

CABINET – 21 JUNE 2011**2011/12 FINANCIAL MONITORING &
BUSINESS STRATEGY DELIVERY REPORT****Report by Assistant Chief Executive & Chief Finance Officer****Introduction**

1. This is the first report for 2011/12 and covers the period to the end of April 2011 for both revenue and capital budgets. The report focuses on significant issues around the delivery of the Directorate Business Strategies. These were agreed as part of the Service & Resource Planning Process and include Directorate savings of -£44.343m in 2011/12 (as set out in the Service and Resource Planning – Service Analysis 2011/12 booklet) plus £10.225m cross directorate savings. The net savings for each directorate up to 2014/15 are set out in the following table.

	Net Savings¹			
	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m
Children, Education & Families	-10.209	-17.671	-18.610	-19.807
Social & Community Services	-19.587	-31.308	-35.664	-42.001
Environment & Economy	-13.240	-21.886	-28.060	-31.806
Chief Executive's Office	-1.307	-1.645	-1.864	-1.854
Subtotal	-44.343	-72.510	-84.198	-95.468
Cross Directorate (including Inflation reductions)	-10.225	-19.241	-22.699	-23.290
Total	-54.568	-91.751	-106.897	-118.758

2. Around half of the 2011/12 savings are already forecast to be achieved or there is a high likelihood of them being achieved as they are low risk, reflect ongoing savings continuing from 2010/11 or relate to projects coming to an end. The remainder are subject to management action and may also be affected by external factors during the year. Significant issues which may impact on the timing or achievement of savings in 2011/12 are set out in the report.
3. The following annexes are attached:
 - Annex 1 Original and Latest Estimates for 2011/12
 - Annex 2 Virements & Supplementary Estimates
 - Annex 3 Proposed use of LABGI funding 2011/12 – 2014/15
 - Annex 4 Treasury Management Lending List
 - Annex 5 Treasury Management Specified Investments
4. The Directorate reports which set out the detail behind this report are available in the Members' Resource Centre.

¹ Savings are shown cumulatively over the four year period.

Part 1 - Revenue Budget & Business Strategy Savings

5. Annex 1 summarises the budget for 2011/12 for each Directorate. These were agreed by Council on 15 February 2011 and include subsequent changes reported to Cabinet on 15 March 2011 and 19 April 2011. Requests for carry forwards of under and overspends from 2010/11 to 2011/12 are included in the Provisional Outturn Report elsewhere on the agenda but are not yet reflected in the budgets shown in Annex 1.

Children, Education & Families

6. Children, Education & Families Directorate is committed to achieving -£10.2m of savings in 2011/12. These rise to -£19.8m by 2014/15 and the Directorate's Transformation Board is meeting regularly to review progress.
7. Services are being redesigned as part of the Business Strategy and, subject to the wider restructure of the Directorate, implementation is underway. This means implementation will take place partway through the year as detailed in the Service Redesign Report agreed by Cabinet on 19 April 2011. Because of this there is a risk that some of the savings dependent on service redesign will not be achieved in full in 2011/12.

Placements

8. During the latter part of the 2010/11 financial year there was an upward trend in agency residential placements. These placements, subject to the Council's assessment and support, could potentially remain in place on a medium to long-term basis. This means there could be a significant change to the variance on the placement budget in 2011/12 compared to the -£1.145m variation in 2010/11.
9. The careful management of placements is continuing with the service actively exhausting all other options before using high cost placements. In addition, joint commissioning with other local authorities means that better prices can be negotiated as bargaining powers are greater. However, this service area, given its nature, remains volatile with many external factors impacting on the financial position. These include an influx of people moving into the county requiring services which in turn means that there may be less cost-effective placements available.

Social & Community Services

10. Social & Community Services are aiming to make savings totalling -£19.6m in 2011/12. These rise to -£42.0m by 2014/15 and their delivery is being overseen by the Directorate's Change Management Board.

Adult Social Care

11. There are a number of work streams which will generate savings in Adult Social Care. These include Home Support Remodelling which is well underway and expected to achieve the targeted savings. Care Home Placement Reduction and Bed Based Strategies will have a detailed project plan agreed in June 2011. The review of the Oxfordshire Care Partnership is underway and is expected to achieve the required savings.

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12. Resource Allocation System (RAS) savings in all service areas are expected from the move to Self Directed Support and Personal Budgets which will result in more efficient delivery of care. Part of the savings will be achieved through the remodelling of Home Support.
13. Significant savings are expected through limiting inflation on contracts. While this should be achieved for 2011/12, there are risks over the medium term if inflation remains high.

Community Safety

14. Fire & Rescue business strategy savings are on target to be delivered. Following the government's decision to cancel the national FiReControl project, options are now being considered for future arrangements for call receipt, mobilising & incident management in Oxfordshire. These include but are not limited to collaborating with Buckinghamshire and Berkshire fire and rescue authorities to set up a joint Thames Valley control centre. Whichever option is chosen, significant capital and ongoing revenue consequences are highly likely.

Quality & Compliance (Strategy & Transformation)

15. Proposals for the restructuring of Strategy & Transformation in Social & Community Services and the Quality & Compliance section in Children, Education & Families to form a cross directorate Quality and Compliance Service are being compiled. However there is some delay partly as a result of the changing national picture in respect of the NHS. There is a risk that the savings targets dependent on this restructuring will not be fully achieved in 2011/12.

Community Services

16. The consultation on the Library Strategy was published on 27 May 2011 and proposes to keep all existing libraries open, with some sustained by volunteers working alongside council staff. Updates on the outcome of the consultation will be included in future reports.

Pooled Budgets

17. The following table sets out the pooled budgets for 2011/12.

	OCC Contribution £m	PCT Contribution £m	Total Pooled Budget £m
Older People	80.163	26.809	106.972
Physical Disabilities	6.880	4.007	10.887
Equipment	0.910	0.308	1.218
Total OP, PD and Equipment Pool	87.953	31.124	119.077
Learning Disabilities	64.531	11.959	76.490

Older People, Physical Disabilities and Equipment Pool

18. The total 2011/12 budget for the Older People, Physical Disabilities (OP& PD) and Equipment pool is £119.077m. This is an increase of £3.863m on the final approved budget for 2010/11. As set out in the Provisional Outturn Report elsewhere on the agenda the Council's share of the pooled budget was

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overspent by +£0.205m in 2010/11. This will be carried forward to be managed within the relevant areas of the pool in 2011/12.

19. There will be considerable pressure on the pooled budget in 2011/12. This includes demands to reduce delayed transfers of care and underlying pressures on physical disabilities and equipment budgets. The additional resources for adult social care from the NHS will help to manage some of these pressures. An action plan to manage the overspending on the physical disabilities element of the pool is in the process of being reviewed to see whether it will address all the underlying issues.
20. It is proposed that £1.5m is made available, from the additional grant funding set out in the last Financial Monitoring report to Cabinet in April 2011, to provide investment in reablement and other measures to avoid people having to go into residential care or hospital beds. This will be managed through the Older People element of the OP&PD pooled budget in conjunction with the PCT.

Learning Disabilities Pool

21. The total budget for the Learning Disabilities pooled budget for 2011/12 is £76.490m. This is an increase of £1.631m compared to the final approved budget for 2010/11. The Council's contribution of £64.531m includes £18.838m Learning Disabilities & Health Reform Grant which is now paid directly to the local authority. The PCT contribution has reduced to £11.959m to reflect this and other changes.
22. As set out in the Provisional Outturn Report, the pool was overspent by +£1.425m in 2010/11. The Council's share of this was +£1.192m. Proposals relating to the use of underspends on various budgets across the directorate contained in the Provisional Outturn Report 2010/11 elsewhere on this agenda will, if agreed, reduce the amount to be carried forward on this pool to £1.082m.
23. In addition to the recovery of this overspend the Pool is under pressure to achieve savings to meet pressures in 2011/12 and future years. An Efficiency Savings plan is in place and will be monitored by the Joint Management Group on a monthly basis.

Environment & Economy

24. The directorate's Business Strategy includes savings of -£13.2m rising to -£31.8m by 2014/15. The delivery of the savings is being monitored by the Directorate's Business Strategy Delivery Board but it is anticipated that the agreed levels of service will be delivered within the budget set. However there are a number of risks and issues as follows.

Highways & Transport

25. The Concessionary Fares budget of £8.2m supports the payment of concessionary fares, one-off additional payments that may be successfully claimed under the scheme by bus companies and administration of the scheme. The Government envisaged changes to national guidance for calculating the amount payable to bus companies would lead to transport authorities making sizable savings. However specialist advice suggests that savings are not likely to be substantial.

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26. Following formal consultation in February and March 2011, the reintroduction of evening and Sunday on – street parking charges in Oxford was considered by the Cabinet Member for Transport on 2 June 2011. A recommendation to approve these charges will be included in the report to Cabinet on 19 July 2011.
27. Annex 4a of the Review of Charges Report considered by Cabinet on 21 December 2010 noted that fees were planned for the Park & Ride car parks. Proposals to introduce charges at the Park and Ride car parks from October 2011 will also be considered by a future meeting of the Cabinet.

Growth & Infrastructure

28. In 2010/11 there was a substantial underspend in waste management because of a reduction in the level of waste being disposed of. A further underspend is anticipated in 2011/12. This will be requested to be transferred to the waste management reserve to fund the second one off payment for the bid/planning costs associated with the Waste Treatment procurement.
29. The Waste Recycling Centre (WRC) Strategy has been revised. Redbridge WRC will now be open to the public at weekends rather than being closed and black bag splitting will be operated at all other waste recycling centres. As agreed by Cabinet on 19 April 2011, the additional cost of this revised strategy will be met within the directorate.

Oxfordshire Customer Services

30. The underspend in 2010/11 was largely due to the early realisation of the business case with savings being delivered ahead of target and the slippage of two IT projects into 2011/12. Approximately 60% of the business strategy savings for 2011/12 have been delivered and most of the remainder are expected to be achieved.
31. Discussions are continuing with a potential partner in ICT, which if successful, should make a significant contribution to savings. The Customer Services Centre has plans in place to deliver its savings by re-structuring those services transferring to it. The Transforming Oxfordshire Customer Services programme may identify substantial further savings through partnering and the delivery of internal customer services. However, given the proposals for funding academies outlined in the recent Department for Education (DfE) consultation, risks include a loss of income from schools converting to academy status

Chief Executive's Office

32. The -£1.3m business strategy savings for the Chief Executive's Office are generally low risk and on target to be delivered in 2011/12. A few small savings may not be delivered in full or are no longer deliverable but, where this is the case, the service is able to find an alternative saving. The total saving by 2014/15 is -£1.9m.
33. A contribution of £0.1m has been made to Oxford Inspires in 2011/12. A virement to move the budget from Community Services to the Chief Executive's Office will be included in the next report.

34. It is proposed that a one off payment of £0.070m should be provided to Oxfordshire Rural Community Council (ORCC). This will enable the organisation to further help communities to help themselves, supporting the County Council's approach to Big Society and community involvement in light of service change and budget cuts. This is a one off payment, pending a new contract for voluntary sector infrastructure that will be in place from April 2012 and will be funded from the Council's Efficiency Reserve.

Redundancy Costs

35. As noted in the Provisional Outturn Report £6.958m estimated redundancy costs expected in 2011/12 or later years have been accounted for in 2010/11. Actual redundancy payments will be monitored and reported throughout the year.

Virements and Supplementary Estimates

36. Children, Education and Families are requesting permanent virements relating to the directorate restructuring including the creation of budgets for the Early Intervention Service in accordance with the Business Strategy and to ensure income targets are up to date. Further temporary virements are requested to enable effective budget monitoring ahead of the restructuring. In addition both the expenditure and income budgets for schools, which had previously been kept unchanged because of the impact on inflation on the overall budget², are requested to be adjusted by £64.112m to bring them in line with the actuals for 2010/11. Although significant in value this virement does not reflect a policy change so does not require Council approval. The effect on inflation is no longer relevant as the level of Dedicated Schools Grant funding is set by the Government and is distributed to schools through the formula.
37. Other virement requests over £0.5m include the realignment of roads maintenance budgets within Highways and Transport between Operations (EE1-32) and Customer & Business (EE1-4). These do not constitute a policy change.
38. Children Education & Families are requesting a supplementary estimate for £0.012m. The value of Foster Carer Loans held on the balance sheet as at 31st March 2011 was £0.594m. During a review to ensure that legal charges were held against each loan amount, it has been established that a loan for £11,829.64 was actually repaid in November 2001. However, the debtor still remains on the balance sheet. To correct the debtor balance in the accounts the sum needs to be written-off.
39. Following the move to the corporate landlord approach, from 1 April 2011 under and over spends on non-domestic rates will be dealt with by Property Asset Management rather than being met from balances.

Grants Monitoring

40. Ringfenced grants totalling £426m (including £387m of Dedicated Schools Grant) are included in Directorate budgets. The Financial Monitoring Report to Cabinet on 19 April 2011 set out additional funding received since the budget

² Where different inflation rates applied to pay and non – pay virements, changing this would have had the effect of changing the overall inflation applied to schools budgets.

was set on 15 February 2011. A decision over the use of this funding will be made after the outcomes of the various consultations are known.

Bad Debt Write Offs

41. There were 3 general write offs to the end of April 2011 totalling £276.02. In addition Client Finance has written off 13 debts totalling £3,913.14.

Local Authority Business Growth Incentive Funding

42. The remaining balance of the Local Authority Business Growth Incentive (LABGI) Funding as at the end of 2010/11 was £0.496m. This will be used to support economic development activities from 2011/12 to 2014/15 as set out in Annex 3.

Treasury Management

43. The Treasury Management lending list is included at Annex 4 along with changes since the report to Cabinet on 19 April 2011.
44. The average cash balance during April 2011 was £229.2m and the average rate of return was 1.08%. The budgeted return for interest receivable on balances invested internally is £2.234m for 2011/12, it is expected that this budget will be achieved.
45. Under authority as set out in the Annual Treasury Management Strategy & Annual Investment Strategy 2011/12 any changes required to the Annual Treasury Management Strategy & Annual Investment Strategy are delegated to the Chief Finance Officer in consultation with the Leader of the Council and Cabinet Member for Finance.
46. At present, the Council has the ability to invest in UK Government Treasury Bills (UK T-Bills) via external fund managers. Given the ongoing uncertainty in the banking sector, the Treasury Management Strategy Team regarded it prudent to have the ability to invest in UK T-Bills in house.
47. Further changes to the Specified and Non-Specified Investment instruments section of the Strategy were required for consistency. All changes to this section are as follows:
- Ability to invest in UK T-Bills in house
 - Other Money Market Funds and Collective Investment Schemes to have a minimum credit rating of A+ (or equivalent)
 - Supranationals with a AAA credit rating
48. Detail of these changes are given in Annex 5 to this report.

Part 2 – Capital Programme

49. The table below summarises 2011/12 planned capital expenditure as agreed by Council on 15 February 2011.

Directorate	Original 2011/12 Budget (Feb 2011)
	£m
Children, Education & Families – Council	34.6
Children, Education & Families – Schools & Partners	6.9
Social & Community Services	10.5
Environment & Economy: Transport	19.3
Environment & Economy: Other	5.8
Oxfordshire Customer Services	0.8
Chief Executive's Office	0.1
Subtotal Directorate Programmes	78.0
Earmarked Reserve Allocations	0.1
Total Capital Programme	78.1

50. There are no significant variations to report, with directorates reporting planned expenditure as being consistent with the latest programme apart from this exception.
51. The next formal programme update will be considered by Cabinet on 19 July 2011 and will include an update on the latest expenditure and funding profiles taking account of the 2010/11 year end position and other changes in April and May 2011.

RECOMMENDATIONS

52. **The Cabinet is RECOMMENDED to:**
- a) note the report;
 - b) approve the virement requests set out in Annex 2a;
 - c) approve the allocation of £1.5m from the additional grant funding as set out in the Financial Monitoring report to Cabinet in April 2011 as set out in paragraph 20;
 - d) approve the Supplementary Estimate request as set out in Annex 2e and paragraph 38;
 - e) Approve a payment of £0.070m to the Oxfordshire Rural Community Council to support the Council's approach to Big Society to be funded from the Efficiency Reserve as set out in paragraph 34;
 - f) agree the use of the remaining LABGI funding of £0.496m as set out in paragraph 42 and Annex 3;
 - g) note the updated Treasury Management lending list at Annex 4.
 - h) recommend Council to note the changes to the Specified and Non-Specified Investment instruments section of the 2011/12 Treasury Management Strategy set out in paragraphs 45 to 48 and Annex 5.

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Background papers: Directorate Financial Monitoring Reports 30 April 2011.

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