

CABINET – 15 SEPTEMBER 2009

FINANCIAL MONITORING

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the Council's forecast financial position for the 2009/10 financial year based on four months of actuals to the end of July 2009. It includes projections for revenue, balances, reserves and capital. The report sets out explanations where the forecast revenue outturn is significantly different from the budget along with proposals to recover the position where appropriate.
2. The in – year Directorate forecast is an overspend of £4.013m. This has increased by £1.270m compared to the forecast overspend of £2.743m at the end of May. The in-year forecast excludes the variance on the City Schools Reorganisation. In addition £2.421m Dedicated Schools Grant (DSG) has been reallocated to core areas to offset a forecast overspend of £1.303m on DSG funded services. To aid the overall position, the remainder will be used to fund eligible expenditure that would otherwise have been funded from the base budget.
3. Carry forwards from 2008/09 were approved by Cabinet on 23 June 2009 as part of the Provisional Outturn Report for 2008/09 and are now included in the latest budget.

Original Budget 2009/10 £m		Latest Budget 2009/10 £m	Forecast Outturn 2009/10 £m	Variance Forecast July 2009 £m ¹	Variance Forecast July 2009 % ¹
98.277	Children, Young People & Families	97.603	99.950	+2.347	+2.40%
166.800	Social & Community Services	167.392	168.736	+1.344	+0.80%
68.631	Environment & Economy	69.771	70.053	+0.282	+0.40%
29.908	Community Safety & Shared Services	30.635	30.675	+0.040	0.13%
9.426	Corporate Core	10.286	10.286	0	0
373.042	In year total	375.687	379.700	+4.013	+1.07%

Plus: City Schools Reorganisation		0.775	
Plus: Reallocation of Dedicated Schools Grant to core areas (see paragraph 15)		2.421	
Total Variation		+7.209	

¹ The variance has been calculated as the difference between the latest budget and forecast outturn. The percentage is a measure of variance to latest budget.

4. The current position for general balances is set out in Annex 6 and shows a forecast of £14.166m. After taking into account the forecast Directorate overspend, the consolidated revenue balances forecast is £10.153m. ²
5. Figures for each Directorate are summarised within the Annexes and individual Directorate reports setting out the detail have been placed in the Members' Resource Centre.
6. The following Annexes are attached:

Annex 1 (a-f)	Forecast Outturn by Directorate
Annex 2 (a-c)	Virements and Supplementary Estimates
Annex 3 (a-b)	Specific grants monitoring
Annex 4	Savings Monitoring
Annex 5	Forecast earmarked reserves
Annex 6	Forecast general balances
Annex 7	Capital Programme
Annex 8 (a-g)	Capital monitoring
Annex 9	Treasury Management Lending List

Part 1 - Revenue

7. The forecast revenue outturn by Directorate based on the position to the end of July 2009 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: £2.347m in-year Directorate overspend (£5.543m total overspend including £0.775m relating City Schools Reorganisation and an overspend of £1.303m on services funded by DSG offset by £2.421m DSG reallocated to core areas).

Children & Families

8. After taking account of the reallocation of DSG the total forecast overspend across Children & Families is £4.852m. Within that Placements are forecast to overspend by £2.737m. This has increased from the £2.188m forecast at the end of May due to an increase in the number of placements. £0.523m of this pressure could be offset by carry forward from 2008/09 that was placed in the CYP&F reserve to offset pressures within the directorate. In addition to the direct placement costs, there is also forecast pressure of £0.318m on transport costs associated with Children Looked After. Adoption and Special Guardianship Orders are forecast to overspend by £0.231m while there is a pressure of £02.67m relating to Virtual Schools.
9. Due to a recent judicial review (the "Southwark Judgement") authorities will have to consider homeless children as looked after children. There is a risk that the full year financial implication of this could be as much as £3m to £4m per annum. With appropriate management action and clear structuring of the additional service provision and additional assessment staffing, the service

² The consolidated revenue balances forecast is the forecast general balances less the forecast Directorate in-year overspend.

believes that the full year implication can be constrained to £1.5m. For 2009/10 the part year effect of this is estimated to be £0.5m.

10. Including the deficit of £1.049m carried forward from 2008/09, the forecast overspend on Asylum Seekers is now £2.195m. Grant relating to the cost of Unaccompanied Asylum Seeking Children (UASC) in 2008/09 has now been notified in line with our expectations. There is also a further Special Circumstances claim of £0.455m pending but the Home Office has advised that a decision will not be made until September 2009. The forecast overspend for the Service Area assumes that £1.000m of the expenditure will be funded from the contribution to reserves made at the end of 2008/09. A formal request to approve this will be made once the position on grant funding is clearer.

Raising Achievement Service

11. The Raising Achievement Service is forecasting an underspend of - £0.541m. This includes a -£0.630m underspend on School Development Grant as the work that this was funding has come to an end. Given this is Area Based Grant the Public Services Board is being consulted about alternative uses for this funding.

Commissioning, Performance & Quality Assurance

12. Within Commissioning, Performance and Quality Assurance the forecast underspend on Home to School Transport is now forecast to be -£0.730m. The forecast savings of -£2m at the end of May were in line with those achieved in 2008/09. However, budget reductions of £0.668m reflecting the expected efficiencies which could be achieved on an on-going basis were made in 2009/10, other non – recurring one off variations, along with extended rights to free travel, mean that this level of underspending will not be repeated. The position for the service area will continue to be challenged throughout the year.

Dedicated Schools Grant (DSG) Funded Services

13. Out of County Placements are currently forecast to overspend by £0.849m. If the same pattern as in 2008/09 is followed it is anticipated that the position should improve as there is more certainty about each case.
14. Nursery Education Funding (NEF) is projected to overspend by £0.454m. This reflects an increase in the number of 3 year olds together with the full time offer for all children in their final foundation stage year in the private, voluntary and independent sector.
15. The allocation of Dedicated Schools Grant across non – school services is currently being reviewed. Early indications show that by reallocating DSG to eligible expenditure that would otherwise be funded from the base budget it will be possible to free up local authority funding and reduce the Directorate's overspend position. In 2009/10 £2.421m is available. This includes £0.978m of the £1.188m carried forward from 2008/09.

Social & Community Services: £1.344m overspend

16. Social & Community Services are forecasting an overspend of £1.344m against a budget of £167.392m, a variation of +0.80%. £1.016m of the total overspend relates to Adult Social Care, £0.253m to Adult Learning and £0.075m to Strategy & Transformation.
17. Adult Social Care is forecasting a total overspend of £1.016m, reduced from £1.130m at the end of May. As noted in the May report an action plan is in place to bring the forecast expenditure back to budget across Adult Social Care.
18. Within the total forecast the overspend on Older People Care Management Teams has increased slightly to £0.556m. The underachievement of income for Fairer Charging has reduced by £0.180m to £0.240m since May and there is now additional income of £0.292m for residential services. The contribution to the Drugs and Alcohol Action Team is now likely to overspend by £0.083m due to an increase in demand for the rehabilitation service.
19. Within the Learning Disabilities Internal Service there is a forecast underachievement of income of £0.352m based on the first four months of the year. However, it is expected that increased income from the Independent Living Fund will make up some of this shortfall. There are overspends of £0.102m on Internal Supported Living and £0.118m in Internal Day Services.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

20. Following the appointment of the PCT's Turnaround Director, work is continuing on the position on the Older People & Physical Disabilities Pooled Budget. The outcome will be included in the next report.
21. The overspend on equipment has risen to £0.602m this month. Further work has been commissioned to identify the reasons for this over spend and to develop an action plan to bring the budget under control.

Learning Disabilities Pool

22. The Learning Disabilities Pooled Budget is forecasting an overspend of £0.842m. This reflects an overspend of £0.480m carried forward from 2008/09 and the effect of new client packages agreed in July. The forecast does not take into account future panel decisions. Further efficiency savings are to be made during the year and it is expected that the overspend will reduce to £0.200m by the end of the year.

Environment & Economy: £0.282m overspend

23. Environment & Economy are forecasting an overspend of £0.282m or 0.40% against a budget of £69.772m. This compares to a forecast overspend of £0.375m at the end of May.
24. Within Transport, there is a forecast £0.200m pressure relating to an income target included in the 2009/10 budget. An action plan is being drawn up to address this and bring expenditure back within budget.
25. Within Sustainable Development, Waste Management are forecasting an underspend of -£0.386m on tonnage related activities. There is a further saving of -£0.130m relating to new contracts for Waste Recycling Centres. These underspends are offset by a shortfall of £0.129m on planning application income.
26. The forecast overspend within Property Services is £0.398m. £0.160m of this reflects third party legal costs that will need to be met by the Council. A supplementary estimate is requested in line with Council policy to meet legal fees over £0.025m from balances.

Community Safety & Shared Services: £0.040m overspend

27. The directorate is forecasting an overspend of £0.040m, compared to a nil variance in May. Fire & Rescue is forecasting an overspend of £0.100m in the pay and training budgets. This may be reduced in the next few months as underspends emerge in other areas of the service budget. The Buckinghamshire gypsy and traveller site contract is expected to generate a surplus of £0.060m. The first call on this surplus will be to manage any developing pressures in Trading Standards and Safer Communities.

Shared Services

28. Shared Services is still on track to deliver its remaining savings in full by next year. The current cash flow forecast in Annex 5 shows the full business case being delivered around nine months later than originally planned. This is an improvement of one month since June but it remains a cautious forecast and it should move closer to target towards the end of the year and into next year as the result of action taken to reduce overheads and further continuous improvement of services.
29. School meal sales figures for Food with Thought from April to July are 9.5% higher than the equivalent period last year and meal costs are below budget. QCS Cleaning Services is currently forecast to break-even.

Corporate Core: zero variance

30. As noted in the May report there are pressures in several areas of Corporate Core. However, all services expect to be able to manage these pressures and a nil variance is currently forecast based on figures for the first quarter of the year.

Virements and Supplementary Estimates

31. The virements requested this month are detailed in Annex 2a with virements previously approved in Annex 2b and 2c and temporary virements to note in Annex 2d. Annex 2e shows the cumulative total virements to date and their status in respect of requiring Council approval where over £0.5m.
32. Annex 2a includes a number of revisions to central support charges from Shared Services / Corporate Core to directorates. These budget virements do not represent changes of policy. Virements for CYP&F are, in the main, adjustments relating to the allocation of DSG funding.
33. There is a supplementary estimate request of £0.160m relating to third party legal costs that will need to be met by the Council. The request is in line with Council policy to meet legal fees over £0.025m from balances.

Savings Monitoring

34. Savings included in the 2009/10 budget will be monitored through the year. The following table shows the total budgeted savings for each Directorate and compares this to the forecast outturn at the end of July. Annex 4 provides a further breakdown by Service Area and where material an explanation of the forecast variance. It should also be noted that the savings are included in the overall position reported elsewhere so need to be seen in that context.
35. The current forecast position for each Directorate is as follows.

	Total Budgeted Saving £m	Forecast Year-End Saving £m	Unachievable Savings £m
Children, Young People & Families	-2.955	-2.347	0.608
Social & Community Services	-11.050	-9.313	1.737
Environment & Economy	-5.224	-4.979	0.245
Community Safety & Shared Services	-0.885	-0.707	0.178
Corporate Core	-1.512	-1.512	0
TOTAL	-21.626	-18.858	2.768

36. Social & Community Services are forecasting a shortfall of £1.737m compared to the budgeted saving. £1.416m relates to Adult Social Care and reflects a large number of small variations to a range of budgeted savings along with variations relating to contributions to the Pooled Budgets.
37. All savings in Community Safety should be achieved. In Shared Services, approximately £0.178m of savings will be outstanding at the end of the year. These are part year savings dependent on the implementation of new systems during the year. In all cases, full year savings will be achieved in 2010/11.

38. Further updates will be provided in the reports on the September and December position and Provisional Outturn Report for 2009/10. 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 2010, with an initial return due in October 2009.

Grants Monitoring

39. Annex 3a and 3b set out the movement on specific grants since the original estimate, along with a forecast of the grant funded expenditure in year. Annex 3c details the Area Based Grant.

Bad Debt Write Offs

40. During the first four months of 2009/10 there were 28 Corporate SAP debts written off totalling £2,623. The largest debt was £1,266 so most were very small and uneconomical to recover through the courts. Client Finance wrote off 33 debts in relation to charges for care totalling £9,292. The largest of those was £2,296.

Strategic Measures

41. The average cash balance during June 2009 was £217.9m and this reduced to £197.1m in July. The average rate of return for June was 1.62%, and for July 1.48%. The trend is reducing from the 1.87% reported as at the end of May and reflects the longer term deposits placed at higher rates last year coming to an end and being replaced by deposits at much lower rates.
42. The updated lending list is included at Annex 9. Caja de Ahorros y Pensiones de Barcelona and Standard Chartered Bank have been removed from the list. Svenska Handelsbanken, DBS Bank (Development Bank of Singapore) and United Overseas Bank have been reinstated, along with Clydesdale Bank and the Abbey Time Deposit Facility. Danske Bank has been suspended as it has been placed on negative watch. The standard limit for National Australia Bank has been increased from £15m to £22m.

Part – 2 Balance Sheet

Reserves

43. Annex 5 shows the forecast movement on earmarked reserves.
44. The On Street Parking Reserve has been updated based on the most up to date forecasts on contract and operational costs and estimate income levels. The table below details the estimated movements on the account in 2009/10:

Parking Account balance as at 1st April 2009	£1.847m
Less cost of Off-Street Parking in 2009/10 (contribution from reserve)	-£1.038m
Plus the net surplus from On-Street Parking in 2009/10 (contribution to reserve)	+£0.623m
Estimated Parking Account balance as at 31st March 2010	£1.432m
Net reduction in 2009/10	-£0.415m

45. The balance is expected to decline further over the medium term. The position on the Account will be considered as part of the 2010/11 Service & Resource Planning process.

Balances

46. Annex 6 sets out the current position for general balances taking into account known changes. After taking account of the request for a supplementary estimate of £0.160m this month, the position on balances as at the end of July is £14.166m.

Part 3 – Other Financial Issues

Green Book Pay Award

47. The Employers' final offer in settlement of the 2009/10 claim was made on 22 July 2009 and is subject to consultation until 11 September. The increase is 1.25% for Scale Points 4-10 inclusive and 1.0% above Scale Point 10. Since 1.5% was allowed for in the budget the saving arising would be £0.784m. An update will be provided in the August report once the outcome is known.

Firefighters' Pay Award

48. The National Joint Council for Local Authority Fire and Rescue Services has agreed a pay increase of 1.25% with effect from 1 July 2009. The pay budget for firefighter pay will be reduced to allow for the 0.25% saving over nine months. It is recommended that the saving of £0.027m should be removed and placed in reserves to contribute to efficiency savings.

Part 4 – Capital

Capital Programme

49. An updated capital programme is attached at Annex 7. The programme was updated as at the end of May to reflect the projected spend in 2009/10, changes to phasing of schemes, implications of the 2008/09 final accounts and revisions to capital receipts.
50. The revised capital programme shows a cumulative deficit of -£6.080m compared to a cumulative surplus of £0.855m in the programme agreed by

Council in February 2009. This is primarily due to a decrease in the valuation of capital receipts within the agreed disposal programme.

51. Currently the Capital finance team is working with the Capital Programme Manager and with the challenge panels to revise the overall capital programme schedules. It is expected that this will enable us to manage the cashflow and deficit position and hence shift the deficit position beyond the medium term period. However, there may be a residual element of deficit that will need to be considered as part of the Service and Resource Planning process. The Service and Resource Planning report elsewhere on the agenda sets out the principles of the capital budget setting process for 2010/11.

Capital Monitoring

52. The capital monitoring position set out in Annex 8, shows the forecast expenditure for 2009/10 is £92.5m (excluding schools), a decrease of -£6.6m when compared to the latest capital programme (shown at Annex 7). The table below summarises the variations by directorate.

	Latest Capital Programme (To end of May 2009)	Forecast Expenditure (As at end of July 2009)	Variation	% Variation
CYP&F	£41.5m	£40.3m	-£1.2m	-3%
S&CS	£8.9m	£7.8m	-£1.1m	-12%
E&E	£47.0m	£42.7m	-£4.3m	-9%
Community Safety	£0.7m	£0.7m	£0.0m	0%
Corporate Core	£1.0m	£1.0m	£0.0m	0%
Sub-total	£99.1m	£92.5m	-£6.6m	-7%
Schools Capital/Devolved Formula/Reserves	£11.6m	£11.6m	£0.0m	0%
Total	£110.7m	£104.1m	-£6.6m	-6%

Children, Young People & Families

53. The in-year forecast for Children, Young People & Families is £40.3m compared to the latest budget of £41.5m, a decrease of £1.2m. This is due to revised phasing for the issue of Flexibility of Childcare grant and slippage on phase 2 and 3 of the Marlborough School, Woodstock.

Social & Community Services

54. The forecast for Social & Community Services in 2009/10 is £7.8m, a decrease of £1.1m when compared to the latest capital programme. This is due to delays on the Abingdon Resource Centre and Adult ICT Services System schemes.

Environment & Economy

55. The in-year forecast for Environment & Economy is £42.7m compared to the latest budget of £47.0m, a decrease of £4.3m. The revised programme for Didcot Station Parkway (-£3.081m) shows a delay of 8 months compared to the original dates. Cogges Link Road (-£0.406m) has been delayed as a result of the Town Green Planning Application, whilst in Oxford, Phase 3 of the London Road Corridor has been delayed by two months (-£0.340m) to address the issues raised during the public consultation. All three schemes are predominantly developer funded so there is no impact on other funding sources.

Building Schools for the Future (BSF)

56. Oxfordshire County Council has been ranked 22nd out of 70 Local Authorities (LAs) for entry to the BSF Programme. This ranking put the Council in the group of LAs from which the BSF projects to support acceleration of the national programme will be drawn. The exact sequencing will be determined by a LAs' ability to demonstrate their 'Readiness to Deliver (RtD)', rather than where their first BSF project was ranked.
57. The Council originally planned to submit the RtD in January 2010. However, in August 2009, Partnership for Schools (PfS) wrote and informed the Council that the deadline for this submission was brought forward to 17th September 2009. As a result, the Council has accelerated the delivery of the RtD statement to meet this new deadline.
58. As part of the RtD statement, the Leader of the Council and the Chief Executive will sign a Commitment Letter.
59. Following this submission, it is expected that a Remit Meeting will be held between the Council, DCSF, PfS and the Office of the Schools Commissioner (OSC) in October 2009. In this meeting, the Chief Executive will need to sign a Memorandum of Understanding with PfS regarding the respective roles and responsibilities of PfS and the Council.
60. A detailed BSF Report will be submitted to Cabinet in October 2009. Due to this new accelerated timetable RtD submission, the Commitment Letter and the Memorandum of Understanding will precede this detailed report.
61. Further reports will be taken to the Cabinet at different stages of the process to seek approval in line with the Council's constitution.

RECOMMENDATIONS

62. **The Cabinet is RECOMMENDED to:**
- (a) **note the report;**
 - (b) **approve the virements as set out in Annex 2a;**

- (c) **approve the supplementary estimate request as set out in Annex 2f and paragraph 26 and 33;**
- (d) **approve the transfer of £0.027m surplus pay inflation from Community Safety to the Efficiency Savings Reserve as set out in paragraph 48; and**
- (e) **Confirm agreement that the Readiness to Deliver statement for Building Schools for the Future should be submitted to the Partnership for Schools by 17 September 2009.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

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