

Division(s): N/A

CABINET – 15 OCTOBER 2013

2013/14 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by the Chief Finance Officer

Introduction

- 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 August 2013. The Capital Programme monitoring and programme update is included at Part 3.

Summary Position

- The forecast directorate variation is currently an overspend of +£5.611m or +1.36% against a net budget of £412.733m as shown in the table below. This has reduced since the last report. Directorates continue to work hard to manage the pressures and there is an expectation that management action will reduce the forecast overspend further by the end of the 2013/14 financial year.

	Latest Budget 2013/14 £m	Forecast Outturn 2013/14 £m	Variance Forecast August 2013 £m	Variance Forecast August 2013 %	Variance Forecast July 2013 £m	Variance Forecast July 2013 %
Children, Education & Families (CE&F)	105.167	105.963	+0.796	+0.76	+1.177	+1.1
Social & Community Services (S&CS) ¹	206.873	210.638	+3.765	+1.82	+3.630	+1.8
Environment & Economy	78.999	80.075	+1.076	+1.36	+0.953	+1.2
Chief Executive's Office	21.694	21.668	-0.026	-0.12	+0.070	+0.3
Public Health ²	0	0	0	0	0	
Directorate total	412.733	418.344	+5.611	+1.36	+5.830	+1.4

¹ Social and Community Services includes the forecast outturn and variance for the Pooled Budgets.

² Public Health is funded by a ring-fenced grant of £25.264m which is received from the Department of Health. Public Health are currently forecasting an underspend of -£0.471m. This has been placed in the Grants and Contrib

3. The following annexes are attached:

Annex 1	Forecast Spend for 2013/14
Annex 2	Virements & Supplementary Estimates
Annex 3	Ring-fenced Government Grants 2013/14
Annex 4	Treasury Management Lending List
Annex 5	Forecast Earmarked Reserves
Annex 6	Forecast General Balances
Annex 7	Capital Programme Monitoring
Annex 8	Capital Programme Update

4. 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)

5. The directorate is forecasting a variation of +£0.796m. There is also a -£0.384m forecast underspend on services funded by the Dedicated Schools Grant (DSG).

CE&F1 Education & Early Intervention

6. The Education & Early Intervention service is forecasting a variation of -£0.701m, a change of +£0.012m since the last report. This includes a forecast overspend of +£0.500m for Home to School Transport reported previously.

CE&F2 Children's Social Care

7. Children's Social Care is forecasting a variation of +£1.457m. A overspend of +£1.949m is forecast for external placement costs reflects an increase the number of support days from 2012/13 along with an increase in the number of support days in higher cost placements. The current forecast includes a £0.816m allowance for new placements coming into the service during the remainder year. The overspend on external placements is partly offset by an underspend of -£0.253m on accommodation costs and support days for clients funded under Southwark Judgement responsibilities.
8. There are also overspends of +£0.104m on staffing and central costs, Children Looked After (+£0.177m) and +£0.330m on the Asylum Service Area. These are offset by underspends in Corporate Parenting (-£0.107m), Family Support (-£0.395m), and Referral and Assessment (-£0.236m).

Dedicated Schools Grant

9. The Schools and High Needs Committee of the Schools Forum on 26 June 2013 agreed to allocate £0.400m from the 2012/13 DSG underspend to increase capacity for 2 year olds. This will form part of the capital funding for the provision of 2 year old places. In addition it is recommended that Cabinet approve the transfer of £0.300m of the Early

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Years Sufficiency and Access DSG funding to this capital project. This funding will be placed in the Capital Reserve to be spent over the next two years.

Social & Community Services (S&CS)

10. The directorate is forecasting an overall variation of +£3.765m, which is primarily due to overspends in the pooled budgets.

S&CS1 Adult Social Care

11. The service is forecasting an overspend of +£4.289m. As shown in Annex 1b this relates to overspends on the Older People, Physical Disabilities, Equipment and Learning Disabilities Pooled Budgets.

Older People

12. As previously reported pressures of £5.2m were identified as part of the Council's Service & Resource Planning process for 2013/14 and the pool is required to find savings to meet this pressure. However, the high level of demand for services is a huge challenge and the pool budget needs to be managed carefully throughout 2013/14 and resources used to reduce waiting lists, manage demand and cover the savings requirement as necessary. If activity continues at current levels, there would be an overspend on the Older People's Pool of £5.295m.

13. £2.3m was set aside as a contingency by the Council for 2013/14 in recognition of the difficulty in balancing the conflict of delivering savings in the face of increased demand. Cabinet approved the transfer of this funding, on a temporary basis, to the Council's Older People Pooled Budget Contribution on 17 September 2013. This reduces the forecast overspend to +£2.995m. It is planned to further manage pressures this year partly by the use of one off resources. It is also expected that there will be some extra income from additional clients placed and, as the year progresses, expenditure should reduce as care pathways improve. This will reduce the overspend by around £1m to +£1.995m. The service will continue to take action to manage the pressures during the remainder of the year. However, it may be necessary to request a supplementary estimate later in the year if the pressure cannot be managed. The ongoing impact of the increased demand for services will be considered as part of the 2014/15 Service & Resource Planning process.

Equipment

14. The Council's element of the Equipment Pooled Budget is forecast to overspend by +£0.941m. 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

15. As set out in Annex 1b the Council's element of the Learning Disabilities Pool continues to forecast an overspend of +£1.273m. The overspend is due to additional new care packages being agreed. Work is continuing to assess the impact of demographic projections and increased demand, and to ensure the achievement of savings.

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S&CS2 Community Safety

16. Services within Community Safety continue to forecast an underspend of -£0.145m. This relates to vacancies and additional income.

S&CS3 Joint Commissioning

17. The service is forecasting an underspend of -£0.500m. Of this -£0.200m relates to planned savings delivered early and -£0.300m relating to an underspend on the Oxfordshire Support Fund.

S&CS4 Fire & Rescue and Emergency Planning

18. As previously reported the Fire & Rescue service is forecasting an overspend of +£0.121m 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.

Environment & Economy (E&E)

19. The directorate is currently forecasting an overspend of +£1.076m although this is expected to reduce as a result of management action.

EE1 Strategy and Infrastructure

20. The service is forecasting an overspend of +£0.181m which mainly relates to an underachievement of income.

EE2 Commercial Services

21. The service is forecasting an overspend of +£0.715m. This includes an overspend on Highways Maintenance of +£0.905m which is mainly due to the increased number of defects and gully emptying. The service is considering how the pressures could be managed within the budget available and updates will be included in future reports.

22. Waste Management is forecast to overspend by +£0.677m due to an increase in landfill disposal. Tonnage is estimated to be around 292 kilo tonnes compared to a budget of 278 kilo tonnes. The increase of 14 kilo tonnes costs approximately £1.4m and is being partly offset against the residual budget for the Landfill Allowance Trading Scheme (LATS) which ceased at the end of 2012/13.

23. The overspends on Waste Management and Highways maintenance are partly offset by underspends on Concessionary Fares (-£0.275m), Street Lighting (-£0.200m) and Contract Management (-£0.482m).

EE3 Oxfordshire Customer Services

24. The service continues to forecast an overspend of +£0.180m which is due to delays in implementing a project to reduce the use of printers and printed materials. The service is expecting to be able to manage this pressure by the end of the year.

Chief Executive's Office

25. The directorate is forecasting an underspend of -£0.026m. This includes an overspend on Legal Services of +£0.107m which is offset by underspends elsewhere.

Public Health

26. The directorate forecasts an under spend of -£0.471m mainly due to staff vacancies. Recruitment to essential posts is in progress. Public Health is funded by a ringfenced grant. 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.

Virements and Supplementary Estimates

27. 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. The largest of these relates to the creation of income and expenditure budgets for the Local Sustainability Transport Fund grant and restructuring arising from the Reshaping Financial Support Project. None of the virements requested represent a major change in policy.
28. New virements for Cabinet to note this month are set out in Annex 2d.

Ringfenced Grants

29. As set out in Annex 3, ring-fenced grants totalling £326.882m are included in directorate budgets and will be used for the specified purpose. Changes since the last report include an additional grant for Local Sustainability Transport Fund of £1.539m from the Department for Transport and an additional £0.250m of Local Enterprise Partnership Funding.

Local Enterprise Partnership Funding

30. The Council has received funding on behalf of the Local Enterprise Partnership and will act as accountable body for the Oxfordshire Local Enterprise Partnership in respect of the following funding stream(s):
- Core Funding for Oxfordshire Local Enterprise Partnership provided by Department of Communities and Local Government
 - LEP Capacity Fund provided by Department of Business, Innovation and Skills

Bad Debt Write Offs

31. There were 48 general write offs to the end of August 2013 and these totalled £2,992. In addition Client Finance has written off 53 debts totalling £38,008.

Treasury Management

32. The latest treasury management approved lending list (as at 23 September 2013) is shown in Annex 4. No new counterparties have been added to the lending list. The duration limit for Nationwide Building

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Society has been reduced to 6 months in-line with the agreed credit risk matrix following a one notch downgrade of the long-term rating by Fitch credit rating agency.

33. The average in-house cash balance during August 2013 was £367.0m and the average rate of return for the month was 0.88%. The budgeted return for interest receivable on balances is £2.12m for 2013/14 and it is expected that this will be achieved.
34. Oxfordshire County Council has received a further £0.251m from the Landsbanki winding-up board. This payment brings the total amount recovered to date to £2.634m. This takes the amount received to date to approximately 55%. The timing and amounts of future distributions are not known.

Part 2 – Balance Sheet

35. Annex 5 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.
36. As set out in the Provisional Outturn Report to Cabinet on 18 June 2013, revenue reserves were £84.075m at the end of 2012/13. These are forecast to reduce to £58.049m by 31 March 2014. The increase of +£0.499m since last report includes an increase in the grants and contributions reserve which reflects the increase in the underspend of DSG.
37. Cabinet is recommended to approve the transfer of the £0.140m in the School Amalgamations Reserve into the Academies Reserve. The cost of recent school amalgamations have been met from within existing budget allocations so the reserve has not been required. However costs, particularly legal costs, associated with schools converting to academy status are more than anticipated and it is forecast that the current amount will not be sufficient to meet future costs.
38. Cabinet is also recommended to approve the creation of a new reserve which relates to funding for Job Clubs. As part of the Provisional Revenue and Capital Outturn Report a carry forward request was agreed in relation to the funding of Job Clubs for 2013/14 and 2014/15. The funding of £0.055m relating to contracts that end during 2014/15 will be transferred to the reserve.

Other Reserves

39. Other Reserves, which include Insurance, Capital and Cash flow reserves, are forecast to total £51.874m as planned at 31 March 2014.
40. Annex 6 sets out that the forecast for general balances at 31 March 2014 is currently £14.569m. This position takes account of the forecast directorate overspend of +£5.611m.

Part 3 – Capital Programme Monitoring and Update

41. The capital monitoring position set out in Annex 7a, shows the forecast expenditure for 2013/14 is £78.4m (excluding schools local capital and reserves), which is an increase of £5.1m compared to the latest approved capital programme. The table on the next page summarises the variations by directorate.

Directorate	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	33.4	33.6	+0.2
Social & Community Services	14.2	15.6	+1.4
Environment & Economy - Transport	23.2	26.6	+3.4
Environment & Economy - Other	1.6	1.6	0.0
Chief Executive's Office	0.9	1.0	+0.1
Total Directorate Programmes	73.3	78.4	+5.1
Schools Local Capital	3.8	3.8	0.0
Earmarked Reserves	1.0	1.0	0.0
Total Capital Programme	78.1	83.2	+5.1

* Approved by Cabinet 16 July 2013

42. Significant in-year variations for each directorate are listed in Annex 7b. New schemes and total programme/project budget changes requiring Cabinet approval are listed in Annex 7c.
43. The Children, Education & Families programme increase in year is from the inclusion of the total cost for the project at St Andrew's School, Chinnor which is funded from developer contributions along with a transfer of funding from the Schools Structural Maintenance Programme.
44. The increase in the Social and Community Services programme relates to the inclusion of the Adult Social Care Management System (£0.2m in 2013/14 and £1.2m in total) following a report to Cabinet in July 2013. This is funded from the Efficiency Reserve as a revenue contribution to capital.
45. As reported to Cabinet in September 2013, a grant of £1.535m (£1.2m of expected spend in 2013/14) for the Dignity Plus Dementia Scheme has now been included in the programme. This is a national initiative to help deliver step change improvements in caring and healing environments for people living with dementia.
46. The Transport programme increase is due to a number of new schemes being added to the programme. Firstly, a scheme to improve the operation and increase the capacity at Milton Interchange has been included in the programme. The total scheme cost is £10.625m with £1.5m profiled in the current year. This scheme is funded from a £5m Pinch Point Funding grant, £3.6m from the Local Enterprise Partnership and £2.025m from Section 106 funding held by the County Council. The Cabinet is recommended to approve the addition of this scheme in the capital programme and a detailed business case is available as a background paper. The addition of two new cycle route schemes and the

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development budget for Bicester Park & Ride were reported to Cabinet in September 2013.

47. A new scheme has also been added for cycle improvements at The Plain, Oxford. The total scheme cost is £0.965m with £0.120m profiled in the current year. The scheme has to be delivered in 2014/15 and is funded from a Cycle City Ambition grant of £0.835m, a contribution from Oxford City Council and S106 funding held by the County Council.
48. Two schemes with budget increases have been approved. Higham Way Access Road in Banbury has increased by £0.249m due to increased complexity of the works required. As approved by Cabinet in September 2013, the increased funding of £0.550m for Wheatley River Bridge has been added to the scheme.
49. £0.275m has been brought forward on the Kennington and Hinksey Roundabout scheme to reflect a greater degree of certainty in the delivery of works by Thames Water.

Actual & Committed Expenditure

50. As at the end of August actual capital expenditure for the year to date (excluding schools local spend) was £6.7m. This is 9% of the total forecast expenditure of £78.4m. Committed spend is 40% of the forecast.

Five Year Capital Programme Update

51. The total forecast 5-year capital programme (2013/14 to 2017/18) is now £382.5m, an increase of £22.4m compared to the last capital programme approved by Cabinet in July 2013. The full updated capital programme is set out in Annex 8. The table below summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

Directorate	Last Approved Total Programme (2013/14 to 2017/18) * £m	Latest Updated Total Programme (2013/14 to 2017/18) £m	Variation £m
Children, Education & Families	147.3	151.6	+4.3
Social & Community Services	30.9	33.6	+2.7
Environment & Economy - Transport	75.4	90.8	+15.4
Environment & Economy – Other	28.1	28.1	0.0
Chief Executive's Office	2.2	2.8	+0.6
Total Directorate Programmes	283.9	306.9	+23.0
Schools Local Capital	8.7	8.7	0.0
Earmarked Reserves	67.5	66.9	-0.6
Total Capital Programme	360.1	382.5	+22.4

* Approved by Cabinet 16 July 2013

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52. The variation in the overall Children, Education & Families programme is the result of the inclusion of three specific grants received for Targeted Basic Need at Bartholomew and Faringdon Infant & Junior Schools and Demographic Growth Capital funding for Frank Wise School. These grants have been included in the Basic Need budget line and will be drawdown once business cases are developed and approved.
53. The increase in the Social and Community and Transport programmes are explained in paragraphs 44 to 49 above.
54. Also in the Transport programme is the delivery budget of £1.800m for the Ducklington Lane scheme in Witney which has been added to the programme.
55. £0.300m of additional funding has been added to the bridges programme to carry out works on the Kennington Road and Rail bridges at the same time the traffic management is in place for the Kennington Roundabout scheme.

RECOMMENDATIONS

56. **The Cabinet is RECOMMENDED to:**
 - a) **note the report;**
 - b) **approve the virement requests set out in Annex 2a;**
 - c) **approve the transfer of the Schools Amalgamations Reserve to the Academy Conversion Support Reserve as set out in paragraph 37;**
 - d) **approve the creation of the reserve for Job Clubs as set out in paragraph 38;**
 - e) **note the updated Treasury Management lending list at Annex 4;**
 - f) **approve the use of £0.300m revenue funding towards the capital project to increase the provision for 2 year olds as set out in paragraph 9;**
 - g) **approve the changes to the Capital Programme set out in Annex 7c and the full updated Capital Programme presented in Annex 8;**
 - h) **approve the addition of the Milton Interchange scheme in the Capital Programme as set out in paragraph 46.**

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Background papers: Directorate Financial Monitoring Reports August 2013
Milton Interchange Scheme Business Case

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