

CABINET – 20 DECEMBER 2011

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report focuses on the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2011/12 – 2015/16. These form part of the forecast position for each Directorate. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of October 2011. The Capital monitoring is included at Part 3.
2. Around 70% of the 2011/12 savings totalling £54.6m have already been achieved or are forecast to be achieved.

Summary Position

3. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of –£3.311m or -0.78% against a budget of £426.347m as shown in the table below.

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast October 2011 £m	Variance Forecast October 2011 %
112.817	Children, Education & Families (CE&F)	113.595	111.400	-2.195	-1.93
219.442	Social & Community Services (S&CS)	220.953	220.384	-0.569	-0.26
75.561	Environment & Economy	82.788	81.364	-1.424	-1.72
7.751	Chief Executive's Office	9.011	8.919	-0.092	-1.02
415.571	In year Directorate total	426.347	422.067	-4.280	-1.00
	Add: Overspend on Council Elements of Pooled Budgets			+0.969	
	Total Variation including Council Elements of Pooled Budgets			-3.311	-0.78
	Plus: Underspend on Dedicated Schools Grant (DSG)			-0.360	
	Total Variation			-3.671	-0.86

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 October 2011 is set out below.

Children, Education & Families: -£2.195m in year directorate variation

6. Children, Education & Families are forecasting an in-year variation of -£2.195m (-£2.555m total variation including a -£0.360m underspend on services funded from DSG). The Directorate is committed to achieving -£10.2m of savings in 2011/12.

Admissions & Transport

7. Home to School Transport is forecasting an underspend of -£0.732m, a change of +£0.030m. The underspend reflects the early delivery of savings required in future years as set out in the Medium Term Financial Plan, the reporting of which is being addressed through the Service and Resource Planning Process.

Placements

8. An underspend of -£0.290m is currently forecast for Placements, a change of -£0.060m since the last report. There continues to be a general upward trend in agency residential placements and the position reported allows for £0.373m 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.

Asylum

9. Asylum is forecasting an underspend of -£0.615m a decrease of +£0.286m since the last report. The change relates to transfer of the additional grant funding to Strategic Measures until a decision has been made on how this will be allocated. Of the remaining variation £0.068m relates to fortuitous income received in relation to 2010/11 this will be returned to balances in line with the Council's Financial Strategy. This area is extremely volatile as it is difficult to forecast the number of new clients entering the service so the position is likely to change by the end of year.

Family Support

10. An underspend of -£0.250m is forecast on Family Support and Assessment Teams which reflects vacant posts which will not be filled until later in 2011/12.

Quality and Compliance

11. The consultation process for the Joint Commissioning structure with Social and Community Services closed at the end of November 2011. Due to the delay in implementing the new structure an overspend of +£0.225m is now forecast. The service is expected to achieve savings of £0.400m during 2012/13 and has achieved £0.175m in 2011/12 through retirements and services ceasing.

DSG Funded Services

12. An underspend of -£0.360m is forecast on services funded by DSG an increase of -£0.322m. -£0.155m of the change relates to an increase in the underspend forecast by Early Years due to the restructure causing delays in recruitment and projects. Educational Transformation are forecasting an underspend of -£0.100m relating to funding agreed by Schools Forum for extended services which is no longer required.
13. 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.
14. The Council's DSG allocation for 2011/12 has been reduced by £6.504m to reflect the transfer of budget provision for two secondary schools that have converted to academy status during the year. It is anticipated that up to a further eight secondary and three primary schools may convert to academy status before March 2012. This would mean a further reduction in DSG of up to £8.460m for schools formula funding plus £0.045m in respect of DSG Local Authority Central Spend Equivalent Grant (LACSEG). Centrally provided services budgets are unaffected as the DSG LACSEG adjustments will be met from a one-off provision held within the Individual Schools Budget contingency¹.

Social & Community Services: -£0.569m in year directorate variation

15. Social & Community Services are forecasting an underspend of -£0.569m. There is also a forecast overspend of +£0.969m on the Council elements of the Pooled Budgets (mainly on adults with physical disabilities). The directorate is aiming to make savings totalling -£19.6m in 2011/12.

Adult Social Care

16. An overspend of £0.455m is forecast on Social Work (Locality Teams), a increase of +£0.024m since the last report. As noted in the last report following a restructure of the service the saving relating to the reduction in staff will not be fully achieved. This is being considered as part of the Service and Resource Planning process for 2012/13 and also as part of other reorganisation proposals.

¹ Local Authority LACSEG is currently removed from Formula Grant on a share of the total schools converting nationally so is unaffected.

17. Savings of £0.141m will not be achieved by Internal Learning Disabilities in 2011/12. This is an improvement of -£0.154m since the last report due to the service holding vacancies prior to the restructure. These savings are partly dependent on restructuring Day Services and Supported Living and partly on the implications of the proposed transfer of the services to external providers. It is expected that the full year effect of the savings will be realised within the current Medium Term Financial Plan.
18. Income relating to Older People and Physical Disabilities is forecast to be underachieved by +£0.051m, a decrease of -£0.119m since the last report. Fairer Charging income is forecasting an underachievement of +£0.733m. 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 -£0.682m as a result of additional clients. This is a volatile area so the position will continue to change throughout the year.
19. Following a rent review of residential homes arrears totalling £1.1m for the period April 2007 to March 2011 are now due from the service provider. This amount has been included in the forecast for the directorate.
20. An overspend of +£0.260m is anticipated on Acquired Brain Injury Service due to an increase in the number of clients. There is also an underspend of -£0.180m on Asylum Seekers against a budget of £0.220m based on current client activity.

Community Safety (including Fire & Rescue)

21. Fire and Rescue are forecasting 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.
22. 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)

23. The consultation process for the Joint Commissioning structure with Children, Education and Families closed 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

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24. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£2.082m, +£0.827m on the Council's element and +£1.255m on the Primary Care Trust's (PCT).
25. 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

26. The County Council's element of the pool is forecast to be underspent by -£1.246m an increase of -£0.768m since the last report. This is due to underspends on the External Home Support budget and due to the closure of the Internal Home Support service generating a larger underspend than expected as clients transition to the external service.

Physical Disabilities

27. The County Council's element is projected to be overspent by +£1.801m. 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

28. 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

29. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting an overspend of +£0.142m which entirely relates to the Council's element of the pool. An Efficiency Savings Plan for 2011/12 is in place and is being monitored closely by the Joint Management Group. It is expected to deliver efficiency savings in excess of £4m during the year. This will cover the overspend brought forward from 2010/11, the savings included in the Directorate's Business Strategy and a number of other pressures. A significant proportion of the savings target has already been achieved as a result of work carried out in 2010/11. The forecast overspend relates to the reduction in funding for Supporting People which was agreed by the Joint Management Group in July 2011. This has not yet been included in the Efficiency Savings Plan so is shown as a potential overspend at this time. It is hoped that alternative savings can be identified to offset this.

Environment & Economy: -£1.424m in year directorate variation

30. Environment & Economy are forecasting an underspend of -£1.424m. 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

31. The service is forecasting an underspend of -£0.574m an increase of -£0.051m since the last report. This comprises of 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

32. The service is forecasting an underspend of -£0.816m, an increase of -£0.183m since the last report. This change relates to the carbon tax liability for street lighting being underspent by -£0.170m. 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

33. The service is forecasting a variation of +£0.214m an increase of +£0.157m 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.
34. Food with Thought are forecasting 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

35. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.274m. Adult Learning are reporting an underspend of -£0.109m of the agreed four-year recovery plan. This will be used to pay back part of the £0.181m supplementary estimate with the balance repaid in 2012/13. Written confirmation has been received from the Skills Funding Agency (SFA) that some targets were not achieved during the academic year 2010/11. This may result in a clawback for funding, with a maximum liability of £0.330m.

Chief Executive's Office: -£0.092m in year directorate variation

36. The Chief Executive's Office (CEO) is forecasting a variation of -£0.092m. The Business Strategy savings for CEO of £1.3m are generally low risk and on target to be delivered in 2011/12.
37. Legal Services continues to forecast an overspend of +£0.270m.
38. An underspend of -£0.138m is forecast by Strategy and Communications. This is due to an underspend on marketing of -£0.085m following the restructure and -£0.050m underspend on grant related expenditure.

Redundancy Costs

39. 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 October 2011 are £3.135m and will continue to be monitored and reported throughout the year.

Virements and Supplementary Estimates

40. 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 restructuring virements within Children's Social Care and the transfer of Older People's Day Services from the Pooled Budgets neither of these virements are policy changes.
41. Supplementary Estimates are set out in Annex 2e and include the return to balances of £0.068m of fortuitous Asylum grant income as set out in paragraph 9.

Grants Monitoring

42. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £422.995m (including £382.421m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include a reduction of -£6.504m in DSG received. The adjustment relates to two secondary schools that have converted to academy status during 2011/12.

Bad Debt Write Offs

43. There were 32 general write offs to the end of October 2011 totalling £15,130.49. In addition Client Finance has written off 65 debts totalling £62,947.82.

Children's Act Loan Write Off

44. A loan of £11,829.64 was made to a foster carer in June 2003 under the Children's Act. Since the loan was made the carers took out a Special Guardianship Order on the young people and at the time it was agreed they would not have to repay the loan. Cabinet are therefore, recommended to write the loan off.

Treasury Management

45. On 25 October 2011 the Treasury Management Strategy team reinstated Lloyds TSB, Bank of Scotland, Santander, Barclays and Royal Bank of Scotland to the council's approved lending list.
46. On 24 November, due to continued deterioration of debt dynamics in the Eurozone, maturity limits were reduced to one month for Santander, Lloyds TSB and Bank of Scotland. On the same day the maturity limits were reduced to three months for Barclays, BNY Mellon, HSBC, JP Morgan Chase, and Standard Chartered.
47. Due to the escalating tension in European financial markets European banks were suspended from the lending list on 2 December. Due to credit rating

downgrades, the maturity limits of Australian and Canadian banks were reduced to three months.

48. The average cash balance during October was £ 269.230m and the average rate of return was 1.139%. 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 Sheet

Reserves

49. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £78.296m an increase of +£2.042m since the last report. The change reflects the increased underspend being forecast which will be transferred to the carry forward reserve.

New Reserves

50. During 2011/12 ICT and Governor Services within Education Transformation have become traded services so it is proposed that a reserves are set up for each of the services in line with other traded services within the Council. The surplus can be used within the service to either reinvest in the service or to manage future deficits if they occur.
51. As part of the Provisional Outturn Report Cabinet and Council agreed a carry forward request of £0.850m to be used for the infrastructure costs for the Service Redesign in Children, Education and Families. It is expected that some of the projects including the information management solution, single child record and updates will not be completed until 2012/13. It is therefore proposed to set up a reserve for Children, Education and Families ICT Projects and that the balance of the earmarked funds is transferred at the end of the financial year.
52. Under the Children's Act the Council can give loans to carers to help pay for adaptations to their properties to enable them to care for young people. The repayment agreements on these loans vary. Some of them state that if the youngest child in the placement remains with the carer until the age of 18 then the loan will be written off. This is in recognition of the carers saving the service what could be a significant amount of money if an alternative placement was needed. The total value of the loans where there is a possibility that they may be written off over the next 13 years is £261,094. It is recommended that a reserve is set up for Children Social Care Loans so that funding each year can be transferred to the reserve so that if the loans are written off the funding required can be transferred from the reserve rather than the write off becoming a service pressure. In 2011/12 the service is planning to make a contribution of £0.034m.

School Balances

53. The Government is seeking to provide increasing levels of autonomy for all schools. This means there will be a reduced role for local authorities in managing the surplus balances of schools. Specifically local authorities were instructed not to operate the "clawback mechanism" at March 2011 unless a school has a significant history of excessive balances over a number of years.

Furthermore the DfE required all authorities to remove the limits on surplus balances from their Schemes for Financing Schools with effect from 1 April 2011.

54. However, local authorities' existing role in resolving the financial difficulties of schools in deficit has been reiterated by the Secretary of State and may be strengthened in future. Therefore, the reporting on school balances will focus on the forecasting of balances and on progress made in eliminating deficits. The table below sets out the number of schools in deficit and the total deficit forecast.

Deficit Band	Outturn March 2011		Approved Budget March 2012		Period 6 (Sept) Forecast March 2012	
	No.	£m	No.	£m	No.	£m
£0 < £0.005m	14	0.035	20	0.037	8	0.026
£0.005m < £0.025m	13	0.163	14	0.183	8	0.118
£0.025m < £0.050m	5	0.167	7	0.282	4	0.120
£0.050m < £0.075m	6	0.347	3	0.174	3	0.174
> £0.075m	3	0.601	4	0.875	4	0.847
Total	41	1.313	48	1.551	27	1.285

55. The Cooper School (Bicester) ended 2010/11 with a small surplus. During 2011/12 sixth form provision is being opened by the school, which requires investment in staffing and resources before sixth form pupil numbers generate sufficient funding from the Young People's Learning Agency to cover the costs. A deficit plan was therefore approved for 2011/12 which will be recovered over three years. The forecast deficit at March 2012 is £0.379m compared to £0.389m in the approved budget plan.

Balances

56. Annex 5 sets out the current position for general balances taking into account known changes. Balances are currently £15.734m. The current forecast includes the return to balances of £0.068m of fortuitous Asylum grant income as set out in paragraph 9.

Part 3 – Capital Monitoring and Programme Update

Capital Monitoring

57. The capital monitoring position set out in Annex 9a, shows the forecast expenditure for 2011/12 is £67.1m (excluding schools local capital). This is £1.9m lower than the latest capital programme agreed by Cabinet on 18 October 2011.

58. The table below summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	30.7	30.6	-0.1
Social & Community Services	9.9	9.7	-0.2

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Environment & Economy - Transport	23.6	22.8	-0.8
Environment & Economy - Other	4.7	3.9	-0.8
Chief Executive's Office	0.1	0.1	0.0
Total Directorate Programmes	69.0	67.1	-1.9
Schools Local Capital	7.8	7.8	0.0
Total Capital Programme	76.8	74.9	-1.9

* Approved by Cabinet 18 October 2011

59. 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.
60. In the Social & Community Services programme a budget of £0.134m has been removed as it is no longer needed. This corporate funding which has been transferred to the Adult Social Care Management System project to reduce the level of prudential borrowing required to fund the scheme.
61. The other significant variations were reported to Cabinet in November 2011.

Actual & Committed Expenditure

62. As at the end of September actual capital expenditure for the year to date (excluding schools local spend) was £24.8m. This is 37% of the total forecast expenditure of £67.1m, which is around 5% 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

63. The total forecast 5-year capital programme (2011/12 to 2016/17) is now £398.1m, an increase of £1.1m from the latest capital programme. The new schemes and project/programme budget changes requiring Cabinet approval are set out in Annex 9c. The table below summarises the variations by directorate and the main reasons for the increase in the size of the programme are explained in the following paragraphs.

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Directorate	Last Approved Total Programme (2011/12 to 2015/16) *	Latest Forecast Total Programme (2011/12 to 2015/16)	Variation
	£m	£m	£m
Children, Education & Families	175.8	175.8	0.0
Social & Community Services	23.7	24.8	+1.1
Environment & Economy - Transport	104.4	104.4	0.0
Environment & Economy - Other	16.3	16.3	0.0
Chief Executive's Office	0.1	0.1	0.0
Total Directorate Programmes	320.3	321.4	+1.1
Schools Local Capital	19.1	19.1	0.0
Earmarked Reserves	57.6	57.6	0.0
Total Capital Programme	397.0	398.1	+1.1

* Approved by Cabinet 18 October 2011

64. The inclusion of a scheme for the relocation of Bicester Library (£1.2m) was reported to Cabinet in November 2011. The removal of a budget provision for an ICT Social Care project reduces the five year programme by £0.134m as explained in paragraph 60 above.

RECOMMENDATIONS

65. **The Cabinet is RECOMMENDED to:**
- (a) **note the report and approve the virements as set out in Annex 2a and agree the return to balances as set out in Annex 2e;**
 - (b) **Agree the Children's Act loan write off as set out in paragraph 44;**
 - (c) **Agree the creation of the Children, Education and Families reserves as set out in paragraphs 50 to 52;**
 - (d) **Approve the change to the Capital Programme as set out in annex 9c.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 31 October 2011

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