

CABINET – 13 MARCH 2012

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the forecast position for each Directorate. This includes the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2011/12 – 2015/16. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of January 2012. The Capital monitoring is included at Part 3.

Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of –£5.672m or -1.33% against a budget of £425.951m as shown in the table below. £2.072m of the underspend is committed to be used in 2012/13 and subject to approval, will either be placed into earmarked reserves for specific one-off purposes or be requested to be carried forward in the Provisional Outturn Report. The remaining uncommitted underspend currently forecast to be £3.6m will be placed in to the Efficiency Reserve to support the implementation of the Business Strategies.
3. During the year Directorates worked hard to implement their Business Strategies. There has been a firm focus on cost minimisation resulting in some revenue savings, particularly relating to vacant posts, being achieved early through careful service management. 94% of the £54.6m savings built into 2011/12 budgets are either achieved or on track to be achieved by year end. Where there are savings that will not be achieved alternative savings have been found.

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast January 2012 £m	Variance Forecast January 2012 %
112.817	Children, Education & Families (CE&F)	111.550	107.580	-3.970	-3.56
219.442	Social & Community Services (S&CS)	220.917	220.354	-0.563	-0.25
75.561	Environment & Economy	84.509	83.035	-1.474	-1.74
7.751	Chief Executive's Office	8.975	8.664	-0.311	-3.47
415.571	In year Directorate total	425.951	419.633	-6.318	-1.48
	Add: Overspend on Council Elements of Pooled Budgets			+0.646	
	Total Variation including Council Elements of Pooled Budgets			-5.672	-1.33

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 January 2012 is set out below.

Children, Education & Families: -£3.970m in year directorate variation

6. Children, Education & Families are forecasting an in-year variation of -£3.970m (-£7.175m total variation including a -£3.205m underspend on services funded from Dedicated Schools Grant (DSG) which will be placed in an earmarked reserve for use in 2012/13).

Early Intervention Hubs

7. Early Intervention Hubs are forecasting an underspend of -£0.900m an increase of -£0.300m since the last report. This has been achieved through early implementation of the structure and cost minimisation during 2011/12 when part year savings were expected. The full year effect of the savings is already built into the budget for 2012/13.

Educational Effectiveness

8. An underspend of -£0.968m is forecast on School Intervention Projects which either will not be started or not completed until 2012/13. As set out in paragraph 46 it is recommended that this is placed into a new reserve to be used to complete these projects in 2012/13.

Children's Social Care

9. Children's Social Care Management and Central Costs is forecasting an underspend of -£0.442m. This relates to vacancies following restructures within the service. The service is in the process of recruiting to the vacant posts.
10. An underspend of -£1.374m is forecast for Placements, a change of -£0.465m since the last report. The position reported allows for £0.150m 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.

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11. Asylum is forecasting an underspend of -£0.627m a decrease of +£0.064m since the last report. The change reflects a reduction in the number of eligible clients using the service. Given the volatile nature of the service the forecast could change again before the year end.

DSG Funded Services

12. An underspend of -£3.205m is forecast on services funded by DSG an increase of -£2.439m. The previously reported underspend of -£2.331m on the non-schools contingency which was awaiting allocation by Schools Forum is now included in the forecast. This is ringfenced to be spent within the Schools budget and following Schools Forum on 1 February 2012 will be carried forward to be spent in 2012/13.
13. Early Years are forecasting an underspend of -£0.700m an increase of -£0.367m since the last report. The change reflects a reduction in the number of graduate leadership candidates enrolling on courses this year.

Social & Community Services: -£0.563m in year directorate variation

14. Social & Community Services are forecasting an underspend of -£0.563m. There is also a forecast overspend of +£0.646m on the Council elements of the Pooled Budgets. This mainly relates to adults with physical disabilities.

Adult Social Care

15. Adult Social Care is reporting an underspend of -£0.548m, which includes one-off rent review arrears income of £1.4m. This figure income has increased by £0.300m since the last report as it reflects the inclusion of rental income due for 2011/12.
16. Income relating to Older People and Physical Disabilities is forecast to be underachieved by +£0.689m an increase of +£0.593m since the last report. As previously reported discussions are continuing with the Primary Care Trust (PCT) regarding the transfer of income associated with the additional NHS resources into the Older People Pooled Budget. The forecast has been updated to reflect the transfer of £0.534m of income into the Older People Pooled Budget.
17. Following a review of Adult Social Care bad debts the amount set aside to meet these will be reduced the end of this financial year. The amount to be returned to the Adult Social Care budget has yet to be finalised but is expected to be approximately £0.275m.
18. Community Development are forecasting an underspend of -£0.103m this reflects early delivery of savings following the restructure of the service.

Community Safety (including Fire & Rescue)

19. Fire and Rescue is forecasting an underspend of -£0.414m a decrease of +£0.030m since the last report. This includes an underspend of -£0.200m on whole time fire-fighter pay. It is proposed that this is transferred to the Vehicle Renewals reserve at the end of the financial year. The retained duty system (RDS) is forecasting an underspend of -£0.200m this along with the overspend on fire-fighter ill health retirement budget of +£0.040m are expected to be returned to or drawn from balances at year end.

20. 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)

21. Proposals for a Joint Commissioning service with Children, Education and Families are under consultation with the intention of implementing the new structure in 2012. 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 expected to achieve savings of £0.450m in 2012/13.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pool

22. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£2.189m, +£0.895m on the Council's element and +£1.294m on the Primary Care Trust's (PCT) element.
23. The Department of Health announced additional funding of £1.419m for adult social care in January 2012. Discussions are taking place with the PCT as to how this additional funding will be allocated so is not yet included in the forecast. It is expected that part of this funding will be used in 2011/12 with the unspent balance placed in an earmarked reserve for use in 2012/13.
24. 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

25. The County Council's element of the pool is forecast to be underspent by -£1.409m an increase of -£0.561m since the last report. The change reflects the transfer of income relating to the additional NHS funding of £6.196m to the pool as set out in paragraph 16. The income has been generated by clients supported through use of the Additional NHS funding who have been assessed as eligible to pay towards their care packages. Discussions are taking place with the NHS on how this underspend should be used and an update will be included in the next report.

Physical Disabilities

26. The County Council's element is projected to be overspent by +£1.973m an increase of +£0.276m since the last report. The overspend reflects an increase in the number of people needing care over the last two years and changes to packages of care. Work is underway to understand the impact of this increased demand and the options for managing the level of spending. Additional funding to reflect the current level of clients and packages, and for future demography was agreed by Council on 10 February 2012 as part of the budget for 2012/13. A supplementary estimate will be requested in a future report to fund the 2011/12 overspend.

Equipment

27. 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 +£0.331m on the Council's element of the budget. Work is continuing to understand why these pressures are arising and what should be done in response.

Learning Disabilities Pool

28. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecasting an underspend of -£0.296m, -£0.249m on the Council's element and -£0.047m on the PCT element. The change of -£0.125m since the last report is due to a reduction in commitments, an underspend on staffing costs, and a reduction in the overspend on personal budgets.

Environment & Economy: -£1.474m in year directorate variation

29. Environment & Economy are forecasting an underspend of -£1.474m. This forecast position includes the £0.425m to be carried forward and used to support savings in 2012/13 agreed as part of the 2012/13 budget.

Highways & Transport

30. The service is forecasting an underspend of -£0.271m a decrease of +£0.676m since the last report. The change reflects the transfer to earmarked reserves of the Supporting Community Transport Grant underspend of -£0.532m along with an underspend of -£0.300m on the Area Stewardship Fund which will be used in 2012/13.

Growth & Infrastructure

31. The service is forecasting an underspend of -£1.451m, an increase of -£0.185m since the last report. The change relates mainly to increase planning income.
32. Waste Management continue to forecast an underspend of -£0.523m. Current activity levels for recycling/composting are expected to be 62% recycling/composting. This is better position than budgeted with less landfill tonnage being the main contributing factor to the increased performance. The remaining Growth and Infrastructure underspend of -£0.928m relate to projects including Minerals and Waste Framework, Broadband and the Strategic Sites Project which have been previously reported.

Property and Facilities

33. The service is forecasting a variation of +£0.423m. This mainly relates to the additional costs of the Property and Facilities contract procurement.
34. Food with Thought are continuing to forecast a trading surplus of £0.400m. The intention is that this surplus, plus any remaining School Lunch Grant will be reinvested in the service in agreement with Schools. QCS Cleaning is forecasting a trading surplus of £0.086m.

Oxfordshire Customer Services

35. Oxfordshire Customer Services (OCS) continues to forecast an underspend of -£0.205m. ICT are forecasting an underspend of -£0.400m relating to projects that will now be completed in 2012/13. As set out in paragraph 47 it is recommended that a new reserve is created to continue to fund the projects which span financial years including the Disaster Recovery Centre in 2012/13.

Chief Executive's Office: -£0.311m in year directorate variation

36. The Chief Executive's Office (CEO) is forecasting a variation of -£0.311m a change of -£0.331m since the last report. The change mainly relates to an underspend of -£0.247m being forecast by Human Resources. The Change Management and New Ways of Working Project is forecasting an underspend of -£0.110m this project will continue in 2012/13 and a request to carry forward the underspend to 2012/13 will be made in the Provisional Outturn Report. There is also an underspend of -£0.086m relating to apprenticeships that cross academic years this underspend will also be requested to be carried forward to 2012/13.
37. The forecast includes an overspend of +£0.400m on Legal Services. Budget management arrangements allow any use of counsel which is greater than £0.025m to be met from balances. This position will be reviewed at year end and any costs that cannot be managed within the Chief Executive's Office will be met from balances.

Redundancy Costs

38. 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 January 2012 are £6.290m. The remaining provision will be assessed at year end to ensure it is still robust.

Virements and Supplementary Estimates

39. 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 the creation of income and expenditure budgets relating to grants received from the Children's Workforce Development Council. Also included are virements that relate to the restructure of administrative support in Early Intervention and Education service within Children, Education and Families. Neither of these virements represent a policy change.

Grants Monitoring

40. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £424.040m (including £382.507m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include two grants relating to Children's Social work training from the Children's Workforce Development Council totalling £0.679m.

Bad Debt Write Offs

41. There were 93 general write offs to the end of January 2012 totalling £39,247.22. In addition Client Finance has written off 100 debts totalling £114,193.

Treasury Management

42. The lending list and credit worthiness of all institutions on the lending list continues to be closely monitored by Treasury Management Strategy Team (TMST). To further diversify the short term lending portfolio and maximise the returns received for instant access cash, a Legal and General Money Market Fund account has been added to the Lending List. The maximum investment in the fund is limited to £25m.

43. The average cash balance during January 2012 was £256.502m and the average rate of return was 1.135%. 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

44. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £89.204m a change £6.585m since the last report. The change reflects the transfer of the underspends on grants and contributions being transferred to the new reserve recommended below including the DSG underspend of £3.205m. Also the transfers to the School Intervention Reserve, the Area Stewardship Reserve and the ICT Projects Reserve.

New Reserves

Grants and Contributions

45. It is recommended that a new reserve is created which will be used to transfer underspends on grants and contributions¹ that are committed to be spent in future years. In 2010/11 unspent grants and contributions were considered as part of the carry forward process. New guidance suggests it is more appropriate to place these in an earmarked reserve. It is proposed that the DSG underspend of £3.205m, the £0.532m unspent from the Supporting Community Transport Grant, and £0.088m contribution from the PCT relating to Therapeutic Services are placed in this reserve for use in 2012/13.

Children, Education and Families

46. As set out in paragraph 8 it is recommended to create a new reserve for School Intervention projects. This will be used to hold the funding allocations for School Intervention projects which will either not be started or completed until 2012/13.

Environment & Economy

47. It is recommended that a new reserve is created to manage the costs of ICT projects which span financial years which are scheduled for completion 2012/13. A contribution of £0.400m will be made to this reserve in 2011/12.
48. It is recommended that a new reserve is created for Area Stewardship to manage the funding of this scheme between financial years. The underspend of £0.300m, due to a late start with the prioritisation and approval process, will be made to this reserve in 2011/12 for use in 2012/13.

Balances

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

¹ that are not subject to requirements to return any of the funding to the awarding body

Part 3 – Capital Monitoring and Programme Update

Capital Monitoring

50. The capital monitoring position set out in Annex 9a, shows the forecast expenditure for 2011/12 is £64.0m (excluding schools local capital). This is £3.9m lower than the latest capital programme submitted to Cabinet on 17 January 2012 but reflects the Programme approved by Council in February 2012. The table below summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	30.9	30.9	0.0
Social & Community Services	4.1	4.1	0.0
Environment & Economy - Transport	25.6	25.2	-0.4
Environment & Economy - Other	3.2	3.2	0.0
Chief Executive's Office	0.2	0.2	0.0
Total Directorate Programmes	64.0	63.6	-0.4
Schools Local Capital	8.1	8.1	0.0
Total Capital Programme	72.1	71.7	-0.4

* Approved by Council 10 February 2012

51. 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.
52. In the Transport programme, £0.229m of expenditure on the Didcot Station Forecourt scheme has been re-profiled to 2012/13 due to protracted negotiations with Network Rail.

Actual & Committed Expenditure

53. As at the end of January actual capital expenditure for the year to date (excluding schools local spend) was £42.6m. This is 67% of the total forecast expenditure of £63.6m, which is around 3% above the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 86% of the forecast.

Five Year Capital Programme Update

54. The total forecast 5-year capital programme (2011/12 to 2016/17) is now £436.3m, an increase of £0.4m from the latest capital programme. The new schemes and project/programme budget changes requiring Cabinet approval are set out in Annex 9c. 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.

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Directorate	Last Approved Total Programme (2011/12 to 2016/17) *	Latest Forecast Total Programme (2011/12 to 2016/17)	Variation
	£m	£m	£m
Children, Education & Families	169.3	169.4	+0.1
Social & Community Services	29.5	29.5	0.0
Environment & Economy - Transport	129.0	129.3	+0.3
Environment & Economy - Other	33.2	33.2	0.0
Chief Executive's Office	0.4	0.4	0.0
Total Directorate Programmes	361.4	361.8	+0.4
Schools Local Capital	20.4	20.4	0.0
Earmarked Reserves	54.1	54.1	0.0
Total Capital Programme	435.9	436.3	+0.4

* Approved by Council 10 February 2012

55. The increase in the Transport programme is due to the inclusion of four schemes that are funded by Developer Contributions. These schemes were previously shown in Appendix B to the Capital Programme.

RECOMMENDATIONS

56. **The Cabinet is RECOMMENDED to:**
- (a) note the report and approve the virements as set out in Annex 2a;**
 - (b) agree the creation of the new reserves as set out in paragraph 45 to 48; and**
 - (c) approve the new capital schemes and budget changes set out in Annex 9c.**

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Background papers: Directorate Financial Monitoring Reports 31 January 2012

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