

CABINET – 16 JULY 2013

2013/14 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report focuses on the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2013/14 – 2016/17. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of May 2013. Capital Programme monitoring and update is included at Part 3. Changes to Fees and Charges are included in Part 4.

Summary Position

2. The forecast directorate variation is an overspend of +£4.219m or +1.0% against a net budget of £411.946m as shown in the table below.

Original Budget 2013/14 £m		Latest Budget 2013/14 £m	Forecast Outturn 2013/14 £m	Variance Forecast May 2013 £m	Variance Forecast May 2013 %
105.201	Children, Education & Families (CE&F)	105.178	106.496	+1.318	+1.3%
206.916	Social & Community Services (S&CS)	206.919	206.719	-0.200	-0.1%
79.267	Environment & Economy	79.303	79.303	0.000	0.0%
20.562	Chief Executive's Office	20.546	20.548	+0.002	0.0%
0.000 ¹	Public Health	0.000	0.000	0.000	-
411.946	Directorate total	411.946	413.066	+1.120	+0.3%
	Add: Overspend on Council Elements of Pooled Budgets ²			+3.099	
	Total Variation including Council Elements of Pooled Budgets			+4.219	+1.0%

3. The 2013/14 revenue budget was approved by Council on 19 February 2013. The Latest Budget for 2013/14 includes virements approved by Cabinet on 16 April.
4. Requests for one – off carry forwards of under and overspends from 2012/13 to 2013/14 were included in the Provisional Outturn Report to Cabinet on 18 June 2013. Carry forward requests for Environment & Economy and the Chief Executive's Office are now subject to approval by Council on 9 July 2013. If approved these will be reflected in the Financial Monitoring Report to the end of June 2013 that will be considered by Cabinet on 17 September 2013.

¹ Public Health is funded by a ring-fenced grant of £25.264m which is received from Department of Health.

² Paragraphs 17 – 22 set out the position on the Pooled Budgets

5. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2013/14
Annex 2	Virements & Supplementary Estimates
Annex 3	Forecast Earmarked Reserves
Annex 4	Forecast General Balances
Annex 5	Ring-fenced Government Grants 2013/14
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	Treasury Management Lending List
Annex 8	Capital Programme Monitoring
Annex 9	Updated Capital Programme
Annex 10	Trading Standards Fees & Charges

6. Directorate reports which set out the detail behind this report are available from the contact officers named at the end of this report or in the Members' Lounge.

Part 1 - Revenue Budget

Children, Education & Families (CE&F)

7. The directorate is forecasting a variation of +£1.318m. There is also a +£0.210m forecast overspend on services funded by the Dedicated Schools Grant (DSG).

CE&F1 Education & Early Intervention

8. Services within the Education & Early Intervention service area are forecasting a variation of -£0.184m.
9. As set out in the Provisional Outturn Report to Cabinet on 18 June 2013, Home to School transport overspent by +£0.342m in 2012/13, mainly due to less income being generated than anticipated and alternative providers having to be found when contractors went out of business. For 2013/14 the service has a savings target of -£0.200m, meaning expenditure effectively needs to reduce by £0.5m compared to 2012/13 to achieve a breakeven position. The service are currently forecasting an overspend of +£0.500m. However, this is subject to change during the year as routes for the new school year are still being finalised or subject to change. Concessionary fare income may also be higher than currently forecast.
10. This overspend is offset by underspends elsewhere across the service. These include amounts still to be committed in Early Intervention Hubs (-£0.132m), School Intervention Projects (-£0.325m) and the Play Budget in Children's Centres & Childcare (-£0.080m). It is expected that these will reduce as the year progresses as expenditure is committed.

CE&F2 Children's Social Care

11. Children's Social Care is forecasting a variation of +£1.437m. A forecast overspend of £1.987m compared to the budget of £6.456m for external placement costs reflects an increase from 36,781 support days provided in 2012/13 to 39,921 forecast in 2013/14 along with an increase in the

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number of support days in higher cost placements. The current forecast includes a £0.868m allowance for new placements coming into the service during the year. The overspend on external placements is offset by an underspend of -£0.435m on accommodation costs and support days for clients funded under Southwark Judgement responsibilities. There are also underspends in Corporate Parenting (-£0.160m) and on staffing.

Social & Community Services (S&CS)

12. The directorate is forecasting a variation of -£0.200m. In addition, there is a forecast overspend of +£3.099m on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget. The Learning Disabilities Pooled Budget is forecast to breakeven.
13. By the date of this Cabinet meeting, Council will have considered recommendations to change the budget arrangements for the Older People's Pool including the transfer of further expenditure and income budgets by both the Council and Oxfordshire Clinical Commissioning Group into the Pool. This financial monitoring report is based on the original budget structure, and does not reflect the proposed changes to budget arrangements pending approval by Council. Following Council approval the necessary virements will be processed and reflected in the next Financial Monitoring Report to Cabinet on 17 September.

S&CS1 Adult Social Care

14. Within a net underspend of -£0.120m for the service area, client income is forecast to be -£0.500m higher than budgeted as a result of an increase in the number of care packages for residential care. There is an overspend of +£0.380m on locality and hospital teams. Additional resources have been put into these teams to manage Delayed Transfers of Care, case reviews and other operational pressures. These budgets will transfer to the Older People's Pool, subject to approval of the Older People's Pooled Budget Arrangements (Section 75 Agreement) report to Council.

S&CS3 Joint Commissioning

15. A forecast underspend of -£0.200m relates to savings of -£0.500m which are forecast to be partly delivered a year in advance.

S&CS4 Fire & Rescue and Emergency Planning

16. The Fire & Rescue service is forecasting an over spend of +£0.120m on fire-fighter ill health retirements. As this is a budget that the service cannot control, any variance will be met from Council balances at year-end.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pooled Budget

17. As shown in Annex 6 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£3.682m. +£3.099m relates to the Council's element and +£0.584m to the Oxfordshire Clinical Commissioning Group (OCCG).

Older People

18. The Council element of the Older People Pooled budget is forecast to overspend by +£2.874m. Pressures of £5.2m were identified as part of the Service and Resource Planning Process and the pool is required to find on-going efficiency savings (such as reducing demand and alternative ways of meeting care needs) to meet these. Working groups are exploring ways of delivering these savings from 2014/15, but for 2013/14 it is anticipated that further additional resources set aside at the end of 2012/13 will be required. Consideration will be given to this during the year and as part of the Service & Resource Planning process.
19. In addition to managing the pressures identified previously, demand is currently exceeding allocated resource and this is anticipated to continue. Every effort will be made to manage pressures using existing resources, including budgets transferring into the Pool, but if the high demand continues it may be necessary to consider further additional funding in 2013/14.

Physical Disabilities

20. The council element of the Physical Disabilities Pool is forecast to underspend by -£0.079m. This includes the cost of funding clients on the waiting list at the end of May and an additional weekly allocation of resources to meet pressures on demand. The full year effect of funding the current demand is likely to cause pressure in future years.

Equipment

21. The Council's element of the Equipment Pooled Budget is forecast to overspend by +£0.304m and assumes that the additional funding of £0.750m received from the Department of Health will be apportioned between the partners on the basis of their contributions to the Equipment Pool. The overspend is mainly due to the pressure of meeting needs to keep people safely at home, reduce delayed transfers of care and avoid hospital admissions.

Learning Disabilities Pooled Budget

22. As set out in Annex 6 the Learning Disabilities Pool is forecasting a breakeven position at the end of May although there are pressures which may mean the Pool overspends by year end. Work is continuing to assess the impact of demographic projections and to ensure the achievement of savings.

Environment & Economy (E&E)

23. The directorate is forecasting a breakeven position as at the end of May although risks are flagged in the following areas of Commercial Services.

EE2 Commercial Services

24. The number of highway defects experienced in 2013/14 is greater than for the same period in 2012/13. Management action will be required to ensure that the pressure is managed within the budget available.
25. Within Waste Management the total tonnage disposed of to date is greater than that for the same period last year. It is planned to offset the additional cost against the residual budget for the Landfill Allowance Trading Scheme (LATS) which ceased at the end of 2012/13.
26. Current charges for Park & Ride and on - street car parking are budgeted to generate an additional £0.900m income in 2013/14. This includes additional income relating to the additional spaces at the Thornhill Park & Ride car park and the impact of long stay charges introduced at Thornhill and Water Eaton car parks in December 2012. Options for funding any pressure arising if the income is not fully realised will be considered in future reports and through the Service & Resource Planning process.

Public Health

27. The Public Health function transferred from the National Health Service to local authorities on 1 April. It is fully funded by a ring-fenced grant of £25.264m from the Department of Health for the period 2013/14 and 2014/15. The Directorate is forecasting a revenue under spend of - £0.114m against this grant due to staff vacancies. Under the grant guidelines any underspend will be placed in reserves at the end of the financial year to be used to meet Public Health expenditure in future years. Recruitment to essential posts is in progress.

Virements and Supplementary Estimates

28. Virements larger than £0.250m requiring Cabinet approval under the Virement Rules agreed by Council on 19 February 2013 are set out in Annex 2a. These include a request to move £0.934m relating to the cross regional commissioning budget, which pays for a 6 bed contract with wrap around support, from Children's Social Care into Corporate Parenting within the Children, Education & Families Directorate. This change separates the placements budget in line with operational responsibilities but does not change the service provision.
29. In addition a virement is being requested to move the budget for higher needs in further education colleges into special educational needs (SEN). This change will bring all the SEN budgets together as they are managed by the same service manager. Amendments are also being requested to amend the expenditure and income budget to reflect the latest DSG allocation notified by the Department for Education.
30. Virements requests for CEO and E&E reflect changes to expenditure and income budgets to reflect expected income.
31. New virements this month for Cabinet to note are set out in Annex 2d.

Ringfenced Grants

32. As set out in Annex 5, ring-fenced grants totalling £337.850m are included in Directorate budgets and will be used for the specified

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purpose. Changes since the budget was agreed in February include the notification of £0.417m Adoption Improvement Grant, a reduction of -£0.481m in Dedicated Schools Grant, and a -£0.140m reduction in Youth Justice Board grant funding. Additional grant funding of £0.125m for Local Enterprise Partnership Funding has been notified by the Department for Communities and Local Government (DCLG).

33. The Asylum Service have been notified of changes to the amount they are able to claim and the Home Office will only be paying grant equivalent to the actual spend incurred instead of a specific rate per support day. There will continue to be a limit on the amount paid per support day. This change may create pressure on the asylum budget.

Bad Debt Write Offs

34. There were 30 general write offs to the end of May 2013 and these totalled £1,095. In addition Client Finance has written off 27 debts totalling £15,966.

Treasury Management

35. The latest Treasury Management approved lending list (as at 19 June 2013) is included at Annex 7. Two counterparties have been added to the lending list; Close Brothers and Credit Suisse. This will enable further counterparty diversification within the in-house portfolio while continuing to restrict deposits with banks to those with high credit quality. The maturity limits for Royal Bank of Scotland, Nationwide Building Society, Standard Chartered Bank, Svenska Handelsbanken, and JP Morgan Chase have been increased. These limits were increased in line with the new matrices for determining counterparty limits as set out in the treasury management strategy for 2013/14. In addition, the lending limit for Local Authorities has been increased to £30m due to the larger overall size of the portfolio.
36. The average in-house cash balance during May 2013 was £394.3m and the average rate of return for the month was 0.84%. The average cash balance during April 2013 was £354.9m and the average rate of return was 0.89%. The budgeted return for interest receivable on balances is £2.12m for 2013/14 and it is expected that this will be achieved.

Part 2 – Balance Sheet

37. Annex 3 sets out earmarked reserves brought forward from 2012/13 and the forecast position as at 31 March 2014. These reserves are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan.
38. As set out in the Provisional Outturn Report to Cabinet on 18 June, revenue reserves were £84.075m at the end of 2012/13. These are forecast to reduce to £61.604m by 31 March 2014.

Grants and Contributions

39. On 26 June 2013 the Schools & High Needs Committee considered the use of the £8.898m underspend on DSG that was held within the grants and contributions reserve at the end of 2012/13 along with the schools contingency (£6.627m) held within school balances. £12.851m will be

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used for a range of purposes including £3.0m to increase schools' devolved capital funds for completing capital projects and £1.5m for a new education administration system. Expenditure will take place in the current and following two financial years.

Children, Education & Families

40. An additional £2.264m was placed in reserves during 2012/13 to support key projects and pressures in 2013/14. These include costs associated with the conversion of schools to Academy status, Joint Working with Thames Valley Police, School Intervention, and the Thriving Families Project. It is anticipated that over half of the £6.612m balance at the beginning of 2013/14 will be spent by the end of the financial year.

Social & Community Services

41. The largest reserve at £7.469m is the Older People Pooled Budget Reserve. £5.151m will be used in 2013/14 to support the on-going cost of additional care packages agreed in 2012/13 and previous years.

Corporate Reserves

42. The Efficiency Reserve totalled £3.384m as at 31 March 2013. This will be used for projects that support the Council's Medium Term Financial Plan.

Other Reserves

43. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £51.874m at 31 March 2014.
44. Annex 4 sets out that general balances are currently £20.233m. This includes a planned contributions totalling £1.5m as set out in the Medium Term Financial Plan approved by Council in February 2013. There have been no calls on balances to date in 2013/14. Balances will be considered as part of the Service & Resource Planning process for 2014/15.

Part 3 – Capital Programme

45. The capital monitoring position set out in Annex 8a and summarised in the table below, shows forecast expenditure of £73.3m in 2013/14 (excluding schools local capital). This is a decrease of £1.9m compared to the latest approved capital programme which was approved by Council on 19 February 2013.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	34.8	33.4	-1.4
Social & Community Services	12.7	14.1	+1.4
Environment & Economy - Transport	20.7	23.2	+2.5
Environment & Economy – Other	6.4	1.6	-4.8
Chief Executive's Office	0.6	1.0	+0.4
Total Directorate Programmes	75.2	73.3	-1.9
Schools Local Capital	3.9	3.8	-0.1
Earmarked Reserves	1.0	1.0	0.0
Total Capital Programme	80.1	78.1	-2.0

* Approved by Council 19 February 2013

46. The forecast variations take into account the impact of the 2012/13 outturn position and schemes have been re-profiled accordingly. Significant in-year variations for each directorate are listed in Annex 8b. New schemes and total programme/project budget changes requiring Cabinet approval are listed in Annex 8c.
47. In the Children, Education & Families programme there is a forecast increase of £1.3m in the Schools Structural Maintenance programme. This was carried forward from the 2012/13 programme and will finance the planned works that are outstanding from last year's programme that will be delivered in 2013/14. There is also £0.5m of funding being held in earmarked reserves for this programme. £2.8m has been re-profiled to 2014/15 on Phase 1 of the new primary school at the eco development in Bicester. The timescale for delivery of this scheme is dependent on the housing development.
48. In the Social & Community Services programme there is an increase of £1.4m in 2013/14 for the purchase of land in the Extra Care Housing programme. This funding has been brought forward from future years of this programme.
49. In the Transport programme, £3.551m has been added to the structural maintenance programme from the additional allocation announced in the Autumn Statement and agreed by Cabinet in April 2013. A proposed programme of works is included in Appendix D to the Capital Programme (Annex 9). It has not been possible to develop a programme that achieves sufficient value from the investment that can be contained solely within the 2013/14 financial year. It is therefore proposed that £2.3m of works is profiled in 2013/14 and £1.2m in 2014/15.
50. A new £0.320m cycle scheme in Abingdon has been added to the programme. The majority of the scheme is funded from a grant from the Department for Transport. £0.5m has been re-profiled on the Kennington Roundabout scheme to reflect the potential delay in the construction start date due to the requirement to relocate a water main.
51. In the Environment & Economy programme £4.9m has been re-profiled on the Broadband programme to reflect the anticipated delivery timetable.

Actual & Committed Expenditure

52. As at the end of May actual capital expenditure for the year to date (excluding schools local spend) was -£3.2m. This is -4% of the total forecast expenditure of £73.3m. The actual expenditure is negative as accruals raised at the end of 2012/13 are still to be realised in 2013/14. Committed spend is 24% of the forecast.

Five Year Capital Programme Update

53. As shown in the table on the next page, the total forecast 5-year capital programme (2013/14 to 2017/18) is now £360.1m. This has increased by £7.2m compared to the last capital programme approved by Council in

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February 2013. The full updated capital programme is set out in Annex 9. Taking into account the outturn position for 2012/13, the overall size of the capital programme has increased by £3.0m.

Directorate	Last Approved Total Programme (2013/14 to 2017/18) * £m	Latest Updated Total Programme (2013/14 to 2017/18) £m	Variation £m	Variation in the size of the overall programme (including 2012/13) £m
Children, Education & Families	144.1	147.3	+3.2	+0.5
Social & Community Services	30.2	30.9	+0.7	-0.2
Environment & Economy - Transport	69.8	75.4	+5.6	+4.8
Environment & Economy – Other	27.7	28.1	+0.4	0.0
Chief Executive's Office	1.7	2.2	+0.5	+0.3
Total Directorate Programmes	273.5	283.9	+10.4	+5.4
Schools Local Capital	9.0	8.7	-0.3	-0.6
Earmarked Reserves	70.4	67.5	-2.9	-1.8
Total Capital Programme	352.9	360.1	+7.2	+3.0

* Approved by Council 19 February 2013

54. Capital funding allocations to support two-year olds early education entitlement were announced in late 2012. The Council received £0.872m and the Cabinet agreed in April 2013 that this funding would be used to ensure the sufficient supply of places. This has now been added to the Children, Education & Families programme.
55. In addition to increases to the Transport programme set out in paragraphs 49 and 50 above, the budget for the Kennington and Hinksey Roundabout scheme has been increased by £0.581m as agreed by Cabinet in June 2013. Two schemes totalling £0.4m have also been added in Witney, as agreed by Cabinet on 19 March 2013.

Part 4 – Fees & Charges

56. Trading Standards is offering a new service for the secure transportation of pets suspected of being brought into the country illegally and is proposing a charge of £240 for weekdays with higher charges for weekends and bank holidays. These charges cover the cost of administering the scheme. Approval is also requested for some minor corrections to the charges for testing and measurement fees. The overall increase compared to last year remains at 2%. The rate for the Buy with Confidence Trader Approval scheme has also been amended to exclude VAT. The rates to be amended are listed in Annex 10.
57. Cabinet are asked to note that the commercial customer charges for the use of Hill End Outdoor Education Centre were increased by 5% from 1

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April 2013. This was in response to the centre becoming self-financing and bringing their charges in line with other similar external establishments.

RECOMMENDATIONS

58. The Cabinet is **RECOMMENDED** to:
- (a) note the report;
 - (b) approve the virement requests set out in Annex 2a;
 - (c) note the updated Treasury Management lending list at Annex 7;
 - (d) approve the updated Capital Programme at Annex 9 and the associated changes to the programme in Annex 8c and the proposed programme of works for the additional £3.551m of highways maintenance funding set out in Appendix D of Annex 9;
 - (e) approve the changes to charges for Trading Standards and note the change in charges at Hill End Outdoor Education Centre as set out in Part 4 and Annex 10.

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Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 31 May 2013

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