

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE
4 OCTOBER 2012

FINANCIAL MONITORING OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 26 July 2012 set out the Council's financial position at the end of 2011/12. This report provides a commentary on the financial monitoring for the first four months of 2012/13 and is consistent with the position reported to Cabinet on 18 September 2012. The full Financial Monitoring Reports to Cabinet are available on the Council's website and the Directorate reports 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 -£1.408m, or -0.34% against a budget of £417.517m as shown in the table below. The latest budget position includes carry forwards from 2011/12 agreed by Cabinet on 19 June 2012 and, for carry forwards that were dependent on virements larger than £0.5m, by Council on 10 July 2012.

Original Budget 2012/13 £m		Latest Budget 2012/13 £m	Forecast Outturn 2012/13 £m	Variance Forecast July 2012 £m	Variance Forecast July 2012 %
105.814	Children, Education & Families (CE&F)	107.315	106.099	-1.216	-1.13
219.635	Social & Community Services (S&CS)	212.163	211.993	-0.170	-0.08
77.658	Environment & Economy (E&E)	80.327	80.604	+0.277	+0.34
8.394	Chief Executive's Office (CEO)	17.712	17.506	-0.206	-1.16
411.501	In year Directorate total	417.517	416.202	-1.315	-0.31
	Add: Underspend on Council Elements of Pooled Budgets			-0.093	
	Total Variation including Council Elements of Pooled Budgets			-1.408	-0.34

4. The -£1.315m variation excluding the Council elements of the pooled budgets reported for July was £0.123m greater than the -£1.192m variation for May reported to Cabinet on 17 July 2012¹. An increase in the

¹ There is no Cabinet meeting in August.

forecast underspend for CE&F is partly offset by a decrease in the forecast underspend in S&CS.

Directorate	Forecast Variance as at 31 May 2012 (reported to Cabinet on 17 July 2012) £m	Forecast Variance as at 31 July 2012 (reported to Cabinet on 18 September 2012) £m
CE&F	-0.860	-1.216
S&CS	-0.302	-0.170
Environment & Economy	0.000	+0.277
Chief Executive's Office	-0.030	-0.206
Directorate in-year forecast variation	-1.192	-1.315
Change		-0.123

5. The forecast revenue outturn by Directorate based on the position to the end of July 2012 is set out below.

Children Education & Families

6. The directorate is forecasting a variation of -£1.216m. In addition there is a forecast underspend of -£0.808m on services funded by the Dedicated Schools Grant (DSG). Any underspend on DSG will be placed in a reserve at the end of the year for use in 2013/14.
7. An underspend of -£0.991m is forecast on Home to School Transport. A further saving of £0.200m in 2013/14 is already built into the Medium Term Financial Plan. As in previous years the forecast may change during the year as the full effect of the last tendering process become known along with the impact of the new academic year changes.
8. Early Intervention hubs are forecasting an underspend of -£0.317m. A review of the staffing and activity spend at each of the hubs is currently taking place and further information will be included in the next report.
9. Children's Social Care is reporting a net overspend of +£0.180m. This includes underspends on Corporate Parenting (-£0.287m), Referral & Assessment (-£0.179m) and Family Support (-£0.134m) which offset overspends on External Placements (+£0.632m), Asylum (+£0.092m) and Safeguarding (+£0.072m). The overspend on external placements relates to a number of high cost placements being made in July which are anticipated to continue until the end of the year. This service area is subject to significant fluctuations depending on demand so updates will be included in future reports.

Social & Community Services (S&CS)

10. The forecast outturn for S&CS is a variation of -£0.170m. In addition, there is an overspend on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget (+£0.750m) and an underspend on the Learning Disabilities Pooled Budget (-£0.843m).

SCS1 Adult Social Care

11. Adult Social Care is broadly on track to deliver the business strategy over the next three years and a breakeven position is forecast. Fairer Charging income is expected to be underachieved. On 18 September 2012 Cabinet agreed to change the use of the Learning Disabilities Pooled Budget underspend from 2011/12 that is held in reserves so that it can be used to manage this pressure in 2012/13 as well as fund additional staffing resources within the Locality Teams.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

12. As shown in Annex 2 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£3.372m. +£0.750m relates to the Council's element and +£2.622m to the Primary Care Trust (PCT) (which is shadowed by the Oxfordshire Clinical Commissioning Group).
13. The forecast overspend on the Council elements of the Older People's Pooled Budget arises from variations to the forecast number of service users.
14. Most of the under spending brought forward from last year has been set aside to meet the costs of additional care home placements in this year and future years. The remaining element of the underspend from the last financial year has been used to fund the costs of three additional care home placements per week from June through to the end of September.

Learning Disabilities Pooled Budget

15. As set out in Annex 2 the Learning Disabilities Pooled Budget is forecasting an underspend of -£1.000m, -£0.843m on the Council's element and -£0.157m on the PCT element. The forecast underspend is largely due to underspends on personal budgets. The underspend could increase during the year due to personal budgets starting later than planned or service users not utilising their complete packages. Further updates will be included future reports.

Environment & Economy (E&E)

16. The directorate is forecasting a variation of +£0.277m.
17. Highways and Transport are forecasting a breakeven position. This position includes an overspend of +£0.500m due to an increase in highway maintenance, vehicle maintenance and rapid incident responses. This is

offset by the early delivery of Public Transport contract savings of -£0.500m.

18. An overspend of £0.208m is forecast by Growth and Infrastructure. This includes an overspend on Property and Facilities of +£0.456m which mainly relates to the partial non-realisation of the asset rationalisation strategy savings and additional contract implementation costs.
19. Waste Management are forecasting a breakeven position. However, tonnages for the first three months are above budgeted levels. This has put an estimated pressure on the disposals budget of £0.5m, which can be met within the directorate in year. The on-going impact will be reviewed as part of the Service & Resource Planning process. Some of this pressure may be weather related and therefore the forecast may change throughout the year as more tonnage data is collected.

Chief Executive's Office (CEO)

20. The directorate is forecasting an underspend of -£0.206m which mainly relates to staffing vacancies in Strategy and Communications.

Virements and Supplementary Estimates

21. The virements requested to date in 2012/13 include the update of the income and expenditure budgets for the revised DSG allocation (see paragraph 23), transfer of the Business Systems Teams from CE&F and S&CS to E&E and CEO, creation of income and expenditure budgets relating to the Thriving Families Funding received from the Department for Communities and Local Government, transfers between the pool and non-pooled budgets within Adult Social Care as decisions have been made on how additional funding is allocated, and the transfer of budgets from Adult Social Care to Joint Commissioning as part of the restructure of the service.
22. There have been no requests for supplementary estimates to date in 2012/13.

Grants Monitoring

23. As set out in Annex 3 ring-fenced grants totalling £390.553m (including £346.949m of DSG) are included in Directorate budgets and will be used for the specified purpose. Changes since the budget was agreed by Council in February 2012 include the latest DSG allocation that was received from the Department for Education on 26 June 2012. The revised allocation is based on the January pupil count and schools converting to Academy status.

Bad Debt Write Offs

24. There were 142 general write offs to the end of July 2012 and these totalled £19,127. In addition Client Finance has written off 25 debts totalling £27,070.

Strategic Measures

25. The average cash balance during July 2012 was £298.9m and the average rate of return was 0.98%. The budgeted return for interest receivable on

balances invested internally is £2.50m for 2012/13. It is expected that this budget will be achieved.

Funding Changes

26. On 17 July 2012 notification was received from the Department for Education on the Government response to the consultation on the Academies Funding Transfer (LACSEG²) for 2011/12 and 2012/13. This set out the steps taken by the Government to ensure that the deductions from local authority formula grant budgets for 2011/12 and 2012/13 better reflect the pattern of Academy provision across the country. A refund will be paid to any local authority where the amount deducted in 2011/12 or 2012/13 was bigger than it would have been had the deduction been based on the number of Academies in the local authority during that financial year. The Council has since received a refund of £1.298m. On 18 September 2012 Cabinet approved the transfer of this additional one-off funding to the Efficiency Reserve to support the Council's Medium Term Financial Plan on a one off basis.

Part 2 – Balance Sheet

Reserves

27. As set out in the Revenue and Capital Outturn 2011/12 Overview Report, earmarked reserves held for a specified purpose to be utilised on a one – off basis totalled £117.061m as at 1 April 2012. The forecast balance at 31 March 2013 was £94.460m as at the end of July 2012. Of the forecast total £12.8m are school balances and £3.7m relates to Dedicated Schools Grant.
28. The Efficiency Reserve (£20.1m) and Budget Reserve (£3.3m) will be used as planned to support the Medium Term Financial Plan on a one off basis. The Capital Reserve (£17.9m) and Prudential Borrowing Reserve (£6.3m) will be used to support the delivery of the capital programme.

Schools Balances

29. 2012/13 budgets have been received from all 274 maintained schools. Budgets for 259 (95%) out of 274 schools have been validated with follow-up actions notified to the remaining 15 schools, including a number of visits arranged for early September. Six of the remaining budgets are for schools that have submitted deficit budgets where the aggregate balance is £0.159m.
30. The projected net surplus revenue balances for schools with validated budgets is £12.761m. The conversion to academy status process requires the local authority to transfer the school's revenue and capital balances to the academy. The Local Authority has transferred £1.5m to schools that have converted to an academy since 1 April 2012. This is in addition to the £1.7m passed to the five academies that opened in the final month of last financial year.

² Local Authority Central Spend Equivalent Grant

Balances

31. Current balances are £16.693m taking into account known changes.

Part 3 - Capital Monitoring

32. The capital monitoring position shows the forecast expenditure for 2012/13 is £50.5m (excluding schools local capital), which is an increase of £0.4m compared to the latest approved capital programme. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	20.9	20.9	0.0
Social & Community Services	3.4	3.5	+0.1
Environment & Economy - Transport	23.2	23.5	+0.3
Environment & Economy - Other	1.7	1.7	0.0
Chief Executive's Office	0.9	0.9	0.0
Total Directorate Programmes	50.1	50.5	+0.4
Schools Local Capital	5.1	5.1	0.0
Total Capital Programme	55.2	55.6	+0.4

* Approved by Cabinet 17 July 2012

33. The main variation in the Transport programme is the inclusion of a new scheme in West Way, Oxford on the A34 Slip Road. This scheme will cost £0.248m and is funded by developer contributions.

Actual & Committed Expenditure

34. As at the end of July actual capital expenditure for the year to date (excluding schools local spend) was £2.7m. This is 5% of the total forecast expenditure of £50.5m, which is around 4% below the expected position compared to the profile of expenditure in previous years. Actual and Committed spend is 33% of the forecast.

Five Year Capital Programme Update

35. The total forecast 5-year capital programme (2012/13 to 2016/17) is now £364.0m, an increase of £0.1m compared to the original capital programme approved by Council in February 2012. The table on the next page summarises the changes to the original Capital Programme, approved by Council in February 2012, to the programme approved by Cabinet in July 2012 and the latest forecast reported to Cabinet in September 2012.

Directorate	Original Capital Programme February 2012 £m	Updated Capital Programme July 2012 £m	Variation (February 2012 to July 2012) £m	September Forecast Capital Programme £m	Variation (July 2012 to September 2012) £m
CE&F	138.3	138.0	-0.3	139.2	+1.2
S&CS	23.0	23.5	+0.5	23.6	+0.1
E & E - Transport	103.5	91.3	-12.2	91.6	+0.3
E & E - Other	30.0	30.0	0.0	30.0	0.0
CEO	2.6	2.7	+0.1	2.7	0.0
Total Directorate Programmes	297.4	285.5	-11.9	287.1	+1.6
Schools Local Capital	12.3	14.0	+1.7	14.1	+0.1
Earmarked Reserves	54.1	62.9	+8.8	62.8	-0.1
Total Capital Programme	363.8	362.4	-1.4	364.0	+1.6

36. The main changes between the original capital programme and the July 2012 update are set out below in paragraphs 37 to 40.

37. Following the decision by the Secretary of State for Transport on the Cogges Link Road, the scheme has been removed from the programme. This has returned £4.0m of funding back to the programme and this is being held in earmarked reserves. The developer contribution funding has also been removed.

38. On 11 April 2012, the Department for Education announced that the Council would receive an additional £5.5m funding for Basic Need in schools in 2012/13. This has now been included in the earmarked reserves in the programme. In the July report to Cabinet the estimated funding for the Schools Structural Maintenance grant (2013/14) has been reduced to reflect the number of schools converting to academy status.

39. A programme of works for rural roads has now been approved and is included within the Transport programme. £1m has been released from earmarked reserves to fund this.

40. The Council will receive an additional £0.6m for Fire Capital Grant in 2012/13. This grant was announced after the February 2012 programme was approved and is not ringfenced or time limited.

41. The change between the capital programme update in July and latest position relates to the increase in the Children, Education & Families Programme, approved by Cabinet on 18 September 2012, is due to the inclusion of external funding at the Stage 2 approval process for projects at Rosehill and Cholsey Primary Schools in the Basic Need Programme.

Conclusion

42. Returning to the position of Cabinet Member for Finance after a break of three years, I find that the Financial Monitoring Report to Cabinet continues to provide the Council with reliable information on the state of the Council's finance as spending proceeds through the year. The report will show up any overspending trend early enough in the year to take corrective action within the financial year if possible, and to reflect this in the Service & Resource Planning Process.
43. The forecast 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.

Councillor Charles Shouler
Cabinet Member for Finance

October 2012

