

## CABINET – 20 OCTOBER 2009

### FINANCIAL MONITORING

**Report by the Assistant Chief Executive & Chief Finance Officer**

#### Introduction

1. This report sets out the Council's forecast financial position for the 2009/10 financial year based on five months of actuals to the end of August 2009. It includes projections for revenue, balances, reserves and capital. The report sets out explanations where the forecast revenue outturn is significantly different from the budget along with proposals to recover the position where appropriate.
2. The total in – year Directorate forecast is an overspend of £3.251m. The reduction of £0.762m compared to the forecast at the end of July largely relates to a change in the forecast for Children, Young People and Families.

Original Budget 2009/10 £m		Latest Budget 2009/10 £m	Forecast Outturn 2009/10 £m	Variance Forecast August 2009 £m <sup>1</sup>	Variance Forecast August 2009 % <sup>1</sup>
98.277	Children, Young People & Families	97.603	99.052	+1.449	+1.48%
166.800	Social & Community Services	167.392	168.602	+1.210	+0.72%
68.631	Environment & Economy	69.771	70.323	+0.552	+0.79%
29.908	Community Safety & Shared Services	30.542	30.582	+0.040	+0.13%
9.426	Corporate Core	10.379	10.379	0	0
<b>373.042</b>	<b>In year Directorate total</b>	<b>375.687</b>	<b>378.938</b>	<b>+3.251</b>	<b>+0.87%</b>

Plus: City Schools Reorganisation		0.775	
Plus: Reallocation of Dedicated Schools Grant (see paragraph 15)		2.421	
<b>Total Variation</b>		<b>+6.447</b>	

3. The current position for general balances is set out in Annex 5 and shows a forecast of £14.088m. After taking into account the forecast Directorate overspend, the consolidated revenue balances forecast is £10.837m. <sup>2</sup>

<sup>1</sup> The variance has been calculated as the difference between the latest budget and forecast outturn. The percentage is a measure of variance to latest budget.

<sup>2</sup> The consolidated revenue balances forecast is the forecast general balances less the forecast Directorate in-year overspend.

4. Figures for each Directorate are summarised within the Annexes and individual Directorate reports setting out the detail have been placed in the Members' Resource Centre.
5. The following Annexes are attached:

Annex 1 (a-f)	Forecast Revenue Outturn by Directorate
Annex 2 (a-c)	Virements and Supplementary Estimates
Annex 3 (a-b)	Specific grants monitoring
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6 (a-g)	Capital monitoring
Annex 7	Capital Programme Update
Annex 8	Treasury Management Lending List

## Part 1 - Revenue

6. The forecast revenue outturn by Directorate based on the position to the end of August 2009 is set out below. Significant issues or movement in the variances are commented on below along with the management action being taken.

**Children Young People & Families: £1.449m in-year Directorate overspend (£4.645m total overspend including £0.775m relating the City Schools Reorganisation and £0.885m on services funded by DSG. A further £1.536m DSG has been reallocated to services otherwise funded by the Council). The variations by Service Area shown below are net of this reallocation.**

### Young People & Access to Education

7. The total forecast overspend in Young People & Access to Education is £0.485m. This has increased by £0.349m since the previous report due to a pressure of £0.185m forecast for the autism service where the income target is no longer deemed to be realistic. The budget assumes a certain number of places are filled by pupils who live outside the County for which Oxfordshire is reimbursed. However the take up of places by pupils who live in County has increased therefore reducing the number of places which can be filled by out of county pupils.
8. Services to Disabled Children are forecast to overspend by £0.310m due to increased packages which impact on staffing, direct payments and travel costs. Offsetting these increases is a reduction of £0.204m in the forecast overspend on Youth Services, who now expect to be able to achieve their planned efficiency savings.

### Children and Families

9. The forecast overspend across Children & Families is £4.400m. This has reduced by £0.452m since the previous report. The Placement budget remains the most significant area of overspending within the Directorate but the forecast pressure has decreased by £0.257m to £2.480m this month.

Subject to approval some of this could be offset by unallocated carry forward from 2008/09.

10. The forecast overspend on Asylum Seekers remains at £2.195m as reported in September and continues to assume that £1.000m of the expenditure will be funded from the reserve created at the end of 2008/09 for anticipated future pressures. A formal request to approve this will be made once the position on grant funding is clearer.
11. The Directorate is in the process of drawing up an action plan to mitigate the pressures on the Placements budget. Further details and, if appropriate, requests for virements will be provided in the next report. The on – going pressures in this area will also be considered as part of the Service & Resource Planning process for 2010/11.

#### Raising Achievement Service (RAS)

12. The Raising Achievement Service continues to forecast an underspend of -£0.541m. This includes a -£0.630m underspend on RAS activities funded from Area Based Grant. The Public Services Board is being consulted about alternative uses for this funding.

#### Commissioning, Performance & Quality Assurance

13. Home to School Transport is now projected to underspend by an additional -£0.377m taking the total underspend to -£1.107m. The forecast reflects the latest route information for the new academic year. As a result special needs and post 16 transport costs are expected to be lower than previously forecast, -£0.275m and -£0.138m respectively. It should be noted that in relation to special needs transport, the service has maximised the use of existing routes with children sharing transport where deemed appropriate. However, if it is found that these children are unable to travel together, new transport arrangements may still be required which will increase costs.

#### Dedicated Schools Grant (DSG) Funded Services

14. Out of County Placements is now forecast to overspend by £0.431m, a reduction of £0.418m since the last report due to revised assumptions for new and existing cases for the remainder of the year. Nursery Education Funding (NEF) is still projected to overspend by £0.454m.
15. There is currently £2.421m of unallocated DSG<sup>3</sup>. £0.978m of this is one off uncommitted carry forward from 2008/09, whilst the remainder is ongoing grant funding. Early indications show that by reallocating this funding to eligible services funded by the Council, the directorate's overspend position could be reduced. £0.885m of the total is required to fund an overspend on services funded from DSG.

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<sup>3</sup> Within the central expenditure allocation ie. not schools.

**Social & Community Services: £1.210m overspend**

16. Social & Community Services are forecasting an overspend of £1.210m against a budget of £167.392m, a variation of +0.72%.
17. The total overspend in Adult Social Care has reduced by £0.134m to £0.882m and an action plan to balance this by year end is in place. Overspends of £0.253m and £0.075m in Adult Learning and Strategy & Transformation remain unchanged since the previous report.
18. A key target with Adult Social Care is to reduce delayed transfers of care and reduce waiting lists. To achieve this additional staff have been deployed resulting in an overspend of £0.675m.
19. A further pressure of £0.452m relates to Learning Disabilities Internal Services and includes an underachievement of income of £0.303m based on income received to date in 2009/10. Additional older people residential client income of -£0.384m is forecast, but this is partially offset by an expected underachievement of £0.150m on Older People Fairer Charging Income. Services for all Client Groups are expected to underspend by -£0.148m.

Pooled Budgets

**Older People, Physical Disabilities & Equipment Pool**

20. The forecast outturn on the Older People's and Physical Disabilities' Pooled Budget is an overspend of £4.657m. This takes account of the use of the Older People Pooled Budget Reserve of £1.130m created in 2008/09 to fund the extra commitments in 2009/10 resulting from the Continuing Care Framework and additional placements.
21. The OCC element of the Pool is forecast to overspend by £1.677m. This reflects increased demand for residential nursing care for older people because of higher client numbers. There is also an increase in External Home Support costs due to higher client numbers and the costs of medication only visits. Action has been taken to review higher cost Home Support packages and procurement strategies and to control the number of additional hours purchased each week with a view to reducing the overspend by the end of the year. There has also been an increase in the number of clients with physical disabilities receiving residential and nursing care and home support.

Latest Budget 2009/10 £m		Variance August 2009		
		OP £m	PD £m	Total £m
	<b>OCC Elements</b>			
89.786	Forecast in-year variance	1.221	0.456	1.677
	<b>PCT elements</b>			
24.711	Forecast in-year variance	1.238	1.149	2.387
<b>114.497</b>	<b>Total Older People &amp; Physical Disabilities</b>	<b>2.459</b>	<b>1.605</b>	<b>4.064</b>
1.658	Equipment pool – in year variance	0.593		0.593
<b>116.155</b>	<b>Total - Older People, Physical &amp; Equipment Pool</b>	<b>3.052</b>	<b>1.605</b>	<b>4.657</b>

22. The forecast overspend on the PCT element of the pool reflects the year end position which the PCT are planning to achieve in relation to Continuing Health Care. This takes account of the expected reduction in numbers resulting from the on-going reviews of clients currently qualifying for Continuing Health Care and reductions in the number of new placements. The forecast will be monitored monthly to take account of the actual activity levels. The PCT is responsible for any financial risk arising if the predicted savings are not achieved.
23. No assessment has yet been made of the possible impact on the the Council elements of the pool of the withdrawal of Continuing Health Care funding from clients who may then qualify for social care funding.
24. An overspend of £0.593m is forecast on equipment. Further work has been commissioned to identify the reasons for this over spend and to develop an action plan to reduce the level of overspending.

### Learning Disabilities Pool

25. The Learning Disabilities Pooled Budget is currently forecasting an overspend of £0.732m, a decrease of £0.110m from the previous report. The variance is mainly due to an increase in commitments of £0.266m resulting from August Panel decisions offset by a reduction in forecast spend due to slippage of the start date for placements, changes on Supported Living placements, reductions following Panel reviews and a reduction in forecast spend due to the death of a client. Further efficiency savings are to be made during the year which will partially offset the cost of any additional panel decisions with a view to bringing the pooled budget into balance by year end.

**Environment & Economy: £0.552m overspend**

26. The overall Directorate position is a forecast overspend of £0.552m (or 0.79% of the latest budget). This has increased by £0.270m since July.
27. Within Transport there has been a reduction to the £0.200m income target pressure reported last month. The income realisation is now better than estimated reducing the pressure to £0.102m. This is offset by a new pressure of £0.200m relating to Access to Oxford in response to the Department for Transport bringing forward the railway station capital scheme funding scheme. This requires initial work prior to receiving the funding. Including other minor variations the net overspend position across Transport is £0.347m.
28. The forecast overspend within Property Services is £0.580m and includes the effect of the £0.160m Supplementary Estimate for third party legal costs agreed last month. The increase in the overspend relates to a pressure of £0.342m resulting from cost and funding changes in respect of the original business case for the Better Offices Programme. Further details will be included in future reports but it is expected that this will be partly offset by a contribution from CYP&F. A supplementary estimate for the remainder will be considered later in the year when the forecast position is more certain. The ongoing effect in 2010/11 and beyond will be considered as part of the Service & Resource Planning Process.

**Community Safety & Shared Services: £0.040m overspend**

29. Community Safety continues to report an estimated overspend £0.040m. The remaining Shared Services savings of £0.489m are expected to be delivered by the end of 2009/10, with the full year effect of these savings included in 2010/11. The cash flow forecast is unchanged and shows the full business case being delivered nine months later than originally planned. This is expected to improve as the year progresses.

**Corporate Core: nil variance**

30. Corporate Core continues to report a nil variance. However, there are significant pressures on the ICT budget and tight control of costs will be required to ensure that the expenditure remains within budget.

**Virements and Supplementary Estimates**

31. The virements requested this month are detailed in Annex 2a with virements previously approved in Annex 2b and 2c and temporary virements to note in Annex 2d. Annex 2e shows the cumulative total virements to date and their status in respect of requiring Council approval where over £0.5m.
32. Virements on CYPF4-5 are cumulatively above £0.500m. This reflects a new request for a £0.493m virement to E&E for the Integrated Transport Unit staff

transfer. Since the virements do not represent a change in service provision Council approval is not required and Cabinet approval is sufficient.

### **Grants Monitoring**

33. Annex 3a and 3b set out the movement on specific grants since the original estimate, along with a forecast of the grant funded expenditure in year. Annex 3c details the Area Based Grant.

### **Strategic Measures**

34. The average cash balance during August 2009 was £200.4m and the average rate of return was 1.19%.
35. The Treasury Management lending list is included at Annex 8. There have been no changes since the last report.

## **Part – 2 Balance Sheet**

### **Reserves**

36. Annex 4 shows the forecast movement on earmarked reserves.
37. The planned use of Local Authority Business Growth Incentive (LABGI) funding is set out on page 3.11 of the Service & Resource Planning – Service Analysis 2009/10. In addition to the 2009/10 funding, £289.6m of the agreed 2008/09 allocations were unspent at the end of last year and were carried forward to fund expenditure in 2009/10 and 2010/11. The allocation for 2009/10 includes £0.096m for lost interest relating to the earlier payment of invoices for small and medium sized enterprises. Because interest rates have been lower than expected the actual lost interest is £0.012m. The LABGI payment for 2009/10 has now been confirmed as £439.0m. This is higher than the £200m that we budgeted for so this additional funding, plus the £0.084m surplus funding for the lost interest, will be considered as part of the Service & Resource Planning Process.
38. The Efficiency Savings Reserve now contains £1.187m excess balances transferred to reserves as per the 2008/09 Provisional Outturn Report to Cabinet on 23 June 2009. In addition £0.7m excess pay inflation removed from Directorate budgets as agreed by Cabinet in September will be added to the reserve.
39. Detailed virements relating to the inflation adjustments will be included in Annex 2 of the September report to Cabinet on 24 November 2009.

### **Balances**

40. Annex 5 sets out the current position for general balances taking into account known changes. £0.078m added to balances in the May 2009 report in respect of a company liquidation is requested to be transferred to the

Transport Capital Programme as the funding originally related to a capital scheme. After taking account of this change the position on balances as at the end of August is £14.088m.

### Part 3 – Capital Programme and Monitoring

#### Capital Monitoring

41. The capital monitoring position set out in detail in Annex 7, shows forecast expenditure of £92.7m for 2009/10 (excluding schools). This is a reduction of -£6.4m when compared to the last capital programme reported to Cabinet in September. The table below summarises the variations to the most recent programme by directorate and shows the change in forecast expenditure since last month.

Directorate	Latest Capital Programme Budget (As at end of May 2009, reported in September)	Forecast Expenditure (As at end of August 2009)	Variation Forecast August 2009	Variation Forecast July 2009	Change
CYP&F	£41.5m	£41.3m	-£0.2m	-£1.2m	+£1.0m
S&CS	£8.9m	£7.2m	-£1.7m	-£1.1m	-£0.6m
E&E	£47.0m	£42.5m	-£4.5m	-£4.3m	-£0.2m
Community Safety	£0.7m	£0.7m	£0.0m	£0.0m	£0.0m
Corporate Core	£1.0m	£1.0m	£0.0m	£0.0m	£0.0m
<b>Sub-total</b>	<b>£99.1m</b>	<b>£92.7m</b>	<b>-£6.4m</b>	<b>-£6.6m</b>	<b>+£0.2m</b>
Schools Capital/Devolved Formula/Reserves	£11.6m	£11.4m	-£0.2m	£0.0m	-£0.2m
<b>Total</b>	<b>£110.7m</b>	<b>£104.1m</b>	<b>-£6.6m</b>	<b>-£6.6m</b>	<b>£0.0m</b>



### **Children, Young People & Families**

42. The forecast expenditure for Children, Young People & Families directorate is now £41.3m. The increase of £1.0m in the forecast expenditure since last month comprises three more significant changes plus a number of variations under £0.25m which are set out in Annex 7.
43. The Oxford Academy Project is on-site and increase of in year spend of £2.3m is expected reflecting the acceleration of the spend profile. A delay is now expected on the Thornbury House Children's Home project due to environmental issues. The start date has slipped to April 2010, resulting in a variation of -£0.515m in the current year. The provision for the relocation and removal of the temporary classroom at Cropredy School will now be spent in 2010/11 resulting in a variation in 2009/10 of -£0.250m.

### **Social & Community Services**

44. After taking account of -£0.6m movement since last month, the total forecast expenditure of £7.2m for Social & Community Services is now -£1.7m lower than the agreed capital programme. This variation reflects delays in the delivery of the Adult ICT Services System (£0.530m), and re-phasing of the Abingdon Resource Centre Project (£0.350) and the Museum Resources Programme (£0.323m). The balance reflects a number of small variations.

### **Environment & Economy**

45. The spend forecast for 2009/10 for Environment and Economy is £42.5m compared to the latest agreed programme of £47.0m. Although there are some offsetting changes within the total the variation of -£4.5m is virtually unchanged since last month and is mainly due to slippage on three major transport schemes - London Rd Phase 3 (£0.406m), Cogges Link Rd (£0.340m) and Didcot Parkway Forecourt (£3.081m).
46. £0.500m further Transport Asset Management Plan (TAMP) grant allocation was announced in September. This will be used to bring forward preparation works for 2010/11 schemes.

### **Actual Expenditure**

47. As at the end of August actual capital expenditure was £19.2m. This represents 18% of the forecast expenditure of £104.1m and is consistent with the position reported at this time last year. If commitments are taken into account expenditure would be 42% of forecast total.
48. The forecast expenditure as at the end of August 2009 has been incorporated into the capital programme update and will become the latest budget for comparison purposes in the next Monthly Monitoring report.

## Capital Programme Update

49. An updated capital programme is attached at Annex 8. This has been updated as at the end of August to reflect the projected spend now reported for 2009/10 and changes to the phasing of schemes.
50. The updated programme shows a cumulative deficit of -£5.368m compared to -£6.080m shown in the programme agreed by Cabinet on 15 September 2009. The reduction of £0.712m is explained in the table below.

<b>Deficit in September Programme</b>		<b>-£6.080m</b>
Changes in individual programme surpluses/deficits		
Transport	£0.196m	
Homes for Older People	<u>-£0.150m</u>	
		£0.046m
Savings on Schemes		
Wallingford Young People's and Children's Centre	£0.363m	
Maltfield House	£0.040m	
Relocation of Countryside Services	£0.140m	
Other small savings	<u>£0.038m</u>	
		£0.581m
Capital Receipt no longer earmarked		<u>£0.085m</u>
<b>Deficit in October Programme</b>		<b>-£5.368m</b>

51. The Environment & Economy Programme has increased by £0.820m as part of the update. This mainly due to increases in the forecast total scheme costs for the three major transport schemes reporting slippage above (London Road Phase 3: £0.390m, Cogges Link Road: £0.394m and Didcot Parkway Forecourt: £0.249m). The additional expenditure is largely funded by developer contributions.
52. The cash-flow position has also improved significantly. The in-year programme surplus has increased from £3.7m to £7.8m, and the cumulative deficit for 2009/10 and 2010/11 reduced from £8.4m to £1.5m.
53. Work is ongoing to bring the capital programme into balance over the five year time frame. This will be reported through the Service & Resource Planning process and will include providing a sufficient level of contingency resources in line with the capital programme management principles agreed by the Cabinet in February 2009.

## **RECOMMENDATIONS**

54. **The Cabinet is RECOMMENDED to:**
- (a) note the report;**
  - (b) approve the virements as set out in Annex 2a;**
  - (c) note the updated transfer of excess inflation to the Efficiency Savings Reserve (para 38);**
  - (d) approve the request for £0.078m added to balances earlier this year to be removed to fund the transport capital programme (para 40) and**
  - (e) approve the updated capital programme included at Annex 7.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

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October 2009