight months offset against anticipated future panel spends of £1.1m.

Environment & Economy: zero variance

Transport

39. As reported previously the new Transport contract commenced in April 2010 and is now expected to be fully implemented by the end of September 2010. It is anticipated that any financial benefit will be re-invested into the service to support the potential for reducing the future year operating costs of the contract. There is, however, a risk of overspend due to in-year mobilisation costs, and if necessary management action will be taken to avoid this.

Sustainable Development

40. Planning Implementation have identified pressures of +£0.087m due to an unrealisable vacancy factor, operational cost pressures and loss of planning income due to national and local issues. There is also an underspend of -£0.306m including -£0.153m carried forward from 2009/10 due to the delay caused by the freezing of the New Growth points funding linked to the West End Partnership. The directorate is considering other re-generation projects in line with priorities. Further details will be included in future reports along with proposals to use this funding for an alternative purpose.

In Waste Management activity levels overall are lower than budget and if the trend continues there will be an underspend relating to tonnages. During the year as more actual tonnage data and the impact of the district new collection methods becomes available the forecast will become more robust. There are, however, potential operational pressures on-site so at present a break even position is reported. This will be monitored and updated in future reports. Presently the tonnage activity is forecasted as follows based on activity for the first three months of the year. Activity for June was higher than for the first two months of the year so future reports will update this in light of ongoing activity.

Waste Type	Budgeted	Forecast
	Kilo	Kilo
	Tonnes	Tonnes
Landfill	143	140
Recycling/Composting	160	161
TOTAL	303	301

Community Safety & Shared Services: zero variance

Fire & Rescue Service

41. The forecast overspend against the retained duty system (RDS) budget has reduced from +£0.200m to +£0.140m since the last report. The forecast for this budget will inevitably change during the year as it is not possible to estimate the number of emergency call outs with any degree of accuracy.
42. The forecast underspend against the budget for wholetime firefighters has reduced from -£0.200m to -£0.180m. Part year savings from previous

vacancies and the effect of newly appointed staff receiving lower salaries than the previous post holders are the main reasons for the underspend. This will be used to offset the RDS overspend. Fire & Rescue will only seek to use the option of meeting the cost of RDS emergency call outs from council balances if it cannot be managed within Fire & Rescue.

43. A lump sum payment for early retirement due to injury at work has been made to a retained firefighter. The cost of this payment is £0.041m in excess of the budget held for pension payments funded from revenue. This budget has always been treated as non controllable and any variances at year end have been met from balances. In recent years, the variances have been underspends. Fire & Rescue will absorb some or all of this cost this year if there are sufficient underspends elsewhere in the service. Otherwise, this will be a call on balances at year end.

Shared Services

44. As noted in the last report Shared Services is expected to meet its efficiency savings target of £0.5m this year as is forecasting nil variance against budget. Where efficiency savings are dependent on system development, there may be some slippage but at this stage of the year, it is expected that any pressures can be contained within Shared Services.
45. Meals supplied by Food with Thought are slightly below target for the first four months of the year. Management action is being taken to control inflationary pressures on food costs. QCS Cleaning is on target to break-even.

Corporate Core: -£0.138m, or -1.35%, in – year directorate underspend

ICT

46. Redundancy costs, following the re-structure of ICT, currently stand at £0.245m. Approval has been given for these costs to be met from the Efficiencies Reserve. Employer pension costs resulting from these redundancies will total £0.108m.

Legal & Democratic Services

47. As previously reported, there are continuing pressures on the legal services budget, in particular in the safeguarding children and planning areas. The service is now forecasting an overspend in the region of +£0.150m. This includes three cases which are likely to cost over £0.025m – two major village green applications and a significant child protection case. The total costs of these cases are currently estimated to be £0.090m. When final costs are known, it is expected that supplementary estimates will be requested. If supplementary estimates are approved, the overspend would reduce to +£0.060m. Forecasting the Legal Services outturn is difficult as income from fee earning work and Section 106 fees together with expenditure on counsel can all fluctuate significantly from month to month.
48. The Head of Legal & Democratic Services is reviewing with all directorates the use of legal services to consider further efficiency measures. The use of and procurement of counsel (the biggest non pay area of spend) is being reviewed with the aim of delivering 10 - 15 % reductions on non-routine

cases. The service is continuing to maximise income from developer agreements and legal work for other authorities.

Human Resources & Customer Services

49. The Council's apprenticeship scheme commenced in September 2009 and ends in September 2011. An underspend of -£0.050m will need to be carried forward to fund the element that falls into 2011/12.
50. A carry forward of £0.105m from 2009/10 was approved to fund a two year contract for a Performance & Engagement lead. The contract starts in August 2010 so a request will be made to carry forward £0.070m to 2011/12 for completion of the contract.
51. The one off £2m budget for the development of Employee Self Service / Manager Self Service (ESS/MSS) and Customer Relationship Management (CRM) systems as agreed by Council on 9 February 2010, will no longer be required this year. ESS/MSS has been put on hold and delivery of its objectives will be considered as part of the Council's Business Strategy. The customer services project will require £1m from this fund over the next three years to develop and deliver CRM. It is recommended that £1m should be transferred to the Efficiencies Reserve to provide additional funding for the business strategy and that a customer services reserve is created to hold the remaining £1m until it is required.

Finance & Procurement

52. The External Audit fee is expected to be £0.168m below budget. As in past years due to the uncontrollable nature of this budget the balance this will be returned to balances at year end.

Virements and Supplementary Estimates

53. The virements requested this month are set out in Annex 2a with virements previously approved in Annex 2b and 2c and virements to note in Annex 2d. Annex 2e shows the cumulative virements to date and their status in respect of requiring Council approval where larger than £0.5m. Virements requested this month include the transfer of the Access Team from S&CS to Corporate Core (Customer Services) and the restructure of the Highways and Transport budgets. These virements are restructuring virements which do not represent a change policy so do not require Council approval.
54. Following the review undertaken on Children's Social Care budgets virements are being requested this month to realign the budget with spend. In addition it is requested to move the budgets for Safeguarding from CPQA (CYPF4) along with Services for Disabled Children from YPAE (CYPF1) to Children & Families (CYPF2), and Educational Achievement – Children Looked After (CLA) from Children & Families (CYPF2) to YPAE (CYPF1). These virements do not require Council approval as the service provision is unaffected.
55. A number of virements relating to Children's Centres are also being requested by CYP&F this month. These represent the temporary creation of income and expenditure budgets for individual Children's Centres. Again, these virements do not constitute a change in policy, and as such do not require Council approval despite being cumulatively larger than £0.5m.

Supplementary Estimates

56. As set out in paragraph 12, Annex 2f includes a supplementary estimate request relating to pay band changes for education psychologists. £0.070m relating to the grant funding for Contactpoint is not required by CYP&F and is being returned to balances.

Savings Monitoring

57. Savings included in the 2010/11 budget will be monitored through the year. The total savings target is £29.3m.
58. The total savings target for Social and Community Services is £13.1m. As at the end of July the directorate are forecasting to achieve savings of £5.7m, savings in progress are £4.1m, savings under development or review are £0.7m and savings deemed unachievable are £2.4m. It is important to note that the savings are included in the overall position reported elsewhere so need to be seen in that context.
59. All other directorates are expecting to achieve their savings targets.
60. Further updates will be provided in the reports on the September and December position and Provisional Outturn Report for 2010/11. The final position on savings which can be classed as Value for Money (VfM) will be reported to Communities and Local Government (CLG) in July 2011, with an interim return due in October 2010.

Bad Debt Write Offs

61. There were 74 general write offs to the end of July 2010 totalling £91,758.78. Most of these were very small and no economically effective to recover. The largest was £74,667.09 and reflects the Section 106 debt in connection with a planning obligation was agreed to be written off by Cabinet on 18 May 2010. In addition Client Finance wrote off 46 debts totalling £14,780.77.

Strategic Measures

62. The average cash balance during July 2010 was £205.9m and the average rate of return was 0.76%.
63. Changes to the Treasury Management lending list since the last report are shown in Annex 7 and include the reinstatement of Santander on to the lending list with limits of £22m and 6 months, the addition of a new money market fund "Ignis Sterling Liquidity Fund" with a limit of £30m and 3 years, and the revision of Lloyds TSB and Bank of Scotland's limits to £10m and 6 months.

Landsbanki

64. Early in October 2008, the Icelandic bank, Landsbanki, with which the Council had deposited £5m, went into administration. As set out in note 32 to the draft 2009/10 Statement of Accounts it is expected that the recovery rate for the deposit will be 94.85p in each pound. The first repayment is expected in October 2011 followed by seven subsequent annual payments, with the final payment being received in 2018.

65. The net impairment loss to date of £1.361m comprises £1.773m write down of the £5m (including the impact on the Council's cash flow), offset by accrued interest of £0.412m. Under the Capital Finance Regulations it is not possible to defer the impact on the County Fund beyond 31 March 2011 and the impairment will be a one – off call on balances in 2010/11.
66. As set out in paragraph 22 of the Commentary on the Budget 2010/11 – 2014/15 considered by Council on 9 February 2010, the risk assessed level of balances for 2010/11 includes provision of £5.2m relating to credit risk. Because this is allowed for in balances, the transfer of the impairment will not impact on services or Council Tax. The risk assessment for 2011/12 will be updated to reflect the transfer of this impairment loss to the County Fund in 2010/11.
67. Court cases in Iceland are still ongoing. Any variation to this estimated impairment will be reflected as a call on or return to balances when the position is finalised.

Part – 2 Balance Sheet

Reserves

68. Reserves have reduced by £1.135m to £59.712m since the last report. The majority of this variation relates to the carry forward reserve. As reported in paragraph 22 the Adult Learning Material Development reserve of £0.076m has been fully utilised within S&CS. The Change Fund reserve has reduced by £0.193m due to the transfer of funding to agreed projects. Following the cancellation of Building Schools for the Future as set out in the 20 July 2010 Cabinet report, funding not now required in 2010/11 will be transferred to the Efficiency Reserve.
69. As set out in paragraph 46 redundancy costs of £0.245m for ICT will be funded from the Efficiency Reserve.

Balances

70. General balances are £14.376m. This includes £1.009m Performance Reward Grant held in balances pending supplementary estimate requests to release it for use in 2010/11. These will be included in the next report once further guidance has been received from the Department of Communities and Local Government (DCLG) on the allocation of this funding between capital and revenue expenditure. After taking into account the forecast Directorate overspend (+£1.610m) and the Council elements of the overspend on the Pooled budgets (+£2.594m), the consolidated revenue balances forecast (excluding the Performance Reward Grant) is £9.163m.
71. Changes to balances as shown in Annex 5 include the Landsbanki impairment as set out in paragraphs 64-67 and the supplementary estimate requests as shown in Annex 2f. The report considered by Council on 27 July 2010 included a shortfall in grant reductions of £0.407m to be found. This shortfall has been charged to balances pending a further decision. As set out in paragraph 56, £0.070m relating to the grant funding for Contactpoint that had been replaced by Council funding is not now required by CYP&F and is

being returned to balances. The remaining £0.337m shortfall will be met from the Efficiency Reserve if it cannot be met from grant underspends at year end.

Part 3 – Capital Monitoring

72. The capital monitoring position set out in Annex 6, shows forecast expenditure of £107.4m for 2010/11 (excluding capital resources allocated to schools). This is a decrease of £1.5m compared to the latest capital programme which was approved by Cabinet on 20 July 2010. This reflects the impact of the in – year capital grant reductions as reported to Council on 27 July 2010, and the effect of the Capital Programme Review. The table below summarises the variations by directorate and the main variations by scheme are explained in the following paragraphs.

Directorate	Latest Capital Programme (Position as at end of May 2010, approved by Cabinet July 2010) £m	Forecast Expenditure (Position as at end of May 2010) £m	Forecast Variation £m
CYP&F	62.9	60.9	-2.0
S&CS	12.0	12.0	0.0
E&E - Transport	25.2	25.6	+0.4
E&E - Other	6.2	6.3	+0.1
Community Safety & Shared Services	1.6	1.6	0.0
Corporate Core	1.0	1.0	0.0
Sub-total	108.9	107.4	-1.5
Schools Capital/ Devolved Formula	11.9	11.9	0.0
Earmarked Reserves	0.6	0.6	0.0
Total	121.4	119.9	-1.5

Children, Young People & Families

73. Children, Young People & Families now expect to spend £60.9m in 2010/11 (excluding schools local capital). This is a decrease of £2.0m when compared to the latest capital programme.
74. As a result of the Capital Programme Review, expenditure forecasts for 2010/11 have been reduced on projects at Young People Centres in Wallingford and Witney (£0.2m), and at school projects for The Grange (£1.3m), Peppard (£0.1m) and Hornton (£0.1m).
75. A summary of changes to capital grant funding notified to date along with updates where feedback is awaited is included at Part 4. The capital

programme monitoring for CYP&F as included at Annex 6 has been adjusted for the reductions notified to date and the -£0.627m impact of the grant reductions in 2010/11. The remainder of the -£2.328m reduction shown in Part 4 (paragraph 84) will either impact on future years, or has been replaced with alternative funding.

Environment & Economy – Transport & Other

76. The forecast spend for the Transport Programme is now £25.6m. This has increased by £0.4m when compared to the latest capital programme. The forecast spend for non – transport, or “Other” schemes is £6.3m.

Social & Community Services and Community Safety & Shared Services and Corporate Core

77. The forecast spend for Social & Community Services and Community Safety & Shared Services and Corporate Core programmes remains at £12.0m, £1.6m and £1.0m respectively.

Actual Expenditure

78. As at the end of July actual capital expenditure was £14.9m, or 14% of the total forecast expenditure of £107.4m (excluding schools devolved expenditure). This is a £14.0m increase from the £0.9m expenditure reported as at the end of May 2010 but is lower than the position for the same period last year.
79. Overall the capital programme is progressing slower than planned. This is partially related to the announcement of the national emergency budget and resulting uncertainty on capital funding level for 2010/11 and beyond. It is expected that the ongoing capital programme review will further slow down the programme’s progress in 2010/11 and beyond.

Capital Programme Review Update

80. Banbury Day Centre: £4.3m grant funding from the Homes & Communities Agency (HCA) for extra care housing at Standbridge Hall, Banbury has now been confirmed. The grant conditions require the project to be on site by mid September 2010. To enable the project to proceed, £0.6m of Council funding for the day centre element of the project has been released from the moratorium on capital schemes that was agreed as part of the Capital Programme Review. This is in line with the procedure agreed by Cabinet in July 2010.
81. Deferred Interest Loans: Current Council policy is to provide deferred interest loans to meet the accommodation needs of disabled residents in Oxfordshire. The accounting treatment of these loans requires them to be treated as capital expenditure. Committed expenditure for 2010/11 is £0.094m and applications awaiting approval are £0.293m. Further loan applications to year end are expected to be in the region of £0.3m.
82. The Cabinet is recommended to agree to take up prudential borrowing to meet these commitments. The cost of borrowing for this programme, which is

lower than the cost of alternative provision, will be covered by S&CS and CYP&F.

Part 4: Update on In – Year Grant Reductions in 2010/11

83. The Financial Monitoring Report to Cabinet on 20 July 2010 set out total in – year grant reductions totalling £11.048m as shown in the table below:

	£m
Area Based Grant (ABG)	-3.551
Specific Revenue Grants (Playfinder and Contact Point)	-0.166
Performance Reward Grant (PRG)	-4.282
Local Authority Business Growth Incentive Grant (LABGI)	-0.329
Capital Grants	-2.720
TOTAL	-11.048

84. In addition the addenda to the Cabinet report and paragraph 24 of the report to Council on 27 July 2010 sets out further reductions to capital grants as follows. These increased the total reduction in grant funding in 2010/11 to £13.376m. Information is awaited as set out below but to date no further reductions have been notified.

	£m
Capital Grants	
Extended Schools	-0.276
Harnessing Technology (50%)	-1.245
Special Educational Needs & 14 – 19 Diploma Provision	-0.658
Youth Capital/Chill Out Fund (50%)	-0.149
SUBTOTAL	-2.328
TOTAL	-13.376

- Sure Start, Early Years and Childcare Grant (SSEYCG)
85. Returns for the Sure Start, Early Years and Childcare Grant (SSEYCG) have been completed and a meeting with the grant representative has taken place. Notification of any change to the Council's funding allocation is awaited. Where schemes have not yet been committed pending notification of funding there is a risk that they may not be delivered by the grant deadline of 31 March 2011.

- Play Capital Grant
86. Returns have also been submitted for the Play Capital Grant programme and notification of the level of funding reduction was expected by the end of August. This had still not been received at the time of finalising this report. If further information is received before the Cabinet meeting an update will be provided in an addenda to this report.

87. The Co-location Grant provider is reviewing all those projects where the main works have not yet begun to ensure that the risks to delivery the project successfully are being managed effectively. Further information and reassurances on the three Council projects (including Chipping Norton and Bampton) is required by the Grant provider by 17 September 2010.
88. The withdrawal of £0.300m funding from the Department for Education (DfE) towards the Bicester Cooper Sixth Form project has been replaced by an increase in Eco-Town funding allocation from Cherwell District Council.

Part 5: Other Financial Issues

Academies

89. Paragraph 25 – 28 of the report to Council on 27 July 2010 set out that nine secondary and five primary schools in Oxfordshire had registered an interest in becoming academies. To date none of these schools has formally applied to become an academy.

Changes to 16-19 Funding

90. On 19 July there was an announcement on the decision to simplify and streamline 16-19 funding. The implementation on this decision started on 1 August 2010 but further information on the ongoing arrangements is still awaited. Future reports will contain more detailed information on how this impacts the Council as the information becomes available to us.

RECOMMENDATIONS

91. **The Cabinet is RECOMMENDED to:**
- (a) note the report and approve the virements as set out in annex 2a;**
 - (b) agree the creation of the Customer Services Reserve and transfer of £1.000m to that reserve and the transfer of £1.000m to Efficiency Reserve as set out in paragraph 51;**
 - (c) approve the Supplementary Estimate requests as set out in paragraph 56;**
 - (d) agree that the Unringfenced AIDS/HIV Grant can be used to fund Supporting People service as set out in paragraph 27;**
 - (e) agree the transfer of impairment losses in relation to Landsbanki to the County fund as set out in paragraphs 64 to 67;**
 - (f) note that £0.6m of Council funding for the day centre element of the Banbury Day Centre project has been released from the moratorium agreed as part of the Capital Programme Review as set out in paragraph 80; and**

- (g) agree to take up prudential borrowing to meet commitments in respect of deferred interest loans as set out in paragraph 81.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports to 31 July 2010

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