

Notice of a Meeting

Strategy & Partnerships Scrutiny Committee Thursday, 21 July 2011 at 10.00 am County Hall

Membership

Chairman - Councillor Nick Carter
Deputy Chairman - Councillor A.M. Lovatt

Councillors:

Jean Fooks	Tim Hallchurch MBE	Dr Peter Skolar
Norman Bolster	Hilary Hibbert-Biles	David Wilmshurst
Liz Brighouse OBE	Chip Sherwood	

Notes:

Date of next meeting: 29 September 2011

What does this Committee review or scrutinise?

- Corporate and community leadership; corporate strategies; regional issues
- Local strategic partnerships and District Council liaison
- Social inclusion & equality; services for members
- Finance; procurement; property
- Culture change and customer focus; human resources; communications strategy; information and communications technology
- The elections and appointments functions of the Democracy & Organisation Committee
- The functions of the Pension Fund Committee

How can I have my say?

We welcome the views of the community on any issues in relation to the responsibilities of this Committee. Members of the public may ask to speak on any item on the agenda or may suggest matters which they would like the Committee to look at. **Requests to speak must be submitted to the Committee Officer below no later than 9 am on the working day before the date of the meeting.**

For more information about this Committee please contact:

Chairman	- Councillor Nick Carter E.Mail: nick.carter@oxfordshire.gov.uk
Committee Officer	- <i>Claire Phillips</i> , Tel: (01865) 323967 claire.phillips@oxfordshire.gov.uk



Peter G. Clark
County Solicitor

July 2011

About the County Council

The Oxfordshire County Council is made up of 74 councillors who are democratically elected every four years. The Council provides a range of services to Oxfordshire's 630,000 residents. These include:

schools	social & health care	libraries and museums
the fire service	roads	trading standards
land use	transport planning	waste management

Each year the Council manages £0.9 billion of public money in providing these services. Most decisions are taken by a Cabinet of 9 Councillors, which makes decisions about service priorities and spending. Some decisions will now be delegated to individual members of the Cabinet.

About Scrutiny

Scrutiny is about:

- Providing a challenge to the Cabinet
- Examining how well the Cabinet and the Authority are performing
- Influencing the Cabinet on decisions that affect local people
- Helping the Cabinet to develop Council policies
- Representing the community in Council decision making
- Promoting joined up working across the authority's work and with partners

Scrutiny is NOT about:

- Making day to day service decisions
- Investigating individual complaints.

What does this Committee do?

The Committee meets up to 6 times a year or more. It develops a work programme, which lists the issues it plans to investigate. These investigations can include whole committee investigations undertaken during the meeting, or reviews by a panel of members doing research and talking to lots of people outside of the meeting. Once an investigation is completed the Committee provides its advice to the Cabinet, the full Council or other scrutiny committees. Meetings are open to the public and all reports are available to the public unless exempt or confidential, when the items would be considered in closed session

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, giving as much notice as possible before the meeting

A hearing loop is available at County Hall.

AGENDA

- 1. Apologies for Absence and Temporary Appointments**
- 2. Declarations of Interest - see guidance note on the back page**
- 3. Minutes** (Pages 1 - 6)

To approve the Minutes of the meeting held on Thursday 26 May 2011 (**SYP3**) and to receive information arising from them.

- 4. Speaking to or petitioning the Committee**

- 5. Director's Update**

10.10

The Assistant Chief Executive & Chief Finance Officer will give a verbal update on key issues.

The Head of Strategy and Communications will give an introduction to his role.

- 6. Summary of 2010/11 Provisional Outturn Report** (Pages 7 - 22)

10.40

Commentary by the Cabinet Member for Finance (**SYP6**).

The report provides a commentary on the Provisional Outturn position at 31 March 2011.

Contact Officer: Kathy Wilcox, Principal Financial Manager

- 7. Long Term Debt Policy** (Pages 23 - 28)

11.00

Report of the Assistant Chief Executive and Chief Finance Officer (**SYP7**)

The report sets out the reasons that Oxfordshire County Council makes use of a Long Term Debt portfolio, the current policy on Long Term Debt and Borrowing and the possible implications of keeping or amending the current policy.

Contact Officer: Tim Chapple, Financial Manager - Treasury Management & Pension Fund Investments

8. Business Strategy (Pages 29 - 38)

11.25

Business Strategy

The Committee will be given an overview presentation on the council's Business Strategy and corporate approach to business management for 2011/12. Attached is an overview paper on the Business Strategy (**SYP8a**).

This item is brought forward from the last meeting when it was not considered.

Contact officer: Alexandra Bailey, Senior Policy Manager, Chief Executive's Office

11.45

ICT Strategy

Update report on the ICT Strategy (**SYP8b**). The Head of ICT Business Delivery will provide an update on the strategy and progress on implementation.

Contact officer: Graham Shaw, Head of ICT Business Delivery

12.05

Big Society Fund

Report (**SYP8c**) on the Big Society Fund and first wave of applications.

Contact officer: Alexandra Bailey, Senior Policy Manager, Chief Executive's Office

9. Forward Plan

12.20

The Committee is asked to suggest items from the current Forward Plan on which it may wish to have an opportunity to offer advice to the Cabinet before any decision is taken, together with details of what it thinks could be achieved by looking at any item and propose any other relevant items for the Committee to consider.

12.30 Close of Meeting

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

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STRATEGY & PARTNERSHIPS SCRUTINY COMMITTEE

MINUTES of the meeting held on Thursday, 26 May 2011 commencing at 10.00 am and finishing at 12.40 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Norman Bolster
Councillor Liz Brighthouse OBE
Councillor Jean Fooks
Councillor Timothy Hallchurch
Councillor Hilary Hibbert-Biles
Councillor A.M. Lovatt (Deputy Chairman)
Councillor Dr Peter Skolar
Councillor David Wilmshurst

Other Members in Attendance: Councillor Keith R Mitchell CBE, Leader of the Council
Councillor Jim Couchman, Cabinet Member for Finance and Property
Councillor David Harvey, Chairman Pension Fund Committee

Officers:

Whole of meeting Guy Scane (Head of Strategy and Communications)
Claire Phillips (Chief Executive's Office)

Part of meeting Sue Scane (Assistant Chief Executive and Chief Financial Officer)

Agenda Item	Officer Attending
8	Sean Collins (Service Manager - Pensions, Insurance & Money Management)
9	Martin Tugwell (Head of Sustainable Development)
10, 11	Peter Clark (Head of Law and Governance)

The Scrutiny Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting [, together with a schedule of addenda tabled at the meeting/the following additional documents:] and agreed as set out below. Copies of the agenda and reports [agenda, reports and schedule/additional documents] are attached to the signed Minutes.

19/11 ELECTION OF THE CHAIRMAN FOR THE 2011/12 COUNCIL YEAR (Agenda No. 1)

Councillor Fooks proposed and Councillor Brighthouse seconded that Councillor Brighthouse be elected Chairman for the 2011/12 Council Year.

Councillor Bolster proposed and Councillor Hibbert-Biles seconded that Councillor Carter be elected Chairman for the 2011/12 Council Year.

By a show of hands it was **RESOLVED** (by seven votes to two) that Councillor Carter be elected Chairman.

20/11 ELECTION OF THE DEPUTY CHAIRMAN FOR THE 2011/12 COUNCIL YEAR

(Agenda No. 2)

RESOLVED: Councillor Carter proposed and Councillor Wilmshurst seconded (and carried nem. con) that Councillor Lovatt be elected Deputy Chairman for the 2011/12 Council Year.

21/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Apologies were received from Councillor Sherwood.

22/11 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE ON THE BACK PAGE

(Agenda No. 4)

The following interests were noted in relation to item 8 Pension Fund Committee;

Councillor Hallchurch – in receipt of an Army pension
Councillor Bolster – in receipt of a pension from an affiliated body
Councillor Fooks – contributing to the pension scheme
Councillor Brighouse - in receipt of a pension from an affiliated body
Councillor Skolar – in receipt of a public sector pension
Councillor Carter – contributing to the pension scheme
Councillor Hibbert-Biles – in receipt of a pension from an affiliated body
Councillor Lovatt – Pension representative for Abingdon Town Council

23/11 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 17 March 2011 were approved and signed.

Minute 12/11 Councillor Fooks asked whether the Public Service Board had met to agree the allocation of remaining LAA reward grant.

24/11 SPEAKING TO OR PETITIONING THE COMMITTEE

(Agenda No. 6)

None

25/11 DIRECTOR'S UPDATE

(Agenda No. 7)

The Assistant Chief Executive and Chief Financial Officer introduced Guy Swindle, the newly appointed Head of Strategy and Communications to the committee.

Sue Scane provided the following update from work areas within the Chief Executive's Office

- Business Strategy – teams across the Chief Executive's Office are supporting delivery of the business strategy
- Human Resources –
 - Involved in restructuring that is happening across the organisation to ensure consistency.
 - Career Transitions (formerly Job Finder Service) is supporting employees facing redundancy
 - Currently in appraisal season, managers are responsible for appraising team members.
- Key areas of work in the Policy Unit at present are
 - Big Society and the first 'wave' of applications to the Fund and locality reviews
 - New approach to equalities
 - Developing relationships with the voluntary sector
- Work with the Military includes the launch of the Military Covenant and repatriations moving to Brize Norton. There was some discussion about the repatriation issue which Sue Scane indicated she was working hard with all partners to handle the matter sensitively.
- Finance are working on
 - the annual account close down process for the end of June which looks likely to show an underspend.
 - The Annual Audit Plan
 - The local government resource review for which the government has recently issued terms of reference. The review is expected to propose significant changes to the way local government is financed.
- Legal and democratic services are working on a number of judicial reviews.

In response to a question about the progress of restructuring Sue Scane indicated that progress varies across the organisation. Some services have already restructured and others entering into it which reflects that the business strategy will be delivered over four years.

26/11 PENSION FUND COMMITTEE - QUESTION & ANSWER SESSION

(Agenda No. 8)

Councillor David Harvey, Chairman of the Oxfordshire Pension Fund Committee and Sean Collins, Service Manager (Pensions, Insurance & Money Management) attended the meeting for a question and answer session.

Councillor Harvey provided background to the work of the Pension Committee and responded to questions from members of the scrutiny committee. The session noted the following points,

SYP3

- Each fund manager is given a target by the Independent Financial Adviser
- In the past decade there have been two significant drops in the market
- The Pension Committee has a detailed briefing before each meeting to build their knowledge and an annual training day with senior level advice about the fund and investments.
- Recently the Pension Fund Committee has requested six-weekly updates on fund performance
- Given the natural performance cycle of peaks and troughs Fund managers are given three years to prove themselves. Changes in performance are raised early
- Fund managers performance is reviewed in terms of cash value as well as % change in value of the Fund which enables the committee to assess managers' ability to make up the value
- Managers methods and philosophy are assessed as well as what they say they can deliver
- The employer is responsible for meeting the costs of early retirement or redundancy not the Pension Fund
- Employers are paying into the fund for past service deficit
- Contributions to the fund are in excess of benefits paid out
- There are a number of potential impacts of the Hutton Review if adopted. These include the impact of increased contributions for the lowest paid which may cause people to opt out of the scheme and Fair Deal whereby employees outsourced to the private sector would no longer be eligible for the Fund which would reduce income
- The aim is to be 100% paid up in 25 years, currently this is 79%.
- Sean Collins undertook to provide the answer to the question about the impact of the recent change to link pension benefits to CPI rather than RPI outside the meeting.

27/11 LOCAL ENTERPRISE PARTNERSHIP UPDATE

(Agenda No. 9)

Councillor Keith R. Mitchell and Martin Tugwell, Head of Sustainable Development attended to give an update on the Local Enterprise Partnership.

It was noted that the Partnership has senior business sector leadership and that the Board will be reviewing itself at the six month point.

Some of the key deliverables of the Partnership are;

- Skills needs assessment to enable providers to plan skills provision; this will be available in the autumn
- Infrastructure framework being developed by the Spatial Planning and Infrastructure Partnership reporting
- Development of the business support and inward investment offer to potential investors

Current activity of the Partnership to develop a bid to government for an Enterprise Zone was discussed. Enterprise Zones offer the potential to stimulate the economy in

a specific geographical area by suspending business rates for five years and to retain the growth in rates for 25 years, offer a relaxed approach to planning in the zone.

Bids for Science Vale UK and Bicester will be considered by the Board which will decide which bid to submit to government at the end of June. The bid offers the opportunity to raise the profile of these growth areas and articulate the barriers to economic growth.

The Committee supported the promotion of the wider Oxfordshire economy rather than focus entirely on Oxford.

The Committee supported the focus on skills needs of businesses many of which are for mid-level skills. It was noted that the visits to businesses to discuss work placements are now being used to talk about employers skills needs to enable a bigger picture to be developed.

It was **AGREED** that the Local Enterprise Partnership should be included in the next partnership report to Council.

28/11 ANNUAL UPDATE OF LOCAL CODE OF CORPORATE GOVERNANCE
(Agenda No. 10)

The Committee considered the revised code of corporate governance and made a series of specific comments to Peter Clark, Head of Law and Governance to update the code.

The committee requested that acronyms are avoided or explained.

It was noted that the standards committee remains currently but the Localism Bill proposes that this requirement is removed.

It was **AGREED** that the Code be reviewed every two years.

29/11 MEMBERS' COMMUNICATION PROTOCOL
(Agenda No. 11)

Peter Clark, Head of Law and Governance presented the report on the member's communication protocol.

The committee requested that the Head of Law and Governance regularly send reminders to directorates about good communications with members.

It was requested that county councillors are informed when officers will be attending local meetings such as parish councils.

The committee suggested that members are made aware that they should raise any issues with communication with the Head of Law and Governance.

30/11 BUSINESS MANAGEMENT

(Agenda No. 12)

Due to time constraints it was agreed to defer this item to the next meeting.

31/11 FORWARD PLAN

(Agenda No. 13)

The following items were suggested for potential consideration by the committee. The Chairman agreed to consider them.

- ICT Strategy
- Partnership Arrangements with the Townlands Hospital
- Oxfordshire 2030 delivery

..... in the Chair

Date of signing

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 21 JULY 2011

PROVISIONAL OUTTURN OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE

Introduction

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 17 March 2011 set out the Council's financial position at the end of January 2011. This report provides a commentary on the Provisional Outturn position at 31 March 2011, as set out in the Provisional Outturn Report to Cabinet on 21 June 2011, and is consistent with the Council's Statement of Accounts for 2010/11¹. The report to Cabinet and all Financial Monitoring reports are available on the Council's website and the Directorate reports upon which the Cabinet report is based are available in the Members' Resource Centre.
2. During 2010/11 directorates worked hard to reduce costs in readiness for implementing their Business Strategies from 2011/12 and there was a firm focus on cost minimisation. As a result some revenue savings, particularly relating to vacant posts, were achieved early and through careful service management, it was also possible to absorb the impact of the in-year revenue grant reductions of £3.717m agreed by Council on 27 July 2010. £2.334m of these reductions related to Children, Young People and Families, £0.647m to Environment and Economy and £0.320m to Social & Community Services². The revenue variation also reflects the achievement of savings of £35m built into the 2010/11 budget. 2010/11 capital expenditure reflects grant reductions and the capital programme moratorium implemented in year.
3. From 2010/11 all local authorities were required to prepare their accounts using International Financial Reporting Standards (IFRS). This required a change in the way unspent elements of some specific grants and contributions were recorded at year end. Because of this £6.515m of grants and contributions were required to be carried forward in accordance with Council procedures. The table below shows the forecast Directorate position before and after the changes relating to IFRS.

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Variance to Latest Budget £m	Variance to Latest Budget %
389.870	Revenue (*) (after IFRS)	385.745	375.386	-10.359	-2.68
389.870	Revenue (*) (before IFRS)	385.745	381.901	-3.844	-1.00
130.248	Capital	101.026	93.426	-7.600	-7.52
12.500	General Balances	13.056 ³	14.059	+1.003	+7.68
64.870 ⁴	Reserves	72.323 ⁵	84.739	+12.416	+17.16

¹ Due to external accounting requirements the presentation of the figures may vary.

² The remaining £0.138m related to Oxfordshire Customer Services and £0.012m to the Chief Executive's Office with the balance being funded from balances pending a further decision.

³ Per the Service & Resource Planning – Financial Plan 2011/12 – 2015/16.

⁴ Per Service & Resource Planning – Financial Plan 2010/11 – 2014/15

⁵ Per February 2011 Financial Monitoring Report to Cabinet on 19 April 2011.

(*) Throughout the report a minus sign (-) represents an underspend compared to the final approved budget and a positive sign (+) indicates an overspend.

Part 1 – Provisional Revenue Outturn

Summary in accordance with IFRS requirements

4. The year end revenue position for 2010/11 as reported to Cabinet on 21 June 2011, consistent with the Council's Statement of Accounts, is as follows:

2010/11	Gross Expenditure £m	Income £m	Net Expenditure £m
Original Budget	907.459	-516.644	390.815
Brought forward from 2009/10	1.066		1.066
Virements & Grant Changes	-21.051	13.525	-7.526
Supplementary Estimates	1.390		1.390
Final Approved Budget	888.864	-503.119	385.745
Provisional Outturn	997.980	-622.594	375.386

Total Variation	109.116	-119.475	-10.359
Less variations returned to balances (see paragraph 5)	0.468		0.468
Adjusted Directorate Variation	109.584	-119.475	-9.891

Variations returned to Council in 2010/11

5. Some specific variations are removed from carry forwards because they represent variations to budgets which are recognised to be outside the control of the Directorate. The total net variation returned to balances was -£0.468m.

Directorate	Variation	Calls on £m	Returns to £m
Environment & Economy	Non – domestic rates		-0.149
	Council Tax	+0.010	
	Flood Levy		-0.004
Community Safety	Retained Firefighters		-0.224
	Firefighter Pension Scheme – ill health retirements	+0.084	
Chief Executive's Office	External Audit Fee		-0.185
Total		+0.094	-0.562

Directorate Variations

6. The tables on the next page show that the total variation of -£10.359m is made of the underlying directorate outturn of -£3.844m and further grant and contribution variations of -£6.515m. The year end directorate variation compares to a forecast position of -£5.016m in the last Financial Monitoring Report to the end of February 2011 and -£2.725m in the Financial Monitoring Report to the end of January 2011 and as reflected in the previous report to Strategy and Partnerships Scrutiny Committee. A

limited number of more significant changes since January are explained in the following paragraphs.

	Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Provisional Outturn Variance £m	Provisional Outturn Variance %
Children, Young People & Families	97.899	96.534	-1.365	-1.39
Social & Community Services	206.046	206.690	+0.644	+0.31
Environment & Economy	69.931	69.329	-0.602	-0.86
Oxfordshire Customer Services	1.590	0.284	-1.306	-82.14
Chief Executive's Office	10.279	9.064	-1.215	-11.82
Total Directorate variation including Pooled Budgets	385.745	381.901	-3.844	-1.00

7. In addition to the Directorate position of -£3.844m there were grant and contribution variations of -£6.515m.

Grant & Contributions/Directorate	£m	£m
Dedicated Schools Grant (DSG)	-0.961	
Integrated Workforce Grant	-0.022	
Education Business Partnership	-0.110	
National PE/ School Sports	-0.036	
Healthy Schools	-0.060	
Play & Participation - National Citizen Service	-0.004	
National Literacy Fund	-0.003	
Play Pathfinder	-0.004	
YPLA – Home to School Transport	-0.263	
Total Children, Young People & Families		-1.463
Social Care Reform Grant	-1.065	
New Dimensions Training Grant	-0.072	
Total Social & Community Services		-1.137
Exceptional Highways Maintenance Grant	-3.525	
Supporting Community Transport Grant	-0.279	
Wychwood Project	-0.033	
Biodiversity Grant	-0.016	
Windrush Project	-0.007	
Thames Valley Environmental Records Centre	-0.046	
Preliminary Flood Risk Assessment	-0.009	
Total Environment & Economy		-3.915
Total All Grant Underspends		-6.515
Add Directorate Variation (from table above)		-3.844
Total Variation for IFRS Reporting Requirements		-10.359

8. The table on the next page summarises the Directorate variations reported to Cabinet since the last report to Strategy and Partnerships Scrutiny Committee.

SYP6

Directorate	Forecast Variance (excluding grant underspends) as at:		
	31 January 2011 (reported to Cabinet on 15 March 2010) £m	28 February 2011 (reported to Cabinet on 19 April 2011) £m	31 March 2011 (reported to Cabinet on 21 June 2011) £m
CYP&F	-0.531	-2.426	-1.365
S&CS	+1.705	-0.355	+0.644
Environment & Economy	-0.891	-0.247	-0.602
Oxfordshire Customer Services	-0.350	-1.148	-1.306
Chief Executive's Office	-0.373	-0.840	-1.215
Directorate in-year forecast over/underspend	-0.440	-5.016	-3.844
Change compared to previous month		-4.576	+1.172

Children, Young People & Families: in-year Directorate variation of -£1.365m or -1.39%.

9. The outturn position for CYP&F was a variation of -£1.365m. The main reason for the change in variation since the end of February 2011 was the inclusion of a provision for redundancy costs of £1.958m relating to the service redesign. The final position also included actual redundancy costs of £1.285m. All redundancy costs to date have been met within the Directorate, which also made a contribution of £0.058m to the Efficiency Reserve. In addition to the Directorate variation there were grant and contribution variations of -£1.463m, including -£0.961m Dedicated Schools Grant (DSG).

Dedicated Schools Grant and Standards Fund

10. On 18 March 2011 the Council was notified by the Department for Education (DfE) that it would not be receiving the final £1.371m instalment of the 2010/11 Standards Fund grant. In previous years this income was received after 1 April (in the following financial year) and could be spent up until the end of the academic year. £0.633m of this reduction relates to funds which have already been spent by schools in 2010/11.
11. The Government provided local authorities with a choice of methods to deal with the resulting pressure with a view to avoiding school allocations for 2010/11 and 2011/12 being amended. The option agreed by Schools Forum was to offset the £0.633m 2010/11 pressure against Dedicated Schools' Grant (DSG) underspends. The remaining £0.738m for which costs have not yet been incurred will be offset against the DSG underspend of -£0.961m carried forward to 2011/12.

Social & Community Services: in-year Directorate variation of +£0.644m, or +0.31%.

12. The outturn position for S&CS was an overspend of +£0.644m. This was +£1.086m higher than the forecast at the end of February but the movement primarily reflects the inclusion of overspends on the Council elements of the Pooled budgets. There were further underspends of -£1.137m on grants.

13. The Music Service overspent by +£0.065m, an increase of +£0.015m from the variation forecast at the end of January 2011. This will be carried forward to 2011/12 in line with the agreed four year Music Service Change Programme and from 1 April 2011 has transferred to Children, Education and Families directorate.
14. Social Care for Adults reported an overspend of +£1.216m, an increase of +£0.681m since the end of January 2011. This includes the Council elements of the overspends on the Older People and Physical Disabilities Pooled budget (+£0.205m) and the Learning Disabilities Pooled budget (+£1.192m) which were brought into the revenue account at year end. The variation also includes additional Fairer Charging and Residential Client income of -£0.449m since the end of January 2011.
15. Community Safety underspent by -£0.707m. The retained duty system (RDS) underspend was due to lower than forecast emergency call outs and management action taken to control non emergency expenditure. The full RDS underspend of -£0.224m was returned to balances as in previous years. The remaining underspend related to the delayed completion of projects including Fire Control and the training hub and tight control of expenditure.

Pooled Budgets

16. The Older People & Physical Disabilities Pooled Budget overspent by +£1.101m as shown in Annex 2. Including the +£0.686m overspend brought forward from 2009/10, the Council elements overspent by +£0.205m (a decrease of -£1.093m since the last report in to Strategy and Partnerships Scrutiny Committee in March 2011). The Primary Care Trust (PCT) element overspent by +£0.896m (a decrease of -£2.743m since the last report and includes the additional contribution made by the PCT in March 2011 of £3.893m).
17. £1.424m of the £1.531m funding from the NHS for winter pressures announced by the Department of Health in January 2011 was not spent in 2010/11. This has been transferred to an earmarked reserve and will be used to meet the on-going costs for the relevant clients in 2011/12 and future years.
18. The Council element of the overspend was made up of an underspend on Older People of -£1.106m, an overspend on Physical Disabilities of +£1.144m and an overspend on Equipment of +£0.167m. The reduction in the underspend since the last Strategy & Partnerships report mainly related to lower than forecast spend on older people's residential and nursing beds arising from the transfer of costs to the Winter Pressures funding and increased income from funded nursing care. However, spending on residential and nursing care for people with physical disabilities was higher due to increased client numbers and backdated payments.
19. As shown in Annex 2 the year end position on the Learning Disabilities Pooled Budget was an overspend of +£1.425m. The Council's element of the overspend was +£1.192m. The PCT element of the overspend was +£0.233m.
20. The PCT is expected to make a further contribution in 2011/12 to meet the overspends from 2010/11 on the Older People and Physical Disabilities Pool and Learning Disabilities Pool. An adjustment has been made to the Council's accounts in the form of a creditor so the overspend has no effect on the outturn position of the Council.

Environment & Economy: in-year Directorate variation of -£0.602m, or -0.86%.

21. The outturn position for E&E was a variation of -£0.602m, a change of -£0.294m since the last report. This excludes unspent grants and contributions totalling -£3.915m, the majority of which were received at the end of March 2011.
22. An additional +£0.580m was spent in delivering the Corrective Roads Maintenance Action Plan due to pro-active over-programming of the work against the original allocation of £0.987m. This was off-set by underspends of -£0.265m on Safety Fence tensioning and -£0.209m due to the Section 38⁶ transfer being less than anticipated.
23. Waste Management underspent by -£2.183m (a movement of -£0.445m since the last report to Strategy and Partnerships Scrutiny Committee). As reported throughout the year this has been transferred to the Waste Management Reserve to fund one off project costs relating to the Waste Treatment Project.

Oxfordshire Customer Services: in-year Directorate variation of -£1.306m.

24. The outturn position for OCS was a variation of -£1.306m, a change of -£0.453m since the previous report to the Strategy and Partnerships Scrutiny Committee in March 2011. The change mainly relates to ICT income being higher than expected, while expenditure was also less than forecast.
25. Adult Learning reported an overspend of +£0.035m a decrease of -£0.047m since the last report to Strategy and Partnerships Scrutiny Committee. A four year recovery plan is in place to reduce this overspend and repay the supplementary estimates totalling £0.181m by 2012/13. The improved position compared to the forecast is explained by higher levels of income received towards the end of the year.
26. The Food with Thought trading account recorded a surplus of £0.736m (9.5% of turnover). Meal numbers were 3.4% ahead of target and food costs, labour costs and overheads were all kept within budget. School Lunch Grant received via Schools was not spent in full but will be used in future years to improve the schools meals service. QCS cleaning has recorded a surplus of £0.049m (2% of turnover). These surpluses have been transferred to the relevant earmarked reserves.
27. Based on the position at the end of 2010/11 annual savings for Shared Services are £0.166m ahead of the original business case target from 2011/12.

Chief Executive's Office: in-year Directorate variation of -£1.215m.

28. The outturn position for the Chief Executive's Office was a variation of -£1.215m, a change of -£0.483m since the last report to the end of January 2011. The changes included -£0.125m unspent Performance Reward Grant in the Partnership Unit funding that will be allocated to the voluntary sector in 2011/12.
29. The variation on Human Resources increased by -£0.097m compared the last report to Strategy and Partnerships Scrutiny Committee. This related to early delivery of the business strategy and an underspend on the Future Jobs Fund due to the final cohort

⁶ Section 38 is income from developers based on a scale of charges. It is for works in/on the existing highway and mainly new developments and is the Council's fee for checking drawings, creating an agreement (usually a highway adoption agreement) and for monitoring and inspecting works.

of work placements to be funded from this grant starting in February 2011 and ending in August 2011.

30. The underspend on the Audit Fee of -£0.185m was returned to Council balances in line with Council policy.

Carry Forward of under and over spends in 2010/11 to 2011/12

31. IFRS grants and contributions underspends of -£6.515m will be carried forward as set out in paragraphs 3 and 7. Overspends totalling +£1.497m have been carried forward to 2011/12 to be recovered in future years as planned. The total directorate underspend that Cabinet considered carrying forward is -£3.106m. A further -£0.270m has been transferred to the Efficiency Reserve in 2011/12 to support the Business Strategy. The table below summarises the carry forwards by Directorate. The carry forwards for CYP&F, S&CS and E&E are dependant on virements larger than £0.5m which will need to be approved by Council on 13 September 2011 under the Council's Financial Regulations.

Directorate	Overspend to be carried forward £m	Underspend requested to be carried forward £m	Net total requested to be carried forward £m	Grants Proposed to be carried forward £m	Total Proposed Carry Forward £m	Underspend Transferred to Efficiency Reserve £m
CYP&F (non – DSG)	+0.065 ⁷	-1.307	-1.242	-0.502	-1.744	-0.058
CYP&F (DSG)				-0.961	-0.961	
S&CS		-0.568	-0.568	-1.137	-1.705	
OP&PD Pooled Budget	+0.205		+0.205		+0.205	
LD Pooled Budget	+1.082		+1.082		+1.082	
Total S&CS	+1.287	-0.568	+0.719	-1.137	-0.418	
E&E		-0.459	-0.459	-3.915	-4.374	
OCS	+0.035	-1.247	-1.212		-1.212	
CEO		-0.912	-0.912		-0.912	-0.212
Total	+1.497	-4.483	-3.106	-6.515	-9.621	-0.270

Strategic Measures

32. Overall there was no variance on the Strategic Measures budget. Within this there was a variation of -£0.208m on the interest paid on various sums included within the Council's cash balance, Interest earned on cash balances invested in house was -£0.198m more than budgeted due to higher than expected cash balances throughout the year and Interest earned on balances invested externally was -£0.142m more than budgeted due to a better than expected performance from the Council's external fund managers. There was an overspend of +£0.548m on capital financing. The amount rechargeable to directorates for capital prudential borrowing schemes was lower than budgeted and borrowing more long term debt than originally expected increased the amount of debt interest payable.

⁷ Planned overspend on the Music Service which has moved to CEF from 1 April 2011.

33. The Treasury Management Outturn report for 2010/11, which covers all of the related activities in detail, was considered by Audit Committee on 7 July 2011 and by Cabinet on 19 July 2011.

Bad Debt Write Offs

34. For the year ended 31 March 2011 there were 316 debts written off totalling £0.132m. Of these the largest was £0.074m and related to a Section 106 debt in connection with a planning obligation which was agreed to be written off by Cabinet in May 2010. In addition Client Finance wrote off £0.103m in respect of 149 debts relating to care provided by Social & Community Services. The largest of these debts was £0.021m and related to Fairer Charging income. This was approved by Cabinet in April 2011.
35. After taking account of ad hoc write offs and other adjustments totalling £0.009m, total write offs for the year were £0.244m. This compares to total write offs of £0.230m for 2009/10. Most of the debts have been written off because it is uneconomical to recover through the courts.

Redundancy Costs

36. Redundancy costs totalling £9.057m were incurred in 2010/11. £4.597m was funded from Directorate underspends and a further £4.460m from the Efficiency Reserve. £6.958m of the total relates to individual payments that will be incurred in 2011/12, but for which the decision was effectively made in the 2010/11 financial year. These were included in the 2010/11 accounts in accordance with accounting standards.

Part – 2 Consolidated Provisional Capital Outturn

Summary Programme Expenditure

37. The original capital programme for the year is agreed by Council in the February preceding the start of the financial year as part of the Medium Term Financial Plan. This is then updated three times each year with the latest updated programme, based on the position forecast at the end of December 2010, and agreed by Council on 13 February 2011.
38. Overall, the programme progressed slower than planned, reflecting the announcement of the national emergency budget and in-year grant reductions by the national government and the related moratorium on new scheme starts agreed on 20 July 2010.
39. When the overall performance of the programme is adjusted to take into account the impact of the in-year grant reductions, capital moratorium, cost reductions and other technical adjustments on the level of expenditure in 2010/11 the variation was £10.8m (9%) as set out in the table on the next page. This represents 91% use of resources on capital, compared to the original capital programme.

SYP6

	Total Directorate Programmes £m	Schools Capital & Earmarked Reserves £m	Total Capital Programme £m
Original Capital Programme	117.4	12.8	130.2
Final Outturn Expenditure	82.8	10.7	93.5
Variation	-34.5	-2.2	-36.7
Impact of in-year grant reductions	3.7		3.7
Impact of the capital moratorium	13.8		13.8
Impact of other VfM & technical adjustments	5.0		5.0
Impact of Cost Savings & Returned Contingencies	1.2		1.2
Adjusted Variation	-10.8	-2.2	-13.0
Use of Resources	91%	83%	90%

40. Although this adjusted use of capital resources in 2010/11 represents a reduction compared to the performance of 94% achieved in 2009/10, it was still within the tolerances recommended by best practice and at a reasonable level given the level of uncertainty affecting the programme delivery in such a challenging year. The Council still maintains the improvement made in the use of resources position compared to 2008/09 (90%) and 2007/08 (82%).

Children, Young People & Families

41. The total capital expenditure for the year 2010/11 was £53.3m (excluding schools' local capital expenditure). The variation compared to the latest approved Capital Programme was a reduction of £2.9m (5%).
42. The variation compared to the original capital programme was a reduction of £13.2m (20%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £4.5m (7%).

Social & Community Services

43. The total capital expenditure for the year 2010/11 was £5.6m. The variation compared to the latest approved Capital Programme was a reduction of £1.1m (16%). This includes -£0.4m relating to the Extra Care Housing Adaptations, -£0.2m for the Oxfordshire Records Office and -£0.2m relating to ICT Adult Social Care Infrastructure.
44. The variation compared to the original Capital Programme was a reduction of £9.5m (63%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £3.8m (25%). This adjusted figure also takes into account a decision made to finance the build cost of Chipping Norton Homes for Older People through the bed price, as financial assessments did not adequately justify prudential borrowing as a better Value for Money option. £4.1m of capital expenditure and borrowing were therefore removed from the programme.
45. These reductions were offset by the inclusion of new (mainly grant funded) projects totalling £0.5m including Health & Wellbeing, Deferred Interest Loans, Transforming Adult Social Care and Stronger and Safer Communities.

Environment & Economy - Transport

46. Total capital expenditure for the year 2010/11 was £18.3m. The variation compared to the latest forecast position was a reduction of £0.8m (4%). There were

underspends on the drainage programme (£0.1m) and bridges programme (£0.2m), but no other major variations.

47. The variation compared to the latest capital programme was a reduction of £1.7m (8%) and the variation compared to the original capital programme is a reduction of £7.6m (29%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of £1.0m (4%).
48. Within this overall variation an increase in the Structural Maintenance programme of £1.7m (13%) offsets a decrease on the Integrated Transport Improvement programme of -£2.8m (22%). The increased Structural Maintenance programme was mainly due to the additional non-principal road carriageway works undertaken using the Winter Damage Grant allocation of £1.5m. Slippage on the Didcot Parkway Interchange (-£1.8m), accounts for a large part of the reduction in the Integrated Transport programme. There was also slippage across the programme on several developer funded schemes. These were partly offset by increased costs on London Road Phase 3 (£0.5m) due to unforeseen ground conditions. £0.2m of spend was also brought forward on Cogges Link Road in order to carry out advance overhead electricity cable works during the summer.

Environment & Economy – Other

49. Total capital expenditure for the year 2010/11 was £4.8m. The variation compared to the latest forecast position is a reduction of £0.2m (4%) and the variation compared to the latest capital programme is a reduction of £0.5m (9%).
50. In the last quarter of the year the Backlog Maintenance Programme was reduced by £0.2m because of a reduction in the estimated level of contributions due to be received from schools. Despite this the target for contributions was achieved overall so the prudential borrowing was able to be reduced instead. This will reduce the ongoing revenue borrowing costs. This £25m programme is now complete.
51. The variation compared to the original capital programme was a reduction of £4.0m (46%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of £2.6m (30%). This is mainly due to the re-profiling of expenditure on the Waste Recycling Centre programme (-£2.4m) to better reflect a realistic delivery timescale and a reduction on the Prudential Energy programme (£0.3m) reflecting lower than anticipated take up of loans from schools.

Oxfordshire Customer Services

52. Total capital expenditure for the year 2010/11 was £0.9m. There is no variation when compared to the latest updated programme or when compared to the latest forecast.
53. The variation compared to the original capital programme was a reduction of £0.2m (22%). This is due to a technical adjustment that needed to be made to the funding for Capitalised ICT.

Summary Programme Financing

54. The Capital Programme expenditure of £93.5m was funded from a combination of supported borrowing (£26.1m), capital grants and other external contributions (£57.5m), developer contributions (£4.4m), project specific prudential borrowing

(£4.0m) and revenue contributions (£1.5m). Although the level of expenditure was significantly reduced, supported borrowing allocations were fully utilised.

55. The reduced programme meant that £2m of additional prudential borrowing⁸ was able to be deferred. There was also a reduction of £10.6m in the amount of project specific prudential borrowing taken out when compared to that originally planned, which was mainly due to re-profiling of expenditure on Homes for Older People/Extra Care Housing programmes.

Part 3 – Balance Sheet

General Balances

56. The provisional outturn position for general balances was £14.059m as at 31 March 2011. In addition £0.968m of Performance Reward Grant was received in March 2011. This will be distributed as agreed by the Public Services Board in 2011/12. The £0.678m revenue element (70% of the total) has been accounted for within balances taking the total to £14.737m. The remaining 30% has been included as capital financing.
57. As part of the 2011/12 Service and Resource Planning Process, balances were forecast to be £13.056m on 31 March 2011, £0.5m above the assessed risk level of £12.6m. Budget proposals agreed by Council on 15 February 2011 included the use of the additional £0.5m. At year end balances were a further £1.0m above the assessed risk level as there were less calls on balances towards the end of the year than anticipated.

Earmarked Reserves

58. Reserves totalled £84.739m as at 31 March 2011. Of this £22.183m related to CYP&F and included School Balances of £20.383m and £46.982m related to corporate reserves. Details of the movements on earmarked reserves in 2010/11 are summarised in the table below.

	2010/11			
	Balance 1 April 2010 £m	Forecast Movement		Balance 31 March 2011 £m
		Contributions from reserve £m	Contributions to reserve £m	
CYP&F	14.327	-10.563	18.419	22.183
S&CS	3.049	-1.628	3.140	4.561
E&E	5.616	-4.504	4.436	5.548
OCS	4.221	-4.006	3.931	4.146
CEO	1.586	-910	643	1.319
Corporate	38.875	-18.844	26.951	46.982
Total	67.674	-40.455	57.520	84.739

School Balances

59. As at 31 March 2011, the actual number of individual schools with deficits and surpluses and the total value of these was:

⁸ Part of the £25m additional prudential borrowing over 10 years agreed by Cabinet in 2008/09.

SYP6

	Number of Schools 31 March 2011		Total Balance at 31 March 2010	Movement	Total Balance at 31 March 2011
	Deficit Balance	Surplus Balance	£m	£m	£m
Primary	30	214	-7.369	-2.685	-10.054
Secondary	7	25	-2.219	-1.734	-3.953
Special	5	8	-1.147	0.067	-1.080
Total	42	247	-10.735	-4.352	-15.087

60. In addition to the individual school balances set out above, balances held on behalf of Partnerships of groups of Schools totalled £5.311m at 31 March 2011. This has increased by £2.332m compared to the £2.979m surplus as at 31 March 2010.
61. The following table analyses how the total schools' reserves of £20.383m are built up:

	(Surplus)/ Deficit £m
Delegated Budgets (see paragraph 100)	-15.087
Partnership funds (see paragraph 103)	-5.311
Provision for closure of The Oxford School	-0.200
Schools' contingency	-0.972
Gross Balance	-21.570
Less School Loans Scheme	1.187
Net Schools Balance	-20.383

62. The increase in balances reflects uncertainty over future funding levels during 2010/11 and the reduction in the number and value of deficit balances during the year. As the Guaranteed Unit of Funding for pupils is expected to remain frozen at the 2011/12 level over the medium term, it is anticipated that the level of schools balances will reduce further as schools utilise this funding to support their budgets.

Change Fund

63. Thirteen projects were financed by the Change Fund in 2010/11. The £0.869m balance is committed to these projects for 2011/12 onwards.

Corporate Reserves

64. Council agreed the planned use of Local Authority Business Growth Incentive (LABGI) grant funding as part of the 9 February 2010 Service & Resource Planning report. No further grant funding was received in 2010/11 as this was one of the grants removed in-year. The remaining balance as at 31 March 2011 was £0.496m. The revised plan for the use of this funding in 2011/12 and beyond was included in the April Financial Monitoring Report to Cabinet in June 2011.

65. The Efficiency Reserve was created in 2009/10 with the intention of supporting the implementation of the Council's Business Strategy. During 2010/11, £6.546m was added to the reserve and includes a budgeted contribution of £2.929m, a contribution of £1.000m from the Customer Services Project as reported to Cabinet on 19 October 2010 and transfers totalling £1.916m from budget not required for pay awards and Personal Care at Home. £4.307m has been used to fund redundancy costs. The balance as at 31 March 2011 was £3.776m.

Conclusion

66. Sustained action to reduce costs during the year in readiness for implementing the Directorate Business strategies in 2011/12 means that Directorates achieved an underspend of -£3.844m despite reductions of funding of £3.717m announced in year. However, within the overall position there was a significant and continuing pressure on the Pooled budgets in Social & Community Services and this will need to be monitored closely in 2011/12. Also whilst it was possible through to achieve an underspend on placements within CYP&F in 2010/11 there is also a risk of pressure in 2011/12 in this volatile area.
67. When the overall performance of the capital programme is adjusted to take account of the in – year grant reductions, capital moratorium and other technical adjustments the expenditure represents 91% use of resources compared to the original capital programme agreed in February 2010. This is within the tolerances recommended for good practice and reasonable given the level of uncertainty in such a challenging year.
68. Savings of £118.8m by 2014/15 were agreed as part of the Service & Resource Planning Process and include Directorate savings of -£44.3m in 2011/12 (as set out in the Service and Resource Planning – Service Analysis 2011/12 booklet) plus £10.2m cross directorate savings. Updates on the achievement of the 2011/12 savings will be included as part of the Financial Monitoring & Business Strategy Delivery Reports to Cabinet but the 2010/11 position set out above should aid the achievement of the Directorate Business Strategies and the related savings.

Councillor Jim Couchman
Cabinet Member for Finance

July 2011

ANNEX 1 TO THE PROVISIONAL OUTTURN 2010/11
CABINET - 21 June 2011

Ref	Directorate	BUDGET 2010/11					Provisional Outturn Actual per SAP £000 (8)	Provisional Outturn Variation underspend - overspend + £000 (9)	Analysis of variation		Analysis of this Directorate Variation		Total proposed Carry Forward £000 (14)
		Original Budget £000 (3)	Brought Forward from 2009/10 Surplus + Deficit - £000 (4)	Virements £000 (5)	Supplem entary Estimates £000 (6)	Latest Estimate £000 (7)			Returned to Council underspend - overspend + £000 (10)	This Directorate underspend - overspend + £000 (11)	Grants or or Contributions under IFRS Surplus - Deficit + £000 (12)	Council Funding Surplus - Deficit + £000 (13)	
(1)	(2)												
	Children, Young People & Families												
	Gross Expenditure	581,870	0	-17,308	498	565,060	646,747	81,687	0	81,687	0	81,687	
	Gross Income	-482,820	0	15,659	0	-467,161	-551,676	-84,515	0	-84,515	-1,463	-83,052	
	Net Expenditure	99,050	0	-1,649	498	97,899	95,071	-2,828	0	-2,828	-1,463	-1,365	-2,705
	Social & Community Services												
	Gross Expenditure	223,982	-716	18,204	170	241,640	260,131	18,491	-140	18,631	0	18,631	
	Gross Income	-40,325	0	4,731	0	-35,594	-54,578	-18,984	0	-18,984	-1,137	-17,847	
	Net Expenditure	183,657	-716	22,935	170	206,046	205,553	-493	-140	-353	-1,137	784	-418
	Environment & Economy												
	Gross Expenditure	99,339	406	1,715	448	101,908	105,013	3,105	-143	3,248	0	3,248	
	Gross Income	-28,931	0	-3,046	0	-31,977	-39,599	-7,622	0	-7,622	-3,915	-3,707	
	Net Expenditure	70,408	406	-1,331	448	69,931	65,414	-4,517	-143	-4,374	-3,915	-459	-4,374
	Oxfordshire Customer Services												
	Gross Expenditure	52,403	805	-719	20	52,509	57,092	4,583	0	4,583	0	4,583	
	Gross Income	-24,281	0	-26,638	0	-50,919	-56,808	-5,889	0	-5,889	0	-5,889	
	Net Expenditure	28,122	805	-27,357	20	1,590	284	-1,306	0	-1,306	0	-1,306	-1,212
	Chief Executive's Office												
	Gross Expenditure	38,569	571	-22,943	254	16,451	17,701	1,250	-185	1,435	0	1,435	
	Gross Income	-28,991	0	22,819	0	-6,172	-8,637	-2,465	0	-2,465	0	-2,465	
	Net Expenditure	9,578	571	-124	254	10,279	9,064	-1,215	-185	-1,030	0	-1,030	-912
	Less recharges to other Directorates	-88,704	0	0	0	-88,704	-88,704	0		0			
		88,704	0	0	0	88,704	88,704	0		0			
	Directorate Expenditure Total	907,459	1,066	-21,051	1,390	888,864	997,980	109,116	-468	109,584	0	109,584	
	Directorate Income Total	-516,644	0	13,525	0	-503,119	-622,594	-119,475	0	-119,475	-6,515	-112,960	
	Directorate Total Net	390,815	1,066	-7,526	1,390	385,745	375,386	-10,359	-468	-9,891	-6,515	-3,376	-9,621

In-Year Directorate Variation

375,386 **-10,359**

SYP6

ANNEX 1 TO THE PROVISIONAL OUTTURN 2010/11
CABINET - 21 June 2011

Ref	Directorate	BUDGET 2010/11					Provisional Outturn Actual per SAP £000 (8)	Provisional Outturn Variation underspend - overspend + £000 (9)	Analysis of variation		Analysis of this Directorate Variation		Total proposed Carry Forward £000 (14)
		Original Budget £000 (3)	Brought Forward from 2009/10 Surplus + Deficit - £000 (4)	Virements £000 (5)	Supplem entary Estimates £000 (6)	Latest Estimate £000 (7)			Returned to Council underspend - overspend + £000 (10)	This Directorate underspend - overspend + £000 (11)	Grants or or Contributions under IFRS Surplus - Deficit + £000 (12)	Council Funding Surplus - Deficit + £000 (13)	
(1)	(2)												
	Contributions to (+)/from (-)reserves	3,405	-1,066	1,916		4,255	13,638	9,383					
	Contribution to (+)/from(-) balances	3,344		-268	-1,390	1,686	237	-1,449					
	Capital Financing	39,303				39,303	38,423	-880					
	Interest on Balances	-1,341				-1,341	834	2,175					
	Strategic Measures Budget	44,711	-1,066	1,648	-1,390	43,903	53,132	9,229					-270
	Area Based Grant (income)	-45,656		5,878		-39,778	-39,778	0					
	Budget Requirement	389,870	0	0	0	389,870	388,740	-1,130					-9,891

Total External Financing to meet Budget Requirement

Revenue Support Grant	13,481				13,481	13,481	0
Business rates	92,840				92,840	92,840	0
Council Tax	283,549				283,549	283,549	0
Other grant income (PRG)					0	678	678
External Financing	389,870	0	0	0	389,870	390,548	678

Consolidated revenue balances position

Forecast County Fund Balance (Annex 5)	14,737
In-year directorate variation to be met from (-) or transferred to (+) Carry Forward Reserve	9,891
	24,628

Final Approved Budget £m	Projected Outturn Variance as at January 2011 £m		Provisional Outturn Variance £m	Change in Variance since January 2011 £m
		Council Elements		
51.417	+0.123	Older People		
29.293	-0.132	Care Homes	-0.652	-0.775
		Community Support Purchasing Budget	-0.454	-0.322
80.710	-0.009	Total Older People (OP)	-1.106	-1.097
		Physical Disabilities		
2.45	+0.570	Care Homes	+0.602	+0.032
4.616	+0.575	Community Support Purchasing Budget	+0.542	-0.033
7.066	+1.145	Total Physical Disabilities (PD)	+1.144	-0.001
1.169	+0.162	Equipment	+0.167	+0.005
88.945	+1.298	Total Council Elements	+0.205	-1.093
		PCT Elements		
21.910	+2.313	Older People	+0.392	-1.921
4.047	+1.071	Physical Disabilities	+0.234	-0.837
0.312	+0.255	Equipment	+0.270	+0.015
26.269	+3.639	Total PCT Elements	+0.896	-2.743
115.214	+4.937	Total OP, PD & Equipment Pool	+1.101	-3.836
		Winter Pressures Funding	-1.424	-1.424
115.214	+4.937	Total OP, PD & Equipment Pool	-0.323	-5.260

Final Approved Budget £m	Projected Outturn Variance as at January 2011 £m		Provisional Outturn Variance £m	Change in Variance since January 2011 £m
		Council Elements		
9.591	+0.828	Residential Services	+1.619	+0.791
17.28	-0.043	Supported Living	+0.380	+0.423
15.553	+0.148	Community Support	-0.807	-0.955
42.424	+0.933	Total Council Elements	+1.192	+0.259
		PCT Elements		
7.333	+0.620	Residential Services	+0.317	-0.303
13.211	-0.032	Supported Living	+0.074	+0.106
11.891	+0.066	Community Support	-0.158	-0.224
32.435	+0.654	Total PCT Elements	+0.233	-0.421
74.859	+1.587	Total Learning Disabilities Pool	+1.425	-0.162

Division(s): n/a

STRATEGY & PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 21 JULY 2011

LONG TERM DEBT POLICY

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. This report sets out the reasons that Oxfordshire County Council makes use of a Long Term Debt portfolio, the current policy on Long Term Debt and Borrowing and the possible implications of keeping or amending the current policy.

Use of Long Term Debt

2. The Council uses long term debt in order to help finance its capital programme. The schemes within the Capital Programme are funded from a variety of sources, including grants, capital receipts, developer contributions, revenue contributions and long term borrowing.
3. Using long term borrowing allows the Council to spread the cost of financing over long term periods. As the benefits derived from Capital Schemes are long term in nature, it may be deemed more appropriate to finance these schemes over a longer term period.
4. Long Term "Supported" Borrowing for new debt taken prior to April 2011 attracts an additional Government Grant to finance the extra revenue costs associated with borrowing. Whereas borrowing to help finance Prudential Schemes is unsupported and the Council bears the full financing cost.
5. From April 2011 the Supported Borrowing Grant to assist with financing costs for new debt was stopped. In its place the Council will receive a Capital Grant to assist in financing "supported" Capital Schemes. Therefore from April 2011 onwards, the Council will have to bear the full financing costs of any new borrowing undertaken.

Level of Debt

6. The CIPFA Prudential Code for Capital Financing in Local Authorities sets out the maximum level of borrowing that an Authority may undertake, this is known as the Capital Financing Requirement. An example of how the Capital Financing Requirement is calculated is shown on Annex 1.

7. The Capital Financing Requirement is linked to the total value of the Council's assets and acts as a control to ensure that the Council does not borrow more than the value of its assets.

Debt Management

8. The Local Government Housing Act 2003 gives local authorities the power to borrow up to their "affordable borrowing limit", however the Local Government Act 2003 precludes local authorities from mortgaging, or granting charges against its properties as security for money borrowed. Instead debt is secured against the Council's future revenue streams.
9. The Council manages its debt portfolio as a single debt pool; individual loans are not matched to individual properties or assets. Managing the debt as a pool means that the Council avoids premature repayment costs when an asset is disposed of. It also avoids being forced to repay debt which may be on more favourable terms than those currently available. Additionally, the administrative burden is lessened by managing debt in one pool.

Debt Repayment

10. The majority of the Council's debt portfolio is in maturity loans from the Public Works Loans Board (PWLB), meaning that interest is paid on the principal balance of the loan until the final termination date of the loan, whereupon the principal balance is repaid.
11. At present the Council has a policy of replacing maturing debt in the year in which it matures, however irrespective of the replacement policy, the Council is required by statute to charge a Minimum Revenue Provision (MRP) to the Income and Expenditure account each year for the repayment of debt. The MRP is deducted from the Capital Financing Requirement to reduce the total level of debt.
12. As the loans within the debt portfolio are not directly linked with individual assets, the maturity date of a loan does not necessarily indicate that an asset has been disposed of; it indicates a need to refinance.
13. An example of this could be where the Capital Financing Requirement indicated a need to borrow £20m to fund a capital scheme with a useful life of 60 years. Depending on the PWLB "yield curve"¹, it may be more cost effective to borrow the £20m for 10 years, and refinance the loan at that point rather than borrow for 60 years from the outset. An example of the PWLB "yield curve" can be found at Annex 2.

¹ The "yield curve" is a graphical representation of the interest percentage payable on loans of increasing maturity dates. The PWLB yield curve shows the interest percentage payable on loans from 6 months to 50 years.

14. In the above example the asset still exists, and the useful life has not expired. If the loan were not refinanced after 10 years, the repayment of the loan would have to be financed from revenue or another source of finance.
15. The Treasury Management Strategy Team continually monitors the interest rates payable on debt, and will decide the most appropriate source of funding the capital financing requirement. The three main sources of funding are from the PWLB, money market loans or the temporary use of internal balances.

Disposal of assets

16. If the Council disposes of an asset and replaces it with a new asset, then the capital financing requirement remains. In effect, the financing of the old asset is used for the financing of the new asset.
17. If the Council disposed of assets and did not replace them, then the total value of the Councils assets would fall. As the total value of assets falls, then so would the capital financing requirement, and debt would need to be repaid.
18. If the capital financing requirement falls as result of a disposal of assets, then the repayment of debt will need to be funded from revenue, capital receipts or another source, dependant on the nature of the disposal. If the disposal is as a result of the sale of an asset, then it would be most appropriate to use a proportion of the capital receipt to repay debt.

Timing of Financial Burden

19. Where there is a capital financing requirement for a long term capital scheme, using debt to finance it means that the financial burden to the tax payer is spread equally along the life of the asset. If the Council were to use revenue finance to fund long term schemes, the taxpayer would bear the full financial burden of the scheme in the first year.
20. Using revenue to finance capital schemes would also reduce the available revenue budget for spend in other areas in that financial year.

RECOMMENDATION

21. **The Scrutiny Committee is invited to consider the report and offer any comments.**

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Contact Officer: Tim Chapple
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July 2011

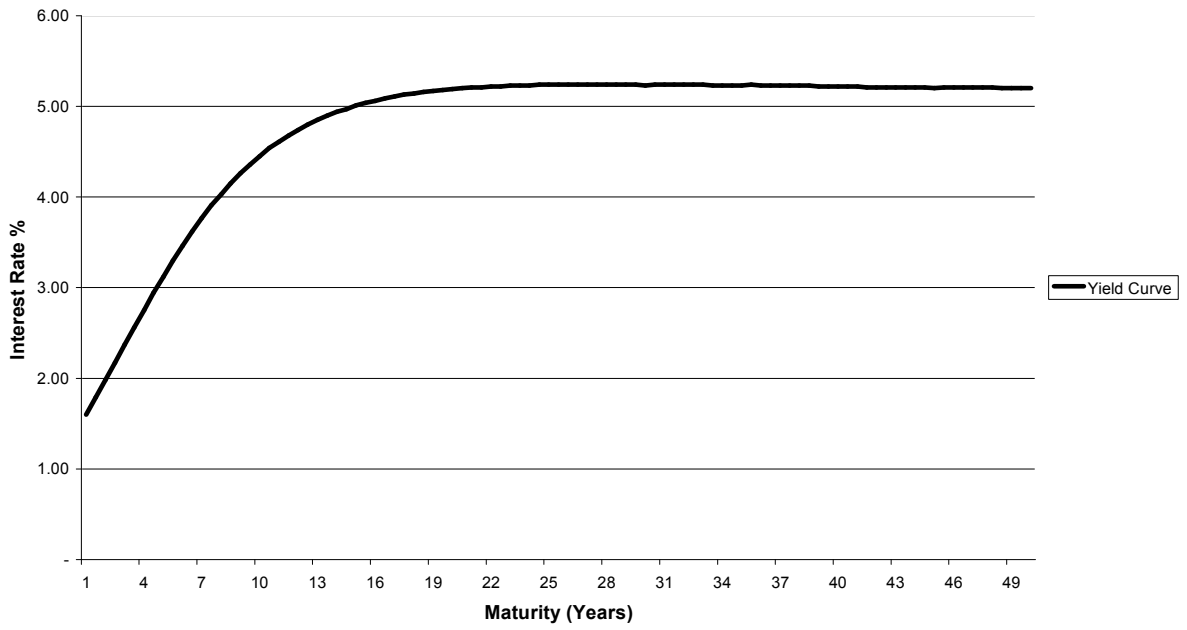
Annex 1

**The Capital Financing Requirement (CFR) at
31st March 2010**

		IFRS Transition Balance Sheet 31-Mar-10 £
Property, Plant and Equipment		1,497,169,000
Investment Property		4,653,000
Assets Held for Sale		5,357,000
Intangible Assets		5,056,000
Long Term Debtors in relation to Capital		<u>8,212,000</u>
		1,520,447,000
<u>Less</u>		
Revaluation Reserve	(78,267,000)	
Capital Adjustment Account	<u>(990,326,000)</u>	
		(1,068,593,000)
Capital Financing Requirement 31 March 2010		<u>451,854,000</u>
Capital Expenditure Funded by Borrowing in 2010/11		30,447,000
Less Minimum Revenue Provision		<u>(17,892,058)</u>
Capital Financing Requirement for 2010/11		<u>464,408,942</u>
Long term external debt as at 31 March 2010		412,092,618
Use of Internal balances as at 31 March 2010		<u>12,976,758</u>
Debt balance b/f		425,069,376
Loans maturing during the year		(12,000,000)
Replacement of maturing loans		12,000,000
New borrowing (balancing figure)		39,339,566
Use of Internal Balances		
Total Debt (External and Internal)		<u>464,408,942</u>

Annex 2

PWLB Yield Curve



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STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 21 JULY 2011

BUSINESS STRATEGY PROGRAMME

Report by Senior Policy Manager, Chief Executive's Office

Background:

1. The changing external environment means that there is much the Council needs to do to ensure we are geared up to face further financial challenges whilst continuing to serve the people of Oxfordshire well. To deal with this we have developed a new Business Strategy.
2. Our current structures have served us well in a period of growth but we are now moving into some very lean years and there is a need for a shift in the way we do business to reflect more difficult times. Last year the level of savings in our efficiency programme was increased to set some very ambitious targets. We need to change quickly, be really customer focused and lose some of the professional silos that remain in place. Now the time has come to put the delivery of the efficiency strategy at the heart of our business.

What does it mean in practice?

3. To deliver the Business Strategy, a number of different work streams are being brought together to manage the Council's approach to delivering the estimated £200m of savings required by 2015. These are:

1. Changing the way we work

This project will drive cultural change across the organisation to equip and empower staff to do their jobs differently. This includes setting clear expectations of staff and streamlining central processes through, for example, delegating decision making to lower levels, developing an effective staff engagement strategy and encouraging better use of technology to support more flexible working.

2. Reshaping Management

To enable the organisation to become more streamlined and deliver more cost-effective services, this project will aim reduce the numbers of managers by 25%, rationalise management layers and ensure there is support for employees leaving the organisation.

3. Future of Shared Services and creation of Customer Service Centre

This work stream aims to deliver the next-generation of Shared Services, by evaluating different operational models and developing a cost-effective solution which will deliver high levels of customer service.

4. Developing a comprehensive Asset Management strategy

The strategy will set the vision for OCC property assets, to ensure they are properly planned, used and managed to support the work we do and will enable significant savings to be made.

5. Customer Focus

This project will ensure we are working to achieve better customer service and effectively managing the Council's reputation in difficult financial times.

6. Streamlined Service and Resource Planning processes and delivery of efficiencies by Directorates

This will develop a 'light touch' process to ensure that delivery of previous years savings are managed, new savings identified and re-invested savings are challenged. Each Directorate's leadership team will monitor and review the projects that comprise the individual directorate strategies on a monthly basis. Quarterly updates on progress against the strategies will be reported to the Business Strategy Group.

7. Community self-help/ Big Society

This project aims to reduce barriers so that individuals and communities are more able to help themselves and to facilitate joint working to enable partners and voluntary organisations to support this.

8. ICT underpins many of these projects and will be crucial in ensuring we can transform into a more modern, effective organisation.

What will we achieve?

4. Integrating these workstreams will ensure that over the next few years we will become a more streamlined and more dynamic organisation in which the workforce feels more empowered to develop our services to reflect our customers' aspirations through difficult financial times.

Alexandra Bailey
Senior Policy Manager
May 2011

**STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE
THURSDAY 21 JULY 2011**

CORPORATE ICT STRATEGY – UPDATE

Purpose / Recommendation

1. Strategy and Partnerships Scrutiny Committee are asked to note progress in delivering the Corporate ICT Strategy.

Background

2. The Corporate ICT Strategy was approved by Cabinet on 19th October 2010 and an update on progress was provided to Business Strategy Group on 2nd March 2011.
3. This is a summary report that highlights further achievements to date and work in progress.
4. The objectives of the Corporate ICT Strategy are summarised in the table below.

Our Objectives for ICT

Our high level objectives and priorities are set out below: these will drive our ICT decision-making and delivery over the next three years.

- 1. We will ensure our ICT resources are deployed to support the following priorities:**
 - Projects which improve the Council's cost effectiveness
 - Development and enhancement of the website as a primary source of information, a facility for maximising on-line transactions and as a vehicle for interactive communication with stakeholders
 - The Council's culture change objectives including the development of a Customer Service Centre to improve customer service
 - Meet statutory requirements and critical service development needs
 - Support the drive for 'smarter working', including providing the tools and support to enable staff to work efficiently at home
- 2. We will optimise the potential of the Council ICT infrastructure by:**
 - Reviewing and re-engineering existing processes with a view to streamlining processes and automating transactions wherever possible.
 - Ensuring staff have the ICT skills and competencies required to exploit the ICT technology available.
 - Rationalising and improving data and information management across the Council, maximising the use of new and existing technology in ensuring a consistent approach to data quality maintenance, data reporting, data analysis, data protection and data and document sharing.
 - Creating a robust, secure and resilient ICT infrastructure, to underpin corporate standards of data governance and one that meets corporate

business continuity planning and disaster recovery requirements.

- Ensuring that new technologies integrate with or replace existing ones, and move away from 'silo systems' that meet single service needs to cross-cutting 'corporate systems' that link to each other effectively and facilitate information sharing across the Council.
 - Increasing the use of technology that supports mobile working, providing opportunities for more staff to work flexibly from different Council buildings, from home and in the field.
 - Working with other aspects of corporate governance and business procedures to review security procedures on a continuous basis, keeping information secure wherever or whenever it is handled including remote access.
- 3. We will endeavour to reduce existing ICT infrastructure costs by:**
- Reducing reliance on bespoke applications and reviewing server utilisation and efficiency.
 - Reviewing hardware and software usage and identifying opportunities to promote, develop, eliminate and consolidate existing technologies.
 - Exploring the potential for change to technologies and applications that provide a positive contribution to the Council's efforts on climate change.

Achievements to Date

- **Cost Management** – ICT has delivered its savings targets for 2010/11 and ended the financial year on budget. Measures are in place to ensure that 2011/12 savings requirements are met while still enabling the rollout of windows 7 / Office 2010 and the provision of DR facilities for priority 1 systems within budget.
- The electronic forms that underpin the business critical **Starters / Movers / Leavers** process have been completely revised, simplified and streamlined so that a single request from a line manager encompasses the ICT, telephony, ID card, HR and facilities changes associated with staff movements.
- **Statutory requirements** to change the way that pensions are handled in SAP, cater for the VAT rate change, publish expenditure of more than £500 and meet the new requirements under the International Financial Reporting Scheme have been successfully met.
- More than 58,900 records are now under **electronic records management**. This contributes to flexible and efficient working as well as sharing and improved security by getting key documents online. It also helps in containing running costs by optimising use of available electronic storage and reducing physical storage requirements.
- Improved **Operational Governance of ICT** is in place through the re-purposed ICT Programme Board which now includes representatives

from all directorates, and a number of Information Management or similar boards in directorates themselves. This combination strengthens the engagement between the business and ICT by helping to ensure that projects are driven by business needs and comply with the ICT Strategy. There is a direct escalation route from the ICT Programme Board to the Business Strategy Group which also oversees the implementation of the Corporate ICT Strategy. Microsoft Enterprise Services Programme

- Since securing the **Microsoft Enterprise Agreement** in March 2011, we have been planning and preparing for the rollout of Windows 7 / Office 2010 across the estate. This is a major programme of work over the next 12 to 18 months that will allow us to maintain compatibility with upgrades to our core business applications, will ensure that we have the necessary ongoing compliance with security and Gov Connect requirements, and deliver a raft of improved functionality to end users including:
 - **Lync Communications:** Offers Instant Messaging, integration of voicemail with email, video conferencing and teleconferencing across the estate. Also offers opportunities to reduce the use (and therefore cost) of existing fixed telephony.
 - **Dynamics:** Microsoft Customer Relationship Management system for targeted users and groups; currently undergoing proof of concept testing.
 - **Sharepoint:** Offers an opportunity for collaborative working by sharing documents, diaries and other resources. Provides a key platform for “Federated Working” between organisations. Also allows business critical linked spreadsheets and Microsoft-Access databases that cannot be removed or handled in document manager to be better organised and managed; currently undergoing proof of concept testing
- **The Scalable Survey asset management system** is now providing asset and utilisation data about PCs, printers and software packages. The reconfiguration of equipment as part of the Windows 7 / Office 2010 rollout provides an opportunity to identify and redeploy underutilised items thereby reducing or avoiding future costs.

Work in Progress

1. Technology Strategy

A Technology Strategy is being drafted in support of the ICT Strategy and addresses cross-cutting technologies that are applicable across multiple business units and directorates. This will go to Business Strategy Group for approval in September 2011. There is, however, a

further need for directorates to define their strategy for the key business applications such as SWIFT, ONE and EXOR

2. Web Content Management System

The Drupal open source web content management system is being implemented to replace IBM software and a pilot site has already been successfully developed. The implementation of the restructured public web site using Drupal is on target for completion in September.

3. Employee Self Service / Manager Self Service (ESS/MSS)

An options paper has been developed to cover the implementation of Employee Self Service / Manager Self Service. There are opportunities to make further use of existing technologies and lower cost systems rather than purchasing and developing additional SAP modules. This approach, in conjunction with a programme of process streamlining, offers significant potential for efficiency improvement and reduced operational costs. A full business case is being prepared for the SAP Development Board.

4. Partnership Working with Hampshire

Detailed definition work is taking place for partnership working around the SAP system. This will be followed by an implementation project which is likely to include the relocation of SAP servers to Hampshire as well as reducing our reliance on SERCO and the realisation of the associated cost reductions needed to meet financial savings targets for ICT within the Medium Term Financial Plan.

5. Business Continuity & Disaster Recovery

Building and electrical work is progressing at the Kidlington Fire Service HQ site in order to establish the main Disaster Recovery provision for ICT Systems. The building is scheduled to be handed over to ICT on 20th July and the Disaster Recovery provision will go through formal testing on 27th July 2011. Property are progressing the installation of standby generator facilities for Clarendon Data Centre, County Hall communications room and Kidlington.

6. Information Management.

The Information Management Framework has been defined and agreed in all directorates and the ICT Programme Board has recommended an operational approach to implementation of the associated governance arrangements. Work is in progress to secure business critical Access databases and Excel spreadsheets and to control future development.

7. Telephony Strategy

A telephony strategy is being drafted to support the Council's changing requirements for voice communications. It will encompass fixed telephony, mobile phones and the opportunities that are becoming available to use soft phones as part of the MS-Lync system that will become available as Windows 7 / Office 2010 is rolled out across the estate. Essentially, this means using a laptop or a PC with a set of headphones. The strategy and business case will be presented to Business Strategy group in September.

8. Prioritisation of ICT Resource

Work on statutory and critical systems identified by Services or by CCMT continue to be prioritised via the ICT Programme Board in line with Business Strategy, Most recent examples include SAP changes to pensions, flood defences and van permitting. Specific projects as part of Council re-organisation for Cricket Road Centre closure, Early Intervention Hub sites, and Youth Centres are underway or being initiated.

9. Self-Service

One of the threads of the Changing the way we work initiative under the Council Business Strategy is to improve the ability of ICT users to help themselves, and with fewer ICT staff this is an essential element when it comes to accessing ICT support. We've make progress in the following areas:

- Self service call logging and tracking allows users to raise incidents and minor changes and to track progress themselves. This facility has already been soft-launched and we are specifically targeting higher volume and specialist groups to ensure that it is effective.
- Self service password management was implemented in June. This currently accounts for about 20% of ICT calls and is anticipated to reduce significantly as a result.
- We are developing a range of facilities to help handle support for "how do I?" queries as part of the Windows 7 / Office 2010 rollout. This currently accounts for about 10% of ICT calls. Users will be offered a blended self-help service including FAQs, e-Learning, self paced learning and access to video clips. This will be supplemented by local super users and self service access to ICT. Our aim is to reduce the proportion of direct support calls to the ICT and to refer users to self service facilities wherever possible. .

Key Dates

A further update on progress will be reported to Strategy and Partnerships Scrutiny Committee in the Autumn.

Paul Gerrish
Interim Deputy Director, Oxfordshire Customer Services

Contact: Graham Shaw, ICT Business Delivery, 01865 81 6593

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 21 JULY 2011

BIG SOCIETY FUND

Report by Senior Policy Manager, Chief Executive's Officer

Introduction

1. In February 2011 Oxfordshire County Council launched the Big Society Fund. The aims of the Fund are to create an environment locally in which it is as easy as possible for communities to do things for themselves.
2. The Fund of £600,000 in 2011/12 was created for communities to bid for start-up funding for community projects that would benefit their areas.

Fund Criteria

3. The Fund was established to support the council's Big Society aims and is designed to accommodate proposals for projects from communities that demonstrate the following key criteria in their applications;
 - the project is innovative and creative
 - the project meets a recognised community need
 - the project has a sustainable business case
 - the local community is involved in the project

Process

4. The Fund has been designed to enable as many groups as possible to apply. There are four waves for applications to enable new and emerging groups time to develop their proposals. The deadlines for the four waves are;

Wave 1: End of May 2011 for decision by end of July 2011

Wave 2: End of August for decision by end of October 2011

Wave 3: End of November for decision by end of January 2012

Wave 4: End of February for decision by end of April 2012

5. The assessment process has been designed to include officer assessment of the bids against the criteria and crucially to involve local councillors in reviewing bids from their area to provide comments to Cabinet to support its decision making.

6. Cabinet will consider applications for the first wave of the Fund at its 19 July meeting.

Areas for Scrutiny consideration

7. By the time of the scrutiny committee meeting Cabinet will have met to make decisions on the first wave of applications to the Fund.
8. Interest in the Fund has been considerable and this is reflected in the forty one bids submitted in the first wave.
9. Having gone through this first wave it would be useful to have input from scrutiny on a number of issues;
 - i. How balanced has the interest in the Fund been?
 - By Locality
 - By Interest/Equality group
 - ii. Are there are any steps that could be taken to improve promotion of the Fund?
 - iii. How has the role of councillors in the Fund contributed to the process?
 - iv. Recommendations for subsequent waves of the Fund

Background papers: 19 July Cabinet papers (Item 8).

Alexandra Bailey
Senior Policy Manager
Chief Executive's Office

July 2011