

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE
12 JANUARY 2012

FINANCIAL MONITORING OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 29 September 2011 set out the Council's forecast financial position at the end of the first four months of 2011/12. This report provides a commentary on the financial monitoring for the next three months and is consistent with the Financial Monitoring Report considered by Cabinet on 20 December 2011. Each of the reports to Cabinet are available on the Council's website. The Directorate reports upon which the Cabinet reports are based are available in the Members' Resource Centre.
2. Part 1 sets out the forecast revenue position, Part 2 the Balance Sheet, and Part 3 provides an update on the Capital Monitoring position and Capital Programme Review.

Part 1 - Revenue

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. The summary budget monitoring table for October is attached in Annex 1 to this report.
4. Within the forecast set out below around 70% of the 2011/12 savings totalling £54.6m have already been achieved or are forecast to be achieved.

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

5. The -£3.311m variation reported for October is £4.620m less than the +£1.309m variation as at the end of July which was reported to Cabinet on 20 September 2011. The change relates to the inclusion of the additional income of £1.1m relating to a rent review of residential homes, increased underspends on Home to School transport, -£0.500m underspend now forecast for Waste Management due to tonnage and recycling/composting levels being better than budgeted and various underspends on Highways and Transport.

Directorate	Forecast Variance as at:			
	31 July 2011 (reported to Cabinet on 20 September 2011)	31 August 2011 (reported to Cabinet on 18 October 2011)	30 September 2011 (reported to Cabinet on 15 November 2011)	31 October 2011 (reported to Cabinet on 21 December 2011)
	£m	£m	£m	£m
CE&F	-1.113	-1.204	-1.831	-2.195
S&CS	+0.991	+0.511	+0.484	-0.569
Environment & Economy	-0.443	-0.892	-1.291	-1.424
Chief Executive's Office	-0.053	-0.053	+0.071	-0.092
In-Year Directorate Total	-0.618	-1.638	-2.567	-4.280
Add: Overspend on Council Elements of Pooled Budgets	+1.927	+2.349	+1.567	+0.969
Total Variation including Council Elements of Pooled Budgets	+1.309	+0.711	-1.000	-3.311
Change compared to July 2011 forecast		-0.598	-2.309	-4.620

6. 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 underspend

7. An in-year variation of -£2.195m is forecast (-£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

8. Home to School Transport are forecasting a variation of -£0.732m, a change of -£0.251m since the last report to Strategy and Partnerships Scrutiny Committee. The underspend reflects the early delivery of savings required in future years as set out in the Medium Term Financial Plan. This is also reflected in the Service and Resource Planning Process.

Placements

9. Placements are currently forecasting an underspend of -£0.290m compared to the breakeven position reported last time. 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 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

10. An underspend of -£0.615m is forecast on Asylum. In the report to Cabinet on 15 November 2011 it was forecast that an additional £0.328m of grant income will be received. The grant income budget has subsequently been increased to £1.328m and the additional funding is available to fund pressures in 2012/13. 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

11. 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.

DSG Funded Services

12. An underspend of -£0.360m is forecast on services funded by DSG. 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 expected to be used fully in 2011/12.
13. 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 overspend

14. An underspend of -£0.569m is forecast. 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

15. Social Work (Locality Teams) are forecasting an overspend of +£0.455m. This pressure is ongoing and is being considered as part of the Service and Resource Planning process for 2012/13 and also as part of other reorganisation proposals.
16. 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

¹In addition to DSG LACSEG, Local Authority LACSEG is currently removed from Formula Grant on a share of the total schools converting nationally so is unaffected by the number of conversions locally.

expected that the full year effect of the savings will be realised within the current Medium Term Financial Plan period.

17. 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 one off amount has been included in the forecast for the directorate.

Community Safety (Including Fire & Rescue)

18. Community Safety are forecasting an underspend of -£0.330m an increase of -£0.230m since the last report. The change reflects underspends of -£0.200m being forecast on wholetime firefighters and -£0.100m on the retained duty system. There are a number of pressures within the Fire & Rescue Service but it is expected that they can be managed within the service. The Business Strategy savings are on target to be delivered.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pool

19. As shown in the table below 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) element.
20. The forecast includes the 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.

Original Budget	Latest Budget		Forecast variance Oct	Forecast variance Sept	Change In Variance
80.288	78.112	Older People	-1.246	-0.478	-0.768
6.880	6.749	Physical Disabilities	1.801	1.733	0.068
0.910	1.085	Equipment	0.272	0.235	0.037
88.078	85.946	Total Council Elements	0.827	1.490	-0.663
31.124	31.667	PCT elements	1.255	1.368	-0.113
119.202	117.613	Total	2.082	2.858	-0.776

Older People

21. The County Council's element of the pool is forecast to be underspent by -£1.246m. 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

22. The County Council's element is projected to be overspent by +£1.801m of which includes the overspend of +£1.144m carried forward from 2010/11. The forecast 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

23. Additional resources amounting to £0.342m have been contributed to this budget from the extra £6.196m for adult social care from the NHS. 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

24. As set out in the table below the Learning Disabilities Pooled Budget is forecasting an overspend of +£0.142m which relates entirely 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.

Original Budget	Latest Budget		Forecast variance Oct	Forecast variance Sept	Change In Variance
64.613	62.761	Council Element	0.142	0.077	0.065
11.866	11.959	PCT element	0.000	0.014	-0.014
76.479	74.720	Total	0.142	0.091	0.051

Environment & Economy (E&E): -£1.424m in – year Directorate underspend

25. 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 for one-off use to support the Directorate's position in 2012/13.

Highways & Transport

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

Growth & Infrastructure

27. The service is forecasting an underspend of -£0.816m an increase of -£0.672m since the last report. The change relates to underspends of -£0.170m relating to the carbon tax liability for street lighting and -£0.500m relating to Waste Management. 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.

Property and Facilities

28. The service is forecasting a variation of +£0.214m an increase of +£0.409m 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.
29. 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

30. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.274m. Adult Learning are reporting an underspend of -£0.109m. In line with the agreed four-year recovery plan it is anticipated that 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 of funding, with a maximum liability of £0.330m.

Chief Executive's Office: -£0.095m in – year Directorate underspend

31. The Chief Executive's Office (CEO) is forecasting a variation of -£0.095m. The Business Strategy savings for CEO (£1.3m) are generally low risk and on target to be delivered in 2011/12.
32. Legal Services are forecasting an overspend of +£0.270m. As in previous years an increase in the number and complexity of childcare and planning cases is putting a pressure on the service. In addition, external income from Section 106 work has reduced. The service is controlling costs where possible by limiting the use of external counsel.
33. Cabinet approved the first wave of bids for the Big Society fund totalling £0.282m on 19 July 2011. The second wave of bids totalling £0.153m were agreed by Cabinet on 18 October 2011. Further bids for the remaining £0.165m of funding will be allocated later in 2011/12.

Redundancy Costs

34. £6.705m of 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

35. The virements requested to date in 2011/12 include restructuring virements within Children's Social Care, the transfer of Business & Skills from CE&F to E&E, the merger of the defect budgets in Highways and Transport, and the transfer of Older People's Day Services from the Pooled Budget. There have been minimal Supplementary Estimates to date.

Grants Monitoring

36. Ringfenced grants totalling £422.995m (including £382.421m of Dedicated Schools Grant) are included in Directorate budgets. The DSG allocation for 2011/12 has been reduced by -£6.504m. The adjustment relates to two secondary schools that have converted to academy status during 2011/12. Other changes since the last report include an increase of £0.328m in the grant received from the Home Office costs relating to Asylum Seekers, and an additional grant of £0.340m for Phonics, Physical Education, Maths and Science Teachers and New Opportunities from the Department for Education which will be passported to Schools as set out in the terms and conditions of the grant. A table detailing the grants and their latest allocations is attached in Annex 2 to this report.

Bad Debt Write Offs

37. There were 32 general write offs to the end of October 2011 totalling £15,130. In addition Client Finance has written off 65 debts totalling £62,947.

Treasury Management

38. 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.
39. Due to the current economic climate there have been a large number of changes to the lending list since the last report. The current significantly reduced lending list is included in Annex 3.

Part 2 – Balance Sheet

Reserves

40. Forecast reserves were £82.210m in the last report and have since decreased to £78.296m at the end of October. Changes during this period include the carry forward requests that were agreed by Council on 13 September 2011 transferring from the Carry Forward Reserve, and being added to revenue budgets on a one-off basis.

School Balances

41. 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.
42. 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 on the next page 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

43. 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

44. At the end of July 2011 forecast balances were £15.666m and have increased to £15.734m

Part 3 - Capital Monitoring

45. The capital monitoring position as at the end of October, 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. The table below summarises the variations by directorate.

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

46. 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 to the 20 December 2011 Cabinet report .
47. In the Transport programme, the A44 Crossing at Yarnton will not be completed in 2011/12 as originally anticipated as it will conflict with other work being carried out in the area. Therefore, £0.313m has been re-profiled to 2012/13.

48. Further delays in pre-construction work on the Didcot Station Forecourt scheme has led to further slippage of £0.315m into 2012/13.
49. In the Environment & Economy programme, the Kidlington Waste Recycling Centre project has been experiencing some delays since the beginning of the financial year as securing planning permission took longer than originally anticipated. The revised detailed planning application was approved on 12 September 2011. Although this is a positive outcome in moving the project forward, the latest monitoring results show that project progress is still affected by complex land issues which slows down the leasehold acquisition for the new site. Given this position, the expenditure profile has been further revised to a minimal level of £0.150m in this financial year, a reduction of £0.600m from the latest capital programme. Further revisions will be made as part of the regular monitoring reflecting the progress on the ground.
50. 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.

Actual & Committed Expenditure

51. As at the end of September 2011 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

52. 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 table on the next page summarises the variations by directorate and the main reasons for the increase in the size of the programme are explained in the following paragraphs.

Directorate	Last Approved Total Programme (2011/12 to 2015/16) * £m	Latest Forecast Total Programme (2011/12 to 2015/16) £m	Variation £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

53. 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 51 above.
54. The relocation of Bicester Library has been included within the Social & Community Services programme. This was a scheme on hold that was re-considered by Capital Investment Board in August 2011. It will be a self-financed scheme up to a maximum contribution of £1.200m funded by secured Section 106 contributions and future capital receipt from the sale of the current library should this new scheme be part of the town centre redevelopment.

Conclusion

55. The overall position on balances and reserves, and the forecast revenue underspend indicates the Council remains in a strong position and is on track to deliver the Business Strategies. Longer run risks, along with the impact of funding changes currently being consulted on, are being considered as part of the Service and Resource Planning process for 2012/13 – 2016/17.

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Cabinet Member for Finance & Property
January 2012