

Strategy & Partnerships Scrutiny Committee – 15 March 2012

FINANCIAL MONITORING OVERVIEW**COMMENTARY BY THE CABINET MEMBER FOR FINANCE**

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 12 January 2012 set out the Council's forecast financial position at the end of the first seven months of 2011/12 to October 2011. This report provides a commentary on the financial monitoring for the next three months to January 2012 and is consistent with the Financial Monitoring Report considered by Cabinet on 13 March 2012. 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 –£5.672m or -1.33% against a budget of £425.951m as shown in the table below. More details are attached on Annex 1 to this report.
4. During the year Directorates have 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

5. The -£3.311m variation as at the end of October which was reported to Cabinet on 20 December 2011 has increased by £2.361m to -£5.672m variation reported for January is £2.361m. The change mainly relates to the increase underspend on placements and the underspend of -£0.900m on the Early Intervention Hubs.

	Forecast Variance as at:			
	31 October 2011 <i>(reported to Cabinet on 20 December 2011)</i> £m	30 November 2011 <i>(reported to Cabinet on 17 January 2012)</i> £m	31 December 2011 <i>(reported to Cabinet on 14 February 2012)</i> £m	31 January 2012 <i>(reported to Cabinet on 13 March 2012)</i> £m
Directorate				
CE&F	-2.195	-2.688	-2.621	-3.970
S&CS	-0.569	-0.341	-0.491	-0.563
Environment & Economy	-1.424	-1.128	-1.991	-1.474
Chief Executive's Office	-0.092	+0.062	+0.018	-0.311
In-Year Directorate Total	-4.280	-4.095	-5.085	-6.318
Add: Overspend on Council Elements of Pooled Budgets	+0.969	+1.242	+1.036	+0.646
Total Variation including Council Elements of Pooled Budgets	-3.311	-2.853	-4.049	-5.672
Change compared to July 2011 forecast		+0.458	-0.738	-2.361

6. 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 underspend

7. 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

8. Early Intervention Hubs are forecasting an underspend of -£0.900m. 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

9. An underspend of -£0.968m is forecast on School Intervention Projects which either will not be started or not completed until 2012/13. It is proposed that this is placed into a new reserve to be used to complete these projects in 2012/13.

Children's Social Care

10. 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.
11. Placements are currently forecasting an underspend of -£1.374m a change of -£1.084m since the last report to Strategy and Partnerships Scrutiny Committee. 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.

Asylum

12. An underspend of -£0.627m is forecast on Asylum an increase of -£0.012m since the last report. The underspend reflects a reduction in the number of eligible clients using the service. Given the extremely volatile nature of the service the forecast could change again before the year end.

DSG Funded Services

13. An underspend of -£3.205m is forecast on services funded by DSG an increase of -£2.845m since the last report. 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.

Social & Community Services: -£0.563m in year Directorate overspend

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. Discussions with the Primary Care Trust (PCT) are on-going 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 an increase of -£0.084m 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.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pool

20. As shown in the table below 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.
21. 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.
22. 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 January	Forecast variance December	Change In Variance
80.288	77.565	Older People	-1.409	-0.848	-0.561
6.880	6.916	Physical Disabilities	1.973	1.697	0.276
0.910	1.085	Equipment	0.331	0.331	0
88.078	85.566	Total Council Elements	0.895	1.180	-0.285
31.168	31.819	PCT elements	1.294	1.437	-0.143
119.246	117.385	Total	2.189	2.617	-0.428

Older People

23. The County Council's element of the pool is forecast to be underspent by -£1.409m a change of -£0.163m since the last report. The change reflects the transfer of £0.534m of income relating to the additional NHS funding of £6.196m to the pool. 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. This has been offset by lower than forecast attrition rates in the spot residential and nursing placements together with an increase in the number of clients in bed based and home support services. 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

24. The County Council's element is projected to be overspent by +£1.973m. 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

25. Additional resources amounting to £0.342m have been agreed 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

26. 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 -£0.391m 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 (E&E): -£1.474m in – year Directorate underspend

27. 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

28. The service is forecasting an underspend of -£0.271m a change of -£0.303m since the last report. The second tranche of the Supporting Community Transport Grant of £0.280m which the Council received notification of on 19 January 2012. This amount, together with the unspent grant from the first tranche of £0.252m, will be placed in an earmarked reserve for use in 2012/13. The underspend of -£0.300m on the Area Stewardship Fund will also be placed in a reserve for use in 2012/13.

Growth & Infrastructure

29. The service is forecasting an underspend of -£1.451m an increase of -£0.635m since the last report. The change relates mainly to underspends being forecast of -£0.203m on the Strategic Sites project, -£0.164m by the Business and Skills Team which relates to academic year funding, and -£0.079m relating to the broadband project. Waste Management are forecasting 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.

Property and Facilities

30. The service is forecasting a variation of +£0.423m an increase of +£0.209m 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.
31. 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

32. 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. A new reserve will be 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 underspend

33. The Chief Executive's Office (CEO) is forecasting a variation of -£0.311m a change of -£0.216m 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.
34. Legal Services are forecasting an overspend of +£0.400m an increase of +£0.130m since the last report. 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

35. £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 January 2012 are £6.290m and will continue to be monitored and reported throughout the year.

Virements and Supplementary Estimates

36. The virements requested since the last report include income and expenditure budgets relating to grants received from the Children's Workforce Development Council, the restructure of administrative support in Early Intervention and Education service, and changes to the schools income and expenditure budgets to align them with actual expenditure and income and with the Consistent Financial Reporting (CFR) information that has to be provided to the Department for Education. There have been minimal Supplementary Estimates to date.

Grants Monitoring

37. Ringfenced grants totalling £424.040m (including £382.507m of Dedicated Schools Grant) are included in Directorate budgets. Other changes since the last report include two grants relating to Children's Social Work training and the second tranche of the Supporting Community Transport Grant. A table detailing the grants and their latest allocations is attached in Annex 2 to this report.

Bad Debt Write Offs

38. 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

39. 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.
40. 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

41. Forecast reserves were £78.296m in the last report and have since increased to £89.204m at the end of October.
42. A new reserve will be 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.

Balances

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

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

Part 3 - Capital Monitoring

44. The capital monitoring position as at the end of January 2012, 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 * £m	Latest Forecast Expenditure £m	Variation £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

45. The major in-year spend forecast 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

46. 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

47. 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 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 2016/17) * £m	Latest Forecast Total Programme (2011/12 to 2016/17) £m	Variation £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

48. The increase in the Transport programme is due to the inclusion of four schemes that are funded by Developer Contributions.

Conclusion

49. The overall position on balances and reserves, and the forecast revenue underspend indicates the Council continues to remain in a strong position and is on track to deliver the Business Strategies. The majority of 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.

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March 2012