

Division(s):

CABINET – 17 JANUARY 2012

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the forecast position for each Directorate. This includes the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2011/12 – 2015/16. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of November 2011. The Capital monitoring is included at Part 3.

Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of –£2.853m or -0.67% against a budget of £426.018m as shown in the table below.
3. Directorates continue to work hard to implement their Business Strategies. There is a firm focus on cost minimisation resulting in some revenue savings, particularly relating to vacant posts, being achieved early through careful service management.

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast November 2011 £m	Variance Forecast November 2011 %
112.817	Children, Education & Families (CE&F)	111.733	109.045	-2.688	-2.41
219.442	Social & Community Services (S&CS)	220.953	220.612	-0.341	-0.15
75.561	Environment & Economy	84.356	83.228	-1.128	-1.34
7.751	Chief Executive's Office	8.977	9.039	+0.062	+0.69
415.571	In year Directorate total	426.018	421.923	-4.095	-0.96
	Add: Overspend on Council Elements of Pooled Budgets			+1.242	
	Total Variation including Council Elements of Pooled Budgets			-2.853	-0.67
	Plus: Underspend on Dedicated Schools Grant (DSG)			-0.635	
	Total Variation			-3.488	-0.82

4. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2011/12
Annex 2	Virements & Supplementary Estimates
Annex 3	Redundancy Costs
Annex 4	Forecast Earmarked Reserves
Annex 5	Forecast General Balances
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	Government Grants 2011/12
Annex 8	Treasury Management Lending List
Annex 9	Capital Programme Monitoring and changes

Part 1 - Revenue Budget & Business Strategy Savings

5. The forecast revenue outturn by Directorate based on the position to the end of November 2011 is set out below.

Children, Education & Families: -£2.688m in year directorate variation

6. Children, Education & Families are forecasting an in-year variation of -£2.688m (-£3.323m total variation including a -£0.635m underspend on services funded from DSG). The position includes previously reported underspends: Home to School Transport -£0.764m, Children's Centres -£0.249m, Healthy Oxfordshire Schools -£0.175m, Asylum -£0.611m and -£0.275m relating to Youth Offending Service. These are offset by a previously reported overspend of +£0.225m in Quality and Compliance.

Placements

7. An underspend of -£0.775m is also forecast for Placements, a change of -£0.485m since the last report. This reflects more certainty in the forecast as the year progresses. There continues to be a general upward trend in agency residential placements and the position reported allows for £0.353m to be spent on new placements during the remainder of 2011/12 should they be absolutely necessary. The service continues to work toward minimising the use of out of area placements, although some children have significant complex needs that require specialist or secure placements.

DSG Funded Services

8. An underspend of -£0.635m is forecast on services funded by DSG an increase of -£0.275m. The Success Project is forecasting an underspend of -£0.100m. This will be requested to Schools Forum to be carried forward to 2012/13 to support the project as a traded service is developed in 2012/13. The Early Years underspend has increased by -£0.091m as more information becomes available about the impact of the restructure.
9. The directorate has yet to allocate £2.445m of the non-schools contingency. Schools Forum need to be consulted before the allocations can be finalised. Details on how this is planned to be spent will be included in future reports, but is committed to be used fully in 2011/12.

Social & Community Services: -£0.341m in year directorate variation

10. Social & Community Services are forecasting an underspend of -£0.341m. There is also a forecast overspend of +£1.242m on the Council elements of the Pooled Budgets (mainly on adults with physical disabilities).

Adult Social Care

11. Adult Social Care is reporting a underspend of -£0.261m which includes rent review arrears income of £1.1m. This position includes previously reported overspends of +£0.492m on Social Work, +£0.210m on Learning Disabilities, +£0.293m by the Acquired Brain Injury Service and +£0.100m on Transport Costs. There are further underspends of -£0.225m on Older People's Day Services and -£0.180m on Asylum Seekers.
12. Income relating to Older People and Physical Disabilities is forecast to be underachieved by +£0.096m, an increase of +£0.045m since the last report. Fairer Charging income is forecasting an underachievement of +£0.886m. This is due to a lower number of clients being liable for the full cost of their care. This is offset by an overachievement on residential and nursing care of -£0.790m as a result of additional clients. This is a volatile area so the position will continue to change throughout the year.

Community Safety (including Fire & Rescue)

13. Fire and Rescue continues to forecast an underspend of -£0.330m. This mainly relates to an underspend of -£0.200m on wholtime firefighters pay due to part year vacancies and changes to the number of firefighters on development and competent pay rates. There is also an underspend of -£0.100m on the retained duty system (RDS) which includes the current estimated cost of the changes to Grey Book following the implementation of the Part Time Workers (Prevention of less favourable treatment) Regulations 2000. The firefighter ill health retirement budget is also forecasting an overspend of +£0.040m. Any variance on the RDS and Firefighter ill health retirements will be returned to or drawn from balances.
14. Increased rental income and savings on pay plus repair and maintenance mean the Gypsy and Traveller Service is forecasting an underspend of -£0.100m.

Quality & Compliance (Strategy & Transformation)

15. The consultation process for the Joint Commissioning structure with Children, Education and Families ended at the end of November 2011 and the intention is to implement the new structure later in the year. Due to the delay in starting the consultation process savings of £0.350m are not expected to be achieved this year. The service is however is expected to achieve savings of £0.450m in 2012/13.

Pooled Budgets**Older People, Physical Disabilities and Equipment Pool**

16. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£2.586m, +£1.242m on the Council's element and +£1.344m on the Primary Care Trust's (PCT) element.

17. The forecast includes use of the additional 2011/12 funding of £6.196m for Adult Social Care being provided via the NHS of which the majority has been allocated to the Older People's Pooled Budget.

Older People

18. The County Council's element of the pool is forecast to be underspent by -£0.763m a decrease of +£0.483m since the last report. The change reflects lower than forecast attrition rates in the spot residential and nursing placements together with an increase in the number of clients in bed based and home support services.

Physical Disabilities

19. The County Council's element is projected to be overspent by +£1.733m. This reflects an increase in the number of people needing care over the last two years. Work is underway to understand the causes of this increased demand and the options for reducing the level of spending. This is being considered further as part of the Service and Resource Planning process.

Equipment

20. Additional resources amounting to £0.342m have been contributed to this budget from the extra £6.196m for adult social care from the NHS. This reflects the fact that the provision of equipment can often be a very effective way of helping ensure that the individual does not require more intensive (and expensive) methods of care (whether health or social care). Despite this there is still a pressure of +£0.272m on the budget. Work is underway to understand why these pressures are arising and what should be done in response.

Learning Disabilities Pool

21. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting a breakeven position. The change of -£0.142m since the last report reflects an underspend on placement costs.

Environment & Economy: -£1.128m in year directorate variation

22. Environment & Economy are forecasting an underspend of -£1.128m. The directorate's Business Strategy includes savings of -£13.2m in 2011/12. Proposals included in the Service and Resource Planning process for 2012/13 will require the Directorate to carry forward £0.425m of the underspend to 2012/13.

Highways & Transport

23. The service is continuing to forecast an underspend of -£0.574m This comprises underspends of -£0.200m on Concessionary Fares and -£0.223m relating to slippage in use of Community Transport Grant along with previously reported underspends on Public Transport and the Integrated Transport Unit.

Growth & Infrastructure

24. The service is forecasting an underspend of -£0.709m, a decrease of -£0.107m since the last report. This change relates to the underspend on carbon tax liability for street lighting of -£0.170m being transferred to Street Lighting to support SALIX investment costs. Waste Management continue to forecast an underspend of -£0.500m. Current activity levels for

recycling/composting are showing over 60% recycling/composting. This is better position than budgeted with less landfill tonnage being the main contributing factor to the increased performance. Work is continuing on the financial position based on the tonnage data and will be included in the next report.

Property and Facilities

25. The service is forecasting a variation of +£0.254m an increase of +£0.040m since the last report. This relates to an increase in the forecast spend on repairs and maintenance and the additional costs of the Property and Facilities contract procurement.
26. Food with Thought are continuing to forecast a trading surplus of £0.400m. The intention is that this surplus, plus any remaining School Lunch Grant will be reinvested in the service in agreement with Schools. QCS Cleaning is forecasting a break-even position.

Oxfordshire Customer Services

27. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.188m a change of +£0.086m since the last report. As previously reported Adult Learning had received written confirmation from the Skills Funding Agency (SFA) that some targets were not achieved during the academic year 2010/11. An estimated claw-back of £0.160m is included in the forecast.

Chief Executive's Office: +£0.062m in year directorate variation

28. The Chief Executive's Office (CEO) is forecasting a variation of +£0.062m. This includes an overspend of +£0.500m on Legal Services a change of +£0.230m since the last report. The legal overspend is offset by a number of underspends that have been previously reported within the Chief Executive's Office.

Redundancy Costs

29. As noted in the Annex 3, £6.705m estimated redundancy costs expected in 2011/12 or later years were accounted for in 2010/11. Actual 2011/12 payments made to the end of November 2011 are £3.786m and will continue to be monitored and reported throughout the year, as costs are still being incurred.

Virements and Supplementary Estimates

30. The virements requested this month are set out in Annex 2a and temporary virements to note in Annex 2d. Previously approved virements in Annex 2b and 2c are available on the Council's website and in the Member's Resource Centre. Virements requested this month include restructures within Children's Social Care and the Administration functions in CE&F.

Grants Monitoring

31. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £423.081m (including £382.507m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include an increase of £0.086m in DSG.

Bad Debt Write Offs

32. There were 56 general write offs to the end of November 2011 totalling £21,788. In addition Client Finance has written off 76 debts totalling £78,824.
33. It is recommended that Cabinet agree to write off the remaining debt of £16,315 from a £42,953 balance owed by the estate of a client who died in 2009. Court proceedings were issued, but a pre-trial settlement agreement was reached between the Council and the family.

Treasury Management

34. On 16 December the decision was taken by the Treasury Management Strategy Team (TMST) to reduce the limit of Barclays Bank Plc. after Fitch downgraded the short term, long term and viability ratings of the bank overnight on 15 to 16 December 2011. The deposit total limit has been reduced to £5m and the deposit length to 1 month.
35. The Prime Rate Money Market Fund (MMF) was also temporarily removed from the lending list on 8 December 2011. This decision was taken by TMST after the fund was placed on negative watch by Fitch. Redemption of all funds placed with Prime Rate was made as part of the dealing process on 8 December. The fund has subsequently been reinstated to the lending list as of 22 December following the affirmation of the fund's AAA rating by Fitch. A temporary limit of £5m has been imposed.
36. The revised lending limits for both Barclays Bank Plc. and Prime Rate MMF are in line with the current advice provided by our advisors, Arlingclose. The lending list and credit worthiness of all institutions on the lending list will continue to be closely monitored by TMST. The current lending list is included in Annex 8.
37. The average cash balance during November was £ 273.996m and the average rate of return was 1.134%. The budgeted return for interest receivable on balances invested internally is £2.234m for 2011/12. It is expected that this will be achieved.

Part 2 – Balance SheetReserves

38. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £81.219m an increase of +£2.923m since the last report. The change reflects contributions to the Registration Service reserve for the refurbishment of buildings, an increase in the On Street Car Parking reserve, a change in timing of the use of the Customer Services Centre reserve which will now be used in future years and the new CEF reserves agreed by Cabinet on 20 December 2011.

New Reserve

39. As part of the 2011/12 Service and Resource Planning process £0.300m was included for training and staff development towards new ways of working. Due to delays in the restructure this budget will not be spent in full this year. An underspend of -£0.220m is currently forecasted and will be required in 2012/13 as the new structure is implemented. It is therefore recommended that a reserve is created for use in 2012/13.

Balances

40. Annex 5 sets out the general balances taking into account known changes. Balances are currently £15.734m.

Part 3 – Capital Monitoring and Programme Update**Capital Monitoring**

41. The capital monitoring position set out in Annex 9a, shows the forecast expenditure for 2011/12 is £67.9m (excluding schools local capital). This is £1.1m lower than the latest capital programme agreed by Cabinet on 18 October 2011. The table below summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	30.7	30.4	-0.3
Social & Community Services	9.9	8.9	-1.0
Environment & Economy - Transport	23.6	25.2	+1.6
Environment & Economy - Other	4.7	3.2	-1.5
Chief Executive's Office	0.1	0.2	+0.1
Total Directorate Programmes	69.0	67.9	-1.1
Schools Local Capital	7.8	8.1	+0.3
Total Capital Programme	76.8	76.0	-0.8

* Approved by Cabinet 18 October 2011

42. The major in-year spend forecast variations to note for each directorate programme are explained in the following paragraphs and other significant variations are listed in Annex 9b.
43. In the Social & Community Services programme, the Extra Care Housing project at Greater Leys is expected to commence in March 2012, therefore £0.419m has been re-profiled to future years. In addition, £0.275m has also been re-profiled on the Extra Care Housing New Schemes project.
44. In the Transport programme, £2.628m of work has been brought forward from future years and delivered in 2011/12.
45. A legal difficulty around the adoption of a road has led to a delay in the construction start date on the Higham Way access road in Banbury. This has resulted in £0.173m being re-profiled to future years.
46. In the Environment & Economy programme, a budget provision of £0.470m for Solar Panels on non-school buildings has been removed following the reduction in the Feed-In-Tariffs announced by Government in November 2011.
47. The other significant variations were reported to Cabinet in November and December 2011.

Actual & Committed Expenditure

48. As at the end of November actual capital expenditure for the year to date (excluding schools local spend) was £31.0m. This is 46% of the total forecast expenditure of £67.9m, which is around 4% below the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 73% of the forecast.

Five Year Capital Programme Update

49. An updated capital programme is included as an annex to the Service & Resource Planning Report (Item CA8 on the agenda). This updated programme includes all of the changes made following the capital budget setting process and will be approved by Council in February 2012.

RECOMMENDATIONS

50. **The Cabinet is RECOMMENDED to:**
- (a) **note the report and approve the virements as set out in Annex 2a;**
 - (b) **agree the bad debt write off as set out in paragraph 33; and**
 - (c) **agree the creation of the new reserve as set out in paragraph 39.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 30 November 2011

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