

# STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE

THURSDAY 21 JULY 2011

## PROVISIONAL OUTTURN OVERVIEW

### COMMENTARY BY THE CABINET MEMBER FOR FINANCE

#### Introduction

1. The last Financial Monitoring Overview to Strategy and Partnerships Scrutiny Committee on 17 March 2011 set out the Council's financial position at the end of January 2011. This report provides a commentary on the Provisional Outturn position at 31 March 2011, as set out in the Provisional Outturn Report to Cabinet on 21 June 2011, and is consistent with the Council's Statement of Accounts for 2010/11<sup>1</sup>. The report to Cabinet and all Financial Monitoring reports are available on the Council's website and the Directorate reports upon which the Cabinet report is based are available in the Members' Resource Centre.
2. During 2010/11 directorates worked hard to reduce costs in readiness for implementing their Business Strategies from 2011/12 and there was a firm focus on cost minimisation. As a result some revenue savings, particularly relating to vacant posts, were achieved early and through careful service management, it was also possible to absorb the impact of the in-year revenue grant reductions of £3.717m agreed by Council on 27 July 2010. £2.334m of these reductions related to Children, Young People and Families, £0.647m to Environment and Economy and £0.320m to Social & Community Services<sup>2</sup>. The revenue variation also reflects the achievement of savings of £35m built into the 2010/11 budget. 2010/11 capital expenditure reflects grant reductions and the capital programme moratorium implemented in year.
3. From 2010/11 all local authorities were required to prepare their accounts using International Financial Reporting Standards (IFRS). This required a change in the way unspent elements of some specific grants and contributions were recorded at year end. Because of this £6.515m of grants and contributions were required to be carried forward in accordance with Council procedures. The table below shows the forecast Directorate position before and after the changes relating to IFRS.

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Variance to Latest Budget £m	Variance to Latest Budget %
389.870	Revenue (*) (after IFRS)	385.745	375.386	-10.359	-2.68
389.870	Revenue (*) (before IFRS)	385.745	381.901	-3.844	-1.00
130.248	Capital	101.026	93.426	-7.600	-7.52
12.500	General Balances	13.056 <sup>3</sup>	14.059	+1.003	+7.68
64.870 <sup>4</sup>	Reserves	72.323 <sup>5</sup>	84.739	+12.416	+17.16

<sup>1</sup> Due to external accounting requirements the presentation of the figures may vary.

<sup>2</sup> The remaining £0.138m related to Oxfordshire Customer Services and £0.012m to the Chief Executive's Office with the balance being funded from balances pending a further decision.

<sup>3</sup> Per the Service & Resource Planning – Financial Plan 2011/12 – 2015/16.

<sup>4</sup> Per Service & Resource Planning – Financial Plan 2010/11 – 2014/15

<sup>5</sup> Per February 2011 Financial Monitoring Report to Cabinet on 19 April 2011.

(\*) Throughout the report a minus sign (-) represents an underspend compared to the final approved budget and a positive sign (+) indicates an overspend.

## Part 1 – Provisional Revenue Outturn

### Summary in accordance with IFRS requirements

4. The year end revenue position for 2010/11 as reported to Cabinet on 21 June 2011, consistent with the Council's Statement of Accounts, is as follows:

2010/11	Gross Expenditure £m	Income £m	Net Expenditure £m
Original Budget	907.459	-516.644	390.815
Brought forward from 2009/10	1.066		1.066
Virements & Grant Changes	-21.051	13.525	-7.526
Supplementary Estimates	1.390		1.390
Final Approved Budget	888.864	-503.119	385.745
Provisional Outturn	997.980	-622.594	375.386

<b>Total Variation</b>	<b>109.116</b>	<b>-119.475</b>	<b>-10.359</b>
Less variations returned to balances (see paragraph 5)	0.468		0.468
<b>Adjusted Directorate Variation</b>	<b>109.584</b>	<b>-119.475</b>	<b>-9.891</b>

### Variations returned to Council in 2010/11

5. Some specific variations are removed from carry forwards because they represent variations to budgets which are recognised to be outside the control of the Directorate. The total net variation returned to balances was -£0.468m.

Directorate	Variation	Calls on £m	Returns to £m
Environment & Economy	Non – domestic rates		-0.149
	Council Tax	+0.010	
	Flood Levy		-0.004
Community Safety	Retained Firefighters		-0.224
	Firefighter Pension Scheme – ill health retirements	+0.084	
Chief Executive's Office	External Audit Fee		-0.185
<b>Total</b>		<b>+0.094</b>	<b>-0.562</b>

### Directorate Variations

6. The tables on the next page show that the total variation of -£10.359m is made of the underlying directorate outturn of -£3.844m and further grant and contribution variations of -£6.515m. The year end directorate variation compares to a forecast position of -£5.016m in the last Financial Monitoring Report to the end of February 2011 and -£2.725m in the Financial Monitoring Report to the end of January 2011 and as reflected in the previous report to Strategy and Partnerships Scrutiny Committee. A

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limited number of more significant changes since January are explained in the following paragraphs.

	Latest Budget 2010/11 £m	Provisional Outturn 2010/11 £m	Provisional Outturn Variance £m	Provisional Outturn Variance %
Children, Young People & Families	97.899	96.534	-1.365	-1.39
Social & Community Services	206.046	206.690	+0.644	+0.31
Environment & Economy	69.931	69.329	-0.602	-0.86
Oxfordshire Customer Services	1.590	0.284	-1.306	-82.14
Chief Executive's Office	10.279	9.064	-1.215	-11.82
<b>Total Directorate variation including Pooled Budgets</b>	<b>385.745</b>	<b>381.901</b>	<b>-3.844</b>	<b>-1.00</b>

7. In addition to the Directorate position of -£3.844m there were grant and contribution variations of -£6.515m.

<b>Grant &amp; Contributions/Directorate</b>	<b>£m</b>	<b>£m</b>
Dedicated Schools Grant (DSG)	-0.961	
Integrated Workforce Grant	-0.022	
Education Business Partnership	-0.110	
National PE/ School Sports	-0.036	
Healthy Schools	-0.060	
Play & Participation - National Citizen Service	-0.004	
National Literacy Fund	-0.003	
Play Pathfinder	-0.004	
YPLA – Home to School Transport	-0.263	
Total Children, Young People & Families		-1.463
Social Care Reform Grant	-1.065	
New Dimensions Training Grant	-0.072	
Total Social & Community Services		-1.137
Exceptional Highways Maintenance Grant	-3.525	
Supporting Community Transport Grant	-0.279	
Wychwood Project	-0.033	
Biodiversity Grant	-0.016	
Windrush Project	-0.007	
Thames Valley Environmental Records Centre	-0.046	
Preliminary Flood Risk Assessment	-0.009	
Total Environment & Economy		-3.915
<b>Total All Grant Underspends</b>		<b>-6.515</b>
<b>Add Directorate Variation (from table above)</b>		<b>-3.844</b>
<b>Total Variation for IFRS Reporting Requirements</b>		<b>-10.359</b>

8. The table on the next page summarises the Directorate variations reported to Cabinet since the last report to Strategy and Partnerships Scrutiny Committee.

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Directorate	Forecast Variance (excluding grant underspends) as at:		
	31 January 2011 <i>(reported to Cabinet on 15 March 2010)</i> £m	28 February 2011 <i>(reported to Cabinet on 19 April 2011)</i> £m	31 March 2011 <i>(reported to Cabinet on 21 June 2011)</i> £m
CYP&F	-0.531	-2.426	-1.365
S&CS	+1.705	-0.355	+0.644
Environment & Economy	-0.891	-0.247	-0.602
Oxfordshire Customer Services	-0.350	-1.148	-1.306
Chief Executive's Office	-0.373	-0.840	-1.215
<b>Directorate in-year forecast over/underspend</b>	<b>-0.440</b>	<b>-5.016</b>	<b>-3.844</b>
<b>Change compared to previous month</b>		<b>-4.576</b>	<b>+1.172</b>

**Children, Young People & Families: in-year Directorate variation of -£1.365m or -1.39%.**

9. The outturn position for CYP&F was a variation of -£1.365m. The main reason for the change in variation since the end of February 2011 was the inclusion of a provision for redundancy costs of £1.958m relating to the service redesign. The final position also included actual redundancy costs of £1.285m. All redundancy costs to date have been met within the Directorate, which also made a contribution of £0.058m to the Efficiency Reserve. In addition to the Directorate variation there were grant and contribution variations of -£1.463m, including -£0.961m Dedicated Schools Grant (DSG).

Dedicated Schools Grant and Standards Fund

10. On 18 March 2011 the Council was notified by the Department for Education (DfE) that it would not be receiving the final £1.371m instalment of the 2010/11 Standards Fund grant. In previous years this income was received after 1 April (in the following financial year) and could be spent up until the end of the academic year. £0.633m of this reduction relates to funds which have already been spent by schools in 2010/11.
11. The Government provided local authorities with a choice of methods to deal with the resulting pressure with a view to avoiding school allocations for 2010/11 and 2011/12 being amended. The option agreed by Schools Forum was to offset the £0.633m 2010/11 pressure against Dedicated Schools' Grant (DSG) underspends. The remaining £0.738m for which costs have not yet been incurred will be offset against the DSG underspend of -£0.961m carried forward to 2011/12.

**Social & Community Services: in-year Directorate variation of +£0.644m, or +0.31%.**

12. The outturn position for S&CS was an overspend of +£0.644m. This was +£1.086m higher than the forecast at the end of February but the movement primarily reflects the inclusion of overspends on the Council elements of the Pooled budgets. There were further underspends of -£1.137m on grants.

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13. The Music Service overspent by +£0.065m, an increase of +£0.015m from the variation forecast at the end of January 2011. This will be carried forward to 2011/12 in line with the agreed four year Music Service Change Programme and from 1 April 2011 has transferred to Children, Education and Families directorate.
14. Social Care for Adults reported an overspend of +£1.216m, an increase of +£0.681m since the end of January 2011. This includes the Council elements of the overspends on the Older People and Physical Disabilities Pooled budget (+£0.205m) and the Learning Disabilities Pooled budget (+£1.192m) which were brought into the revenue account at year end. The variation also includes additional Fairer Charging and Residential Client income of -£0.449m since the end of January 2011.
15. Community Safety underspent by -£0.707m. The retained duty system (RDS) underspend was due to lower than forecast emergency call outs and management action taken to control non emergency expenditure. The full RDS underspend of -£0.224m was returned to balances as in previous years. The remaining underspend related to the delayed completion of projects including Fire Control and the training hub and tight control of expenditure.

### Pooled Budgets

16. The Older People & Physical Disabilities Pooled Budget overspent by +£1.101m as shown in Annex 2. Including the +£0.686m overspend brought forward from 2009/10, the Council elements overspent by +£0.205m (a decrease of -£1.093m since the last report in to Strategy and Partnerships Scrutiny Committee in March 2011). The Primary Care Trust (PCT) element overspent by +£0.896m (a decrease of -£2.743m since the last report and includes the additional contribution made by the PCT in March 2011 of £3.893m).
17. £1.424m of the £1.531m funding from the NHS for winter pressures announced by the Department of Health in January 2011 was not spent in 2010/11. This has been transferred to an earmarked reserve and will be used to meet the on-going costs for the relevant clients in 2011/12 and future years.
18. The Council element of the overspend was made up of an underspend on Older People of -£1.106m, an overspend on Physical Disabilities of +£1.144m and an overspend on Equipment of +£0.167m. The reduction in the underspend since the last Strategy & Partnerships report mainly related to lower than forecast spend on older people's residential and nursing beds arising from the transfer of costs to the Winter Pressures funding and increased income from funded nursing care. However, spending on residential and nursing care for people with physical disabilities was higher due to increased client numbers and backdated payments.
19. As shown in Annex 2 the year end position on the Learning Disabilities Pooled Budget was an overspend of +£1.425m. The Council's element of the overspend was +£1.192m. The PCT element of the overspend was +£0.233m.
20. The PCT is expected to make a further contribution in 2011/12 to meet the overspends from 2010/11 on the Older People and Physical Disabilities Pool and Learning Disabilities Pool. An adjustment has been made to the Council's accounts in the form of a creditor so the overspend has no effect on the outturn position of the Council.

**Environment & Economy: in-year Directorate variation of -£0.602m, or -0.86%.**

21. The outturn position for E&E was a variation of -£0.602m, a change of -£0.294m since the last report. This excludes unspent grants and contributions totalling -£3.915m, the majority of which were received at the end of March 2011.
22. An additional +£0.580m was spent in delivering the Corrective Roads Maintenance Action Plan due to pro-active over-programming of the work against the original allocation of £0.987m. This was off-set by underspends of -£0.265m on Safety Fence tensioning and -£0.209m due to the Section 38<sup>6</sup> transfer being less than anticipated.
23. Waste Management underspent by -£2.183m (a movement of -£0.445m since the last report to Strategy and Partnerships Scrutiny Committee). As reported throughout the year this has been transferred to the Waste Management Reserve to fund one off project costs relating to the Waste Treatment Project.

**Oxfordshire Customer Services: in-year Directorate variation of -£1.306m.**

24. The outturn position for OCS was a variation of -£1.306m, a change of -£0.453m since the previous report to the Strategy and Partnerships Scrutiny Committee in March 2011. The change mainly relates to ICT income being higher than expected, while expenditure was also less than forecast.
25. Adult Learning reported an overspend of +£0.035m a decrease of -£0.047m since the last report to Strategy and Partnerships Scrutiny Committee. A four year recovery plan is in place to reduce this overspend and repay the supplementary estimates totalling £0.181m by 2012/13. The improved position compared to the forecast is explained by higher levels of income received towards the end of the year.
26. The Food with Thought trading account recorded a surplus of £0.736m (9.5% of turnover). Meal numbers were 3.4% ahead of target and food costs, labour costs and overheads were all kept within budget. School Lunch Grant received via Schools was not spent in full but will be used in future years to improve the schools meals service. QCS cleaning has recorded a surplus of £0.049m (2% of turnover). These surpluses have been transferred to the relevant earmarked reserves.
27. Based on the position at the end of 2010/11 annual savings for Shared Services are £0.166m ahead of the original business case target from 2011/12.

**Chief Executive's Office: in-year Directorate variation of -£1.215m.**

28. The outturn position for the Chief Executive's Office was a variation of -£1.215m, a change of -£0.483m since the last report to the end of January 2011. The changes included -£0.125m unspent Performance Reward Grant in the Partnership Unit funding that will be allocated to the voluntary sector in 2011/12.
29. The variation on Human Resources increased by -£0.097m compared the last report to Strategy and Partnerships Scrutiny Committee. This related to early delivery of the business strategy and an underspend on the Future Jobs Fund due to the final cohort

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<sup>6</sup> Section 38 is income from developers based on a scale of charges. It is for works in/on the existing highway and mainly new developments and is the Council's fee for checking drawings, creating an agreement (usually a highway adoption agreement) and for monitoring and inspecting works.

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of work placements to be funded from this grant starting in February 2011 and ending in August 2011.

30. The underspend on the Audit Fee of -£0.185m was returned to Council balances in line with Council policy.

### **Carry Forward of under and over spends in 2010/11 to 2011/12**

31. IFRS grants and contributions underspends of -£6.515m will be carried forward as set out in paragraphs 3 and 7. Overspends totalling +£1.497m have been carried forward to 2011/12 to be recovered in future years as planned. The total directorate underspend that Cabinet considered carrying forward is -£3.106m. A further -£0.270m has been transferred to the Efficiency Reserve in 2011/12 to support the Business Strategy. The table below summarises the carry forwards by Directorate. The carry forwards for CYP&F, S&CS and E&E are dependant on virements larger than £0.5m which will need to be approved by Council on 13 September 2011 under the Council's Financial Regulations.

Directorate	Overspend to be carried forward £m	Underspend requested to be carried forward £m	Net total requested to be carried forward £m	Grants Proposed to be carried forward £m	Total Proposed Carry Forward £m	Underspend Transferred to Efficiency Reserve £m
CYP&F (non – DSG)	+0.065 <sup>7</sup>	-1.307	-1.242	-0.502	-1.744	-0.058
CYP&F (DSG)				-0.961	-0.961	
S&CS		-0.568	-0.568	-1.137	-1.705	
OP&PD Pooled Budget	+0.205		+0.205		+0.205	
LD Pooled Budget	+1.082		+1.082		+1.082	
<b>Total S&amp;CS</b>	<b>+1.287</b>	<b>-0.568</b>	<b>+0.719</b>	<b>-1.137</b>	<b>-0.418</b>	
E&E		-0.459	-0.459	-3.915	-4.374	
OCS	+0.035	-1.247	-1.212		-1.212	
CEO		-0.912	-0.912		-0.912	-0.212
<b>Total</b>	<b>+1.497</b>	<b>-4.483</b>	<b>-3.106</b>	<b>-6.515</b>	<b>-9.621</b>	<b>-0.270</b>

### **Strategic Measures**

32. Overall there was no variance on the Strategic Measures budget. Within this there was a variation of -£0.208m on the interest paid on various sums included within the Council's cash balance, Interest earned on cash balances invested in house was -£0.198m more than budgeted due to higher than expected cash balances throughout the year and Interest earned on balances invested externally was -£0.142m more than budgeted due to a better than expected performance from the Council's external fund managers. There was an overspend of +£0.548m on capital financing. The amount rechargeable to directorates for capital prudential borrowing schemes was lower than budgeted and borrowing more long term debt than originally expected increased the amount of debt interest payable.

<sup>7</sup> Planned overspend on the Music Service which has moved to CEF from 1 April 2011.

33. The Treasury Management Outturn report for 2010/11, which covers all of the related activities in detail, was considered by Audit Committee on 7 July 2011 and by Cabinet on 19 July 2011.

### **Bad Debt Write Offs**

34. For the year ended 31 March 2011 there were 316 debts written off totalling £0.132m. Of these the largest was £0.074m and related to a Section 106 debt in connection with a planning obligation which was agreed to be written off by Cabinet in May 2010. In addition Client Finance wrote off £0.103m in respect of 149 debts relating to care provided by Social & Community Services. The largest of these debts was £0.021m and related to Fairer Charging income. This was approved by Cabinet in April 2011.
35. After taking account of ad hoc write offs and other adjustments totalling £0.009m, total write offs for the year were £0.244m. This compares to total write offs of £0.230m for 2009/10. Most of the debts have been written off because it is uneconomical to recover through the courts.

### **Redundancy Costs**

36. Redundancy costs totalling £9.057m were incurred in 2010/11. £4.597m was funded from Directorate underspends and a further £4.460m from the Efficiency Reserve. £6.958m of the total relates to individual payments that will be incurred in 2011/12, but for which the decision was effectively made in the 2010/11 financial year. These were included in the 2010/11 accounts in accordance with accounting standards.

## **Part – 2 Consolidated Provisional Capital Outturn**

### **Summary Programme Expenditure**

37. The original capital programme for the year is agreed by Council in the February preceding the start of the financial year as part of the Medium Term Financial Plan. This is then updated three times each year with the latest updated programme, based on the position forecast at the end of December 2010, and agreed by Council on 13 February 2011.
38. Overall, the programme progressed slower than planned, reflecting the announcement of the national emergency budget and in-year grant reductions by the national government and the related moratorium on new scheme starts agreed on 20 July 2010.
39. When the overall performance of the programme is adjusted to take into account the impact of the in-year grant reductions, capital moratorium, cost reductions and other technical adjustments on the level of expenditure in 2010/11 the variation was £10.8m (9%) as set out in the table on the next page. This represents 91% use of resources on capital, compared to the original capital programme.



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	Total Directorate Programmes £m	Schools Capital & Earmarked Reserves £m	Total Capital Programme £m
Original Capital Programme	117.4	12.8	130.2
Final Outturn Expenditure	82.8	10.7	93.5
<b>Variation</b>	<b>-34.5</b>	<b>-2.2</b>	<b>-36.7</b>
Impact of in-year grant reductions	3.7		3.7
Impact of the capital moratorium	13.8		13.8
Impact of other VfM & technical adjustments	5.0		5.0
Impact of Cost Savings & Returned Contingencies	1.2		1.2
<b>Adjusted Variation</b>	<b>-10.8</b>	<b>-2.2</b>	<b>-13.0</b>
<b>Use of Resources</b>	<b>91%</b>	<b>83%</b>	<b>90%</b>

40. Although this adjusted use of capital resources in 2010/11 represents a reduction compared to the performance of 94% achieved in 2009/10, it was still within the tolerances recommended by best practice and at a reasonable level given the level of uncertainty affecting the programme delivery in such a challenging year. The Council still maintains the improvement made in the use of resources position compared to 2008/09 (90%) and 2007/08 (82%).

Children, Young People & Families

41. The total capital expenditure for the year 2010/11 was £53.3m (excluding schools' local capital expenditure). The variation compared to the latest approved Capital Programme was a reduction of £2.9m (5%).
42. The variation compared to the original capital programme was a reduction of £13.2m (20%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £4.5m (7%).

Social & Community Services

43. The total capital expenditure for the year 2010/11 was £5.6m. The variation compared to the latest approved Capital Programme was a reduction of £1.1m (16%). This includes -£0.4m relating to the Extra Care Housing Adaptations, -£0.2m for the Oxfordshire Records Office and -£0.2m relating to ICT Adult Social Care Infrastructure.
44. The variation compared to the original Capital Programme was a reduction of £9.5m (63%). When taking into account the impact of the capital moratorium and in-year grant reductions this variation becomes a reduction of £3.8m (25%). This adjusted figure also takes into account a decision made to finance the build cost of Chipping Norton Homes for Older People through the bed price, as financial assessments did not adequately justify prudential borrowing as a better Value for Money option. £4.1m of capital expenditure and borrowing were therefore removed from the programme.
45. These reductions were offset by the inclusion of new (mainly grant funded) projects totalling £0.5m including Health & Wellbeing, Deferred Interest Loans, Transforming Adult Social Care and Stronger and Safer Communities.

Environment & Economy - Transport

46. Total capital expenditure for the year 2010/11 was £18.3m. The variation compared to the latest forecast position was a reduction of £0.8m (4%). There were

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underspends on the drainage programme (£0.1m) and bridges programme (£0.2m), but no other major variations.

47. The variation compared to the latest capital programme was a reduction of £1.7m (8%) and the variation compared to the original capital programme is a reduction of £7.6m (29%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of £1.0m (4%).
48. Within this overall variation an increase in the Structural Maintenance programme of £1.7m (13%) offsets a decrease on the Integrated Transport Improvement programme of -£2.8m (22%). The increased Structural Maintenance programme was mainly due to the additional non-principal road carriageway works undertaken using the Winter Damage Grant allocation of £1.5m. Slippage on the Didcot Parkway Interchange (-£1.8m), accounts for a large part of the reduction in the Integrated Transport programme. There was also slippage across the programme on several developer funded schemes. These were partly offset by increased costs on London Road Phase 3 (£0.5m) due to unforeseen ground conditions. £0.2m of spend was also brought forward on Cogges Link Road in order to carry out advance overhead electricity cable works during the summer.

### Environment & Economy – Other

49. Total capital expenditure for the year 2010/11 was £4.8m. The variation compared to the latest forecast position is a reduction of £0.2m (4%) and the variation compared to the latest capital programme is a reduction of £0.5m (9%).
50. In the last quarter of the year the Backlog Maintenance Programme was reduced by £0.2m because of a reduction in the estimated level of contributions due to be received from schools. Despite this the target for contributions was achieved overall so the prudential borrowing was able to be reduced instead. This will reduce the ongoing revenue borrowing costs. This £25m programme is now complete.
51. The variation compared to the original capital programme was a reduction of £4.0m (46%). Taking into account the impact of the in-year grant reductions and moratorium, the adjusted variation is a reduction of £2.6m (30%). This is mainly due to the re-profiling of expenditure on the Waste Recycling Centre programme (-£2.4m) to better reflect a realistic delivery timescale and a reduction on the Prudential Energy programme (£0.3m) reflecting lower than anticipated take up of loans from schools.

### Oxfordshire Customer Services

52. Total capital expenditure for the year 2010/11 was £0.9m. There is no variation when compared to the latest updated programme or when compared to the latest forecast.
53. The variation compared to the original capital programme was a reduction of £0.2m (22%). This is due to a technical adjustment that needed to be made to the funding for Capitalised ICT.

### **Summary Programme Financing**

54. The Capital Programme expenditure of £93.5m was funded from a combination of supported borrowing (£26.1m), capital grants and other external contributions (£57.5m), developer contributions (£4.4m), project specific prudential borrowing

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(£4.0m) and revenue contributions (£1.5m). Although the level of expenditure was significantly reduced, supported borrowing allocations were fully utilised.

55. The reduced programme meant that £2m of additional prudential borrowing<sup>8</sup> was able to be deferred. There was also a reduction of £10.6m in the amount of project specific prudential borrowing taken out when compared to that originally planned, which was mainly due to re-profiling of expenditure on Homes for Older People/Extra Care Housing programmes.

### Part 3 – Balance Sheet

#### General Balances

56. The provisional outturn position for general balances was £14.059m as at 31 March 2011. In addition £0.968m of Performance Reward Grant was received in March 2011. This will be distributed as agreed by the Public Services Board in 2011/12. The £0.678m revenue element (70% of the total) has been accounted for within balances taking the total to £14.737m. The remaining 30% has been included as capital financing.
57. As part of the 2011/12 Service and Resource Planning Process, balances were forecast to be £13.056m on 31 March 2011, £0.5m above the assessed risk level of £12.6m. Budget proposals agreed by Council on 15 February 2011 included the use of the additional £0.5m. At year end balances were a further £1.0m above the assessed risk level as there were less calls on balances towards the end of the year than anticipated.

#### Earmarked Reserves

58. Reserves totalled £84.739m as at 31 March 2011. Of this £22.183m related to CYP&F and included School Balances of £20.383m and £46.982m related to corporate reserves. Details of the movements on earmarked reserves in 2010/11 are summarised in the table below.

	2010/11			
	Balance 1 April 2010 £m	Forecast Movement		Balance 31 March 2011 £m
		Contributions from reserve £m	Contributions to reserve £m	
CYP&F	14.327	-10.563	18.419	22.183
S&CS	3.049	-1.628	3.140	4.561
E&E	5.616	-4.504	4.436	5.548
OCS	4.221	-4.006	3.931	4.146
CEO	1.586	-910	643	1.319
Corporate	38.875	-18.844	26.951	46.982
<b>Total</b>	<b>67.674</b>	<b>-40.455</b>	<b>57.520</b>	<b>84.739</b>

#### School Balances

59. As at 31 March 2011, the actual number of individual schools with deficits and surpluses and the total value of these was:

<sup>8</sup> Part of the £25m additional prudential borrowing over 10 years agreed by Cabinet in 2008/09.

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	Number of Schools 31 March 2011		Total Balance at 31 March 2010	Movement	Total Balance at 31 March 2011
	Deficit Balance	Surplus Balance	£m	£m	£m
Primary	30	214	-7.369	-2.685	-10.054
Secondary	7	25	-2.219	-1.734	-3.953
Special	5	8	-1.147	0.067	-1.080
<b>Total</b>	<b>42</b>	<b>247</b>	<b>-10.735</b>	<b>-4.352</b>	<b>-15.087</b>

60. In addition to the individual school balances set out above, balances held on behalf of Partnerships of groups of Schools totalled £5.311m at 31 March 2011. This has increased by £2.332m compared to the £2.979m surplus as at 31 March 2010.
61. The following table analyses how the total schools' reserves of £20.383m are built up:

	(Surplus)/ Deficit £m
Delegated Budgets (see paragraph 100)	-15.087
Partnership funds (see paragraph 103)	-5.311
Provision for closure of The Oxford School	-0.200
Schools' contingency	-0.972
<b>Gross Balance</b>	<b>-21.570</b>
Less School Loans Scheme	1.187
<b>Net Schools Balance</b>	<b>-20.383</b>

62. The increase in balances reflects uncertainty over future funding levels during 2010/11 and the reduction in the number and value of deficit balances during the year. 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 further as schools utilise this funding to support their budgets.

Change Fund

63. Thirteen projects were financed by the Change Fund in 2010/11. The £0.869m balance is committed to these projects for 2011/12 onwards.

Corporate Reserves

64. Council agreed the planned use of Local Authority Business Growth Incentive (LABGI) grant funding as part of the 9 February 2010 Service & Resource Planning report. No further grant funding was received in 2010/11 as this was one of the grants removed in-year. The remaining balance as at 31 March 2011 was £0.496m. The revised plan for the use of this funding in 2011/12 and beyond was included in the April Financial Monitoring Report to Cabinet in June 2011.

65. The Efficiency Reserve was created in 2009/10 with the intention of supporting the implementation of the Council's Business Strategy. During 2010/11, £6.546m was added to the reserve and includes a budgeted contribution of £2.929m, a contribution of £1.000m from the Customer Services Project as reported to Cabinet on 19 October 2010 and transfers totalling £1.916m from budget not required for pay awards and Personal Care at Home. £4.307m has been used to fund redundancy costs. The balance as at 31 March 2011 was £3.776m.

## **Conclusion**

66. Sustained action to reduce costs during the year in readiness for implementing the Directorate Business strategies in 2011/12 means that Directorates achieved an underspend of -£3.844m despite reductions of funding of £3.717m announced in year. However, within the overall position there was a significant and continuing pressure on the Pooled budgets in Social & Community Services and this will need to be monitored closely in 2011/12. Also whilst it was possible through to achieve an underspend on placements within CYP&F in 2010/11 there is also a risk of pressure in 2011/12 in this volatile area.
67. When the overall performance of the capital programme is adjusted to take account of the in – year grant reductions, capital moratorium and other technical adjustments the expenditure represents 91% use of resources compared to the original capital programme agreed in February 2010. This is within the tolerances recommended for good practice and reasonable given the level of uncertainty in such a challenging year.
68. Savings of £118.8m by 2014/15 were agreed as part of the Service & Resource Planning Process and include Directorate savings of -£44.3m in 2011/12 (as set out in the Service and Resource Planning – Service Analysis 2011/12 booklet) plus £10.2m cross directorate savings. Updates on the achievement of the 2011/12 savings will be included as part of the Financial Monitoring & Business Strategy Delivery Reports to Cabinet but the 2010/11 position set out above should aid the achievement of the Directorate Business Strategies and the related savings.

Councillor Jim Couchman  
Cabinet Member for Finance

July 2011

ANNEX 1 TO THE PROVISIONAL OUTTURN 2010/11  
CABINET - 21 June 2011

Ref	Directorate	BUDGET 2010/11					Provisional Outturn  Actual per SAP  £000 (8)	Provisional Outturn Variation  underspend - overspend + £000 (9)	Analysis of variation		Analysis of this Directorate Variation		Total proposed Carry Forward  £000 (14)
		Original Budget  £000 (3)	Brought Forward from 2009/10 Surplus + Deficit - £000 (4)	Virements  £000 (5)	Supplem- entary Estimates  £000 (6)	Latest Estimate  £000 (7)			Returned to Council  underspend - overspend + £000 (10)	This Directorate  underspend - overspend + £000 (11)	Grants or or Contributions under IFRS  Surplus - Deficit + £000 (12)	Council Funding  Surplus - Deficit + £000 (13)	
(1)	(2)												
	<b>Children, Young People &amp; Families</b>												
	Gross Expenditure	581,870	0	-17,308	498	565,060	646,747	81,687	0	81,687	0	81,687	
	Gross Income	-482,820	0	15,659	0	-467,161	-551,676	-84,515	0	-84,515	-1,463	-83,052	
	Net Expenditure	99,050	0	-1,649	498	97,899	95,071	-2,828	0	-2,828	-1,463	-1,365	-2,705
	<b>Social &amp; Community Services</b>												
	Gross Expenditure	223,982	-716	18,204	170	241,640	260,131	18,491	-140	18,631	0	18,631	
	Gross Income	-40,325	0	4,731	0	-35,594	-54,578	-18,984	0	-18,984	-1,137	-17,847	
	Net Expenditure	183,657	-716	22,935	170	206,046	205,553	-493	-140	-353	-1,137	784	-418
	<b>Environment &amp; Economy</b>												
	Gross Expenditure	99,339	406	1,715	448	101,908	105,013	3,105	-143	3,248	0	3,248	
	Gross Income	-28,931	0	-3,046	0	-31,977	-39,599	-7,622	0	-7,622	-3,915	-3,707	
	Net Expenditure	70,408	406	-1,331	448	69,931	65,414	-4,517	-143	-4,374	-3,915	-459	-4,374
	<b>Oxfordshire Customer Services</b>												
	Gross Expenditure	52,403	805	-719	20	52,509	57,092	4,583	0	4,583	0	4,583	
	Gross Income	-24,281	0	-26,638	0	-50,919	-56,808	-5,889	0	-5,889	0	-5,889	
	Net Expenditure	28,122	805	-27,357	20	1,590	284	-1,306	0	-1,306	0	-1,306	-1,212
	<b>Chief Executive's Office</b>												
	Gross Expenditure	38,569	571	-22,943	254	16,451	17,701	1,250	-185	1,435	0	1,435	
	Gross Income	-28,991	0	22,819	0	-6,172	-8,637	-2,465	0	-2,465	0	-2,465	
	Net Expenditure	9,578	571	-124	254	10,279	9,064	-1,215	-185	-1,030	0	-1,030	-912
	Less recharges to other Directorates	-88,704	0	0	0	-88,704	-88,704	0		0			
		88,704	0	0	0	88,704	88,704	0		0			
	<b>Directorate Expenditure Total</b>	907,459	1,066	-21,051	1,390	888,864	997,980	109,116	-468	109,584	0	109,584	
	<b>Directorate Income Total</b>	-516,644	0	13,525	0	-503,119	-622,594	-119,475	0	-119,475	-6,515	-112,960	
	<b>Directorate Total Net</b>	390,815	1,066	-7,526	1,390	385,745	375,386	-10,359	-468	-9,891	-6,515	-3,376	-9,621

In-Year Directorate Variation

375,386 -10,359

SYP6

ANNEX 1 TO THE PROVISIONAL OUTTURN 2010/11  
CABINET - 21 June 2011

Ref	Directorate	BUDGET 2010/11					Provisional Outturn  Actual per SAP  £000 (8)	Provisional Outturn Variation  underspend - overspend + £000 (9)	Analysis of variation		Analysis of this Directorate Variation		Total proposed Carry Forward  £000 (14)
		Original Budget  £000 (3)	Brought Forward from 2009/10 Surplus + Deficit - £000 (4)	Virements  £000 (5)	Supplem entary Estimates  £000 (6)	Latest Estimate  £000 (7)			Returned to Council  underspend - overspend + £000 (10)	This Directorate  underspend - overspend + £000 (11)	Grants or or Contributions under IFRS  Surplus - Deficit + £000 (12)	Council Funding  Surplus - Deficit + £000 (13)	
(1)	(2)												
	Contributions to (+)/from (-)reserves	3,405	-1,066	1,916		4,255	13,638	9,383					
	Contribution to (+)/from(-) balances	3,344		-268	-1,390	1,686	237	-1,449					
	Capital Financing	39,303				39,303	38,423	-880					
	Interest on Balances	-1,341				-1,341	834	2,175					
	<b>Strategic Measures Budget</b>	44,711	-1,066	1,648	-1,390	43,903	53,132	9,229					-270
	Area Based Grant (income)	-45,656		5,878		-39,778	-39,778	0					
	<b>Budget Requirement</b>	389,870	0	0	0	389,870	388,740	-1,130					-9,891

**Total External Financing to meet Budget Requirement**

Revenue Support Grant	13,481				13,481	13,481	0
Business rates	92,840				92,840	92,840	0
Council Tax	283,549				283,549	283,549	0
Other grant income (PRG)					0	678	678
<b>External Financing</b>	389,870	0	0	0	389,870	390,548	678

**Consolidated revenue balances position**

Forecast County Fund Balance (Annex 5)	14,737
In-year directorate variation to be met from (-) or transferred to (+) Carry Forward Reserve	9,891
	<b>24,628</b>

## ANNEX 2

Final Approved Budget £m	Projected Outturn Variance as at January 2011 £m		Provisional Outturn Variance £m	Change in Variance since January 2011 £m
		<b>Council Elements</b>		
51.417	+0.123	<b>Older People</b>		
29.293	-0.132	Care Homes	-0.652	-0.775
		Community Support Purchasing Budget	-0.454	-0.322
<b>80.710</b>	<b>-0.009</b>	<b>Total Older People (OP)</b>	<b>-1.106</b>	<b>-1.097</b>
		<b>Physical Disabilities</b>		
2.45	+0.570	Care Homes	+0.602	+0.032
4.616	+0.575	Community Support Purchasing Budget	+0.542	-0.033
<b>7.066</b>	<b>+1.145</b>	<b>Total Physical Disabilities (PD)</b>	<b>+1.144</b>	<b>-0.001</b>
1.169	+0.162	<b>Equipment</b>	+0.167	+0.005
<b>88.945</b>	<b>+1.298</b>	<b>Total Council Elements</b>	<b>+0.205</b>	<b>-1.093</b>
		<b>PCT Elements</b>		
21.910	+2.313	Older People	+0.392	-1.921
4.047	+1.071	Physical Disabilities	+0.234	-0.837
0.312	+0.255	Equipment	+0.270	+0.015
<b>26.269</b>	<b>+3.639</b>	<b>Total PCT Elements</b>	<b>+0.896</b>	<b>-2.743</b>
<b>115.214</b>	<b>+4.937</b>	<b>Total OP, PD &amp; Equipment Pool</b>	<b>+1.101</b>	<b>-3.836</b>
		Winter Pressures Funding	-1.424	-1.424
<b>115.214</b>	<b>+4.937</b>	<b>Total OP, PD &amp; Equipment Pool</b>	<b>-0.323</b>	<b>-5.260</b>

Final Approved Budget £m	Projected Outturn Variance as at January 2011 £m		Provisional Outturn Variance £m	Change in Variance since January 2011 £m
		<b>Council Elements</b>		
9.591	+0.828	Residential Services	+1.619	+0.791
17.28	-0.043	Supported Living	+0.380	+0.423
15.553	+0.148	Community Support	-0.807	-0.955
<b>42.424</b>	<b>+0.933</b>	<b>Total Council Elements</b>	<b>+1.192</b>	<b>+0.259</b>
		<b>PCT Elements</b>		
7.333	+0.620	Residential Services	+0.317	-0.303
13.211	-0.032	Supported Living	+0.074	+0.106
11.891	+0.066	Community Support	-0.158	-0.224
<b>32.435</b>	<b>+0.654</b>	<b>Total PCT Elements</b>	<b>+0.233</b>	<b>-0.421</b>
<b>74.859</b>	<b>+1.587</b>	<b>Total Learning Disabilities Pool</b>	<b>+1.425</b>	<b>-0.162</b>