

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE
26 JULY 2012

REVENUE AND CAPITAL OUTTURN OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE & POLICE

Introduction

1. This report provides a commentary on the Outturn position at 31 March 2012, and is consistent with the Council's Statement of Accounts for 2011/12¹. The Revenue and Capital Outturn report to Cabinet on 19 June 2012 and all Financial Monitoring reports for 2011/12 are available on the Council's website.
2. As set out in the Financial Monitoring and Business Delivery Report to Cabinet on 19 July 2012 changes were subsequently required to the net revenue expenditure of £418.962m set out in the Outturn Report following the Secretary of State for Transport's decision on the Cogges Link Road Development. £4.550m costs relating to the scheme were written off to revenue, offset by developer contributions and revenue previously applied to capital spend totalling £3.069m. This increased directorate net revenue expenditure by £1.481m to £420.443m. Total Capital Programme expenditure for 2011/12 reduced by £1.650m to £68.195m, and the use of capital resources was revised to 91%.

Summary of Revenue Outturn

3. As set out in Annex 1 the adjusted year end revenue position for 2011/12 was a variation of -£8.410m. This compares to the -£5.672m forecast variation as at the end of January 2012 which was reported to the Strategy and Partnerships Scrutiny Committee on 15 March 2012. Variations totalling -£1.221m have been returned to balances as they are outside the control of Directorates.

| | Final Budget 2011/12 | Outturn 2011/12 | Outturn Variation compared to final budget | Outturn Variation compared to final budget |
|---|----------------------------|--------------------|--|---|
| | £m | £m | £m | % |
| Children, Education & Families | 111.564 | 107.829 | -3.735 | -3.35 |
| Social & Community Services | 222.761 | 221.026 | -1.735 | -0.78 |
| Environment & Economy | 84.329 | 83.387 | -0.942 | -1.12 |
| Chief Executive's Office | 8.978 | 8.201 | -0.777 | -8.65 |
| Total Directorate variation including Pooled Budgets | 427.632 | 420.443 | -7.189 | -1.68 |
| Less variations funded from balances ² | | | -1.221 | |
| Adjusted Directorate Variation | | | -8.410 | |

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

² This is the £0.260m returned to balances reported in the Outturn Report less the £1.481m Cogges Link Road adjustment funded from balances.

4. The following Annexes are attached and referenced in the report and include the changes set out in paragraph 2:

| | |
|-------------|--------------------|
| Annex 1 | Revenue Outturn |
| Annex 2 a-b | Earmarked Reserves |
| Annex 3 a-c | Capital Outturn |

Part 1 – Revenue Outturn

Children, Education & Families (CE&F)

5. The outturn position for CE&F was a variation of -£3.735m. In addition unspent Dedicated Schools Grant totalling -£4.717m has been placed in a reserve for use in 2012/13.

Education and Early Intervention

6. The Service reported an underspend of -£2.421m. This reflected the early delivery of savings in the Early Intervention Hubs (-£1.006m) and for Home to School Transport (-£1.115m). Further savings of £0.500m in 2012/13 and £0.200m in 2013/14 are already built into the Medium Term Financial Plan but the total savings that could be achieved by Home to School Transport will be reviewed as part of the 2013/14 Service and Resource Planning process.

Children's Social Care

7. An underspend of -£2.159m for Children's Social Care included -£1.216m relating to Placement and Care Costs. Savings have been achieved through working with the courts to use more cost effective working methods such as minimising the use of out of county placements. However, where children have significant complex needs that require specialist or secure placements these have been met. Asylum also reported an underspend of -£0.596m due to a decrease in the number of clients.
8. The Youth Offending Service underspent by -£0.400m. This related to early delivery of savings through the restructuring of the service which were expected to be delivered in 2012/13.

Quality and Compliance

9. The CE&F elements of the Service overspent by +£0.823m. This mainly relates to redundancy costs and savings that have not yet been achieved due to the delays in the restructuring of Joint Commissioning.

Social & Community Services (S&CS)

10. The outturn position for S&CS was a variation of -£1.735m. Underspend on the Older People Pooled Budget (-£5.413m) and Learning Disabilities Pooled Budget (-£0.804m) have been placed in a reserve for use by the Pools in future years.

Social Care for Adults

11. The service reported an underspend of -£1.393m. This included £1.448m one-off rent income received in 2011/12.

12. Fairer Charging income relating to Older People and Physical Disabilities was underachieved by +£0.317m. The on-going impact of the reduction in income will be considered as part of the Service and Resource Planning process for 2013/14.
13. Locality teams reported an overspend of +£0.636m which related to unachievable savings. The on-going impact of this was addressed as part of the Service and Resource Planning process for 2012/13. In 2011/12 the overspend was offset by underspends on staffing costs related to restructuring within the Prevention & Early Support Team (-£0.416m) and Learning Disabilities (-£0.146m).

Quality and Compliance

14. The S&CS elements of the Service overspent by +£0.089m. Delays in the restructuring of Joint Commissioning have led to unachieved savings of £0.455m partly offset by underspends on Supporting People (-£0.245m) and Transforming Adult Social Care (-£0.175m).

Pooled Budgets

15. The Council's element of the Older People's Pooled Budget underspent by -£5.413m. This partly relates to Winter Pressures funding received from the Department of Health in January 2012. This has been used to fund three additional care home placements per week for 17 weeks to the end of May 2012. The total number of additional care home placements agreed for the 17 week period is 51. The funding for each placement will continue until the client no longer needs it. In line with the Pool agreement the underspend has been placed in a reserve. Other elements of the underspending will be used to meet the costs in future years of the additional care home placements made during 2011/12 and 2010/11.
16. There was an overspend of +£1.743m on the Physical Disabilities Pooled Budget relating to increased demand for the service. The on-going effect and future demographic pressure in this service was considered as part of the Service and Resource Planning process for 2012/13. The 2011/12 overspend was funded by general balances.
17. The Council's element of the Learning Disabilities Pooled Budget underspent by -£0.804m. This reflects a reduction in the number of clients and overachievement of efficiency savings. This has been transferred to a reserve for use in 2012/13.

Environment & Economy (E&E)

18. The outturn position for E&E was a variation of -£0.942m. Highways and Transport overspent by +£1.390m after taking account of costs related to Cogges Link Road.
19. Growth and Infrastructure underspent by -£2.085m. Waste Management reported an underspend of -£0.550m due to waste tonnages being lower than budgeted for. This follows the pattern of recent years and is broadly in line with the national profile associated with economic recession. Recycling and Composting activity levels are 61%. This is higher than the original strategy agreed by the Oxfordshire Waste Partnership.
20. The remaining underspends in Growth and Infrastructure related to Local Area Agreement reward grant (-£0.356m), the Minerals and Waste Framework (-£0.191m), Planning Implementation (-£0.405m) and Business and Skills (-£0.286m).

21. Property and Facilities overspent by +£0.593m. This related to dilapidation costs for Cricket Road and additional costs of the contract procurement.
22. Oxfordshire Customer Services underspent by -£0.789m. This included underspends on ICT (-£0.226m), Human Resources (-£0.320m) and Finance (-£0.186m).

Chief Executive's Office (CEO)

23. The outturn position for the CEO was a variation of -£0.777m. This includes underspends on Human Resources (-£0.209m), Strategy and Communications (-£0.265m), and Chief Executive & Business Support (-£0.227m).

Proposed Carry Forward of under and over spends in 2011/12 to 2012/13

24. Under the Council's Financial Regulations, the Cabinet is responsible for approving all carry forwards. Directorates asked to carry forward underspends to the service in which they were generated or requested a virement of the carry forward to meet pressures in other areas.
25. The following table summarises the carry forwards agreed by Cabinet on 19 June 2012. Directorate carry forwards are available for use on a one off basis in 2012/13. Some of the virements within the totals for CE&F, S&CS and E&E were approved by Council on 10 July 2012 under the authority's Financial Regulations as they were larger than £0.5m.

| Directorate | Directorate Variation after agreed variations to balances £m | Total Directorate Carry Forward £m | Underspend Transferred to Efficiency Reserve £m |
|----------------------------|---|---------------------------------------|--|
| CE&F | -3.735 | -2.457 | -1.278 |
| S&CS | -1.494 | -1.204 | -0.285 |
| E&E | -2.416 | -1.899 | -0.489 |
| CEO | -0.765 | -0.426 | -0.339 |
| Total Carry Forward | -8.410 | -5.986 | -2.424 |

Strategic Measures

26. There was a variation of -£0.621m on the Strategic Measures budget. This consisted of a variation of +£0.623m on Capital Financing and -£1.244m on Interest on Balances. The variation on Capital Financing was due to higher than forecast interest payable on long term borrowing as a result of non-repayment of three LOBO loans. Interest earned on balances was -£1.244m more than budgeted due to higher than forecast average cash balances during the financial year.
27. The Treasury Management Outturn report for 2011/12, which covered all of the related activities in detail, was considered by Cabinet on 19 July 2012.

Debt Write Offs

28. For the year ended 31 March 2012 there were 137 debts written off totalling £0.055m. In addition Client Finance wrote off £0.156m in respect of 133 debts relating to care provided by Social & Community Services.
29. £0.030m loans to Foster Carers, provided under the Children's were also written off. The largest of these was £0.012m and was agreed by Cabinet on 20 December 2011.
30. Total debt write offs for the year were £0.241m. This compares to £0.244m for 2010/11. Most of the debts were written off because they are uneconomical to recover through the courts.

Part – 2 Consolidated Capital Outturn

Summary Programme Expenditure

31. The capital programme is updated three times each year to reflect the latest forecast profile of expenditure. The original budget for the year is the programme agreed by Council in the February preceding the start of the financial year. The current programme at the time of the Outturn report, based on the position forecast at the end of December 2011, was agreed by Council on 10 February 2012.
32. Total capital programme expenditure for 2011/12 was £68.2m. The variation between the original programme and the final outturn was -£9.8m or -13%. Excluding schools local spend the variation on the total directorate programmes was -£9.4m (-13%). The summary outturn position is shown in Annex 3a.
33. The overall variation was adjusted to take into account the impact of changes that arose due to factors that do not reflect the performance of the programme (e.g. technical accounting changes and value for money decisions). Excluding local spend by schools the adjusted variation reduced to -£6.4m (-9%). This represented 91% use of resources compared to the original capital programme. This is set out in Annex 3b and summarised in the following table:

| | Total Directorate Programmes £m | Schools Capital & Earmarked Reserves £m | Total Capital Programme £m |
|---|--|---|----------------------------------|
| Original Capital Programme | 71.0 | 7.0 | 78.0 |
| Final Outturn Expenditure | 61.6 | 6.6 | 68.2 |
| Variation | -9.4 | -0.4 | -9.8 |
| Impact of in-year grant reductions/project removals | 0.2 | | 0.2 |
| Impact of in-year increased funding | -3.6 | | -3.6 |
| Impact of other Value for Money & technical adjustments | 5.7 | | 5.7 |
| Impact of Cost Savings & Returned Contingencies | 0.7 | | 0.7 |
| Adjusted Variation | -6.4 | -0.4 | -6.8 |
| Use of Resources | 91% | 94% | 91% |

34. The 91% use of capital resources in 2011/12 represents an increase compared to 2010/11's performance (90%). Notable schemes and completions for each directorate are set out below.

Children, Education & Families

35. Total capital expenditure was £31.8m (excluding schools local capital expenditure) and included:
- £2.3m for the replacement of buildings at Wood Farm School in Oxford. This was completed in June 2011. Phase 2 of the scheme is on – site and will continue in 2012/13;
 - £1.1m for a new classroom block at The Grange, Banbury to replace temporary classrooms. This was due for completion in June 2012;
 - £1.6m for Phase 2 of the modernisation of Wantage, Fitzwaryn. Work to provide new facilities for post – 16 education is now on site with forecast completion in August 2012;
 - £1.1m for a new classroom block and food technology facility at Northern House School, which was completed in March 2012;
 - £2.4m of improvements at Oxford Academy;
 - £6.1m for the provision of 315 additional school places. This includes a new Sixth Form Centre at the Cooper School in Bicester which was completed in July 2011.
 - Five projects totalling £3.7m were completed at Young People's Centres in Abingdon, Didcot, Banbury, Chipping Norton and Witney;
 - £7.6m for the Schools' Structural Maintenance Programme. This was available for the first time in 2011/12.

Social & Community Services

36. Total capital expenditure was £3.4m and included the first grant payments for the Extra Care Housing projects in Oxford to provide 191 rented flats, the installation of 11 self-service projects in libraries and the completion of the Oxfordshire Records Office project.

Environment & Economy - Transport

37. Total expenditure of £22.8m included £17.5m on structural maintenance and £1.7m improvements to Iffley Road in Oxford.

Summary Programme Financing

38. As shown in Annex 3c expenditure of £68.2m in 2011/12 was funded from a combination of capital grants and other external contributions (£58.0m), developer contributions (£4.0m), project specific prudential borrowing (£1.3m) and revenue contributions (£4.9m).
39. 2011/12 was the first year that the Council received capital grant from central government rather than credit approvals. These grants are un-ringfenced and are not time limited, therefore other funding sources were utilised before un-ringfenced grants. The level of un-ringfenced grant balances held increased by £8.3m to £14.3m.

40. The unapplied ringfenced balance held at the start of 2011/12 has reduced by £10.3m to £1.1m (excluding Growing Places Fund). The remaining grants are expected to be utilised by their deadlines.
41. There was no requirement to use capital receipts or the capital reserve in 2011/12 and the combined total has increased by £2.1m to £26.4m. The original forecast for capital receipts from the disposal programme for 2011/12 was £1.9m and actual capital receipts achieved were £1.8m.

Part 3 – Balance Sheet

General Balances

42. As set out in paragraph 2 the £1.481m increase in directorate net revenue expenditure related to Cogges Link Road has been met from the County Fund balance. This reduced balances from £15.374m as set out in the Outturn Report to £13.893m. The revised position is in line with the estimate used for the Medium Term Financial Plan 2012/13 to 2016/17. The £1.743m overspend on the Physical Disabilities Pooled Budget was also met from balances.

Earmarked Reserves

43. Overall reserves increased by £32.322m to £117.061m as set out in Annex 2a. This includes an adjustment of £0.800m as a result of late notification of additional reablement funding from the Primary Care Trust which was transferred to the Grants and Contributions Reserve. Explanations of significant changes to Directorate and Corporate reserves are set out below.

Grants and Contributions

44. Total grants and contributions of £6.515m reported as an underspend at the end of 2010/11 were carried forward to 2011/12. Following guidance from CIPFA unspent grants and contributions at the end of 2011/12 were placed in a reserve rather than being reported as an underspend. £7.203m has been transferred to the Grants and Contributions reserve in 2011/12 and includes £4.717m Dedicated Schools Grant.

Children, Young People & Families

45. £4.222m was placed in reserves during the year to support key projects and pressures within the directorate in 2012/13. They include costs associated with the conversion of schools to Academy status, Joint Working with Thames Valley Police, and School Intervention.

School Balances

46. After incorporating partnership balances the number of schools in deficit reduced from 27 as at 31 March 2011 to 16 at 31 March 2012. The number of schools with surplus balances was 265 at 31 March 2012. This compares to 261 as at 31 March 2011. Details of number of schools and the value of the balances are set out in Annex 2b.
47. Surplus balances of £0.990m for academies which converted in April 2012 remained in the Council's accounts at 31 March 2012. Regulations state that these balances must be transferred to the academy three months following conversion.
48. School balances were £29.299m at 31 March 2012. As the Guaranteed Unit of Funding for pupils is expected to remain frozen at the 2011/12 level over the medium

term, it is anticipated that the level of schools balances will reduce as schools utilise unspent balances to support their budgets.

49. Local authorities have been instructed not to operate the "clawback mechanism" unless a school has held excessive balances for a number of years. A number of Oxfordshire schools which fell into this category were formally advised that if any excessive balance persisted at March 2012 then the amount would automatically be deducted from their balance in line with guidance. Once final school balances have been confirmed it is intended to proceed with this deduction as formally flagged to the individual schools involved. A decision will need to be made regarding the use of such funds. One possibility would be to apply the funds to any maintenance backlog on each school's site.

Social & Community Services

50. The -£5.413m underspend on the Council's element of the Older People's Pooled Budget was transferred to reserves at year end in line with the Pooled Budget agreement.

Environment & Economy

51. The balance on the Parking Account at 31 March 2012 was £1.990m. £1.000m was taken from the reserve in year to fund costs relating to the Oxford Park & Ride car parks. Contributions to the Parking Account during 2011/12 include Camera Enforcement income of £0.452m, On – Street Pay & Display charges income of £1.447m for Oxford City, and a planned contribution from revenue of £0.161m. £0.113m was deducted from contributions to cover losses associated with parking enforcement in Oxford.
52. The main changes to reserves within Oxfordshire Customer Services relate to the ICT reserve that was created during 2011/12 to manage projects that span financial years, and an additional contribution of £0.738m to the Oxfordshire Customer Services Development Reserve. This will be used to support the Oxfordshire Customer Service Transformation Programme.

Chief Executive's Office

53. Eleven projects were supported by the Change Fund in 2011/12. The £0.541m balance is committed to these projects for 2012/13 onwards.
54. Other changes to Chief Executive's Office reserves relate to new reserves for the Big Society Fund (£0.161m), Coroners (£0.133m), and Change Management and New Ways of Working (£0.160m).

Corporate Reserves

55. The Efficiency Reserve was created in 2009/10 with the intention of supporting the implementation of the Council's Business Strategy. During 2011/12, £6.783m has been added to the reserve and includes a budgeted contribution of £6.018m, unspent grant funding of £2.043m (which has been allocated in 2012/13), transfers totalling £0.328m from budget not required for pay awards, and £0.270m that was carried forward from 2010/11. £1.660m has been used to fund redundancy costs. The balance as at 31 March 2011 is £10.829m.

Conclusion

56. Savings of £54.6m were planned to be achieved in 2011/12 as part of the four year Business Strategy aiming to deliver £119m savings overall. The final revenue variation of -£8.410m is the position after those savings have been achieved and reflects the early achievement of savings through a firm focus on cost minimisation. The underspend, along with the position on reserves and balances indicates the Council remains in a strong position and is on track to deliver the Business Strategies in future years. 75% of the £119m savings are expected to be achieved by the end of 2012/13 with the remainder being achieved by the end of 2014/15.
57. 2011/12 capital expenditure represented 91% use of resources compared to the original capital programme agreed in February 2012 and some significant schemes were completed in 2011/12. These and the on-going programme will also contribute to the longer term delivery of the Business Strategies.

Councillor Kieron Mallon
Cabinet Member for Finance & Police

July 2012