

## CABINET – 15 NOVEMBER 2011

### 2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

**Report by 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 2011/12 – 2015/16. These form part of the forecast position for each Directorate. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of September 2011. The Capital monitoring is included at Part 3. Fees and Charges are included in Part 4.
2. Around 70% of the 2011/12 savings totalling £54.6m have already been achieved or are forecast to be achieved.

#### Summary Position

3. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of –£1.000m or -0.23% against a budget of £426.347m as shown in the table below.

Original Budget 2011/12  £m		Latest Budget 2011/12  £m	Forecast Outturn 2011/12  £m	Variance Forecast September 2011  £m	Variance Forecast September 2011  %
112.817	Children, Education & Families (CE&F)	113.595	111.764	-1.831	-1.61
219.442	Social & Community Services (S&CS)	220.931	221.415	+0.484	+0.22
75.561	Environment & Economy	82.808	81.517	-1.291	-1.56
7.751	Chief Executive's Office	9.013	9.084	+0.071	+0.79
415.571	In year Directorate total	426.347	423.780	-2.567	-0.60
	Add: Overspend on Council Elements of Pooled Budgets			+1.567	
	<b>Total Variation including Council Elements of Pooled Budgets</b>			<b>-1.000</b>	<b>-0.23</b>
	Plus: Underspend on Dedicated Schools Grant (DSG)			-0.038	
	<b>Total Variation</b>			<b>-1.038</b>	<b>-0.24</b>

## 4. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2011/12
Annex 2	Virements & Supplementary Estimates
Annex 3	Redundancy Costs
Annex 4	Forecast Earmarked Reserves
Annex 5	Forecast General Balances
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	Government Grants 2011/12
Annex 8	Treasury Management Lending List
Annex 9	Capital Programme Monitoring and changes

## Part 1 - Revenue Budget & Business Strategy Savings

5. The forecast revenue outturn by Directorate based on the position to the end of September 2011 is set out below. Carry forwards from 2010/11 dependent on virements larger than £0.5m, and which constituted a policy change, were agreed by Council on 13 September 2011 and are included in this report.

### Children, Education & Families: -£1.831m in year directorate variation

6. Children, Education & Families are forecasting an in-year variation of -£1.831m (-£1.869m total variation including a -£0.038m underspend on services funded from DSG). The Directorate is committed to achieving -£10.2m of savings in 2011/12. These rise to -£19.8m by 2014/15 and the Directorate's Transformation Board is meeting regularly to review progress.

### Admissions & Transport

7. Home to School Transport is forecasting an underspend of -£0.762m, a change of -£0.281m since the last report. The position has been updated to reflect the changes to routes for the new academic year. The variation may change as the routes may need to be altered during the remainder of the year. The underspend reflects the early delivery of savings required in future years as set out in the Medium Term Financial Plan.

### Placements

8. An underspend of -£0.230m is currently forecast for Placements. There continues to be an upward trend in agency residential placements and the position reported allows for £0.584m to be spent on new placements during the remainder of 2011/12 should they be absolutely necessary. The service continues to work toward minimising the use of out of area placements, although some children have significant complex needs that require specialist or secure placements. This service area is subject to significant fluctuations depending on demand.

### Asylum

9. Asylum is forecasting an underspend of -£0.901m an increase of -£0.238m since the last report. Of this -£0.328m relates to additional grant income being received. A virement is requested to increase the income budget from £1.000m to £1.328m. The additional funding of £0.328m is made available to be allocated by Cabinet. Also an additional £0.100m grant has been received

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relating to 2010/11. The remaining variation relates to reduced costs due to a reduction in clients. This area is extremely volatile so the position is likely to change by the end of year as it is difficult to forecast the number of new clients entering the service.

### Quality and Compliance

10. The consultation process for the Joint Commissioning structure with Social and Community Services will begin at the end of October 2011. Due to the delay in implementing the new structure an overspend of +£0.225m is now forecast. The service is expected to achieve savings of £0.400m by 2012/13 and has achieved £0.175m through retirements and services ceasing.

### DSG Funded Services

11. An underspend of -£0.038m is forecast on services funded by DSG. The change relates to Out of County Placements now forecasting an underspend as contributions from the Primary Care Trust have been confirmed along with a change relating to hospital recouPMENT. The directorate has yet to allocate £2.445m of the non-schools contingency. Schools Forum need to be consulted before the allocations can be finalised. Details on how this is planned to be spent will be included in future reports, but is committed to be used fully in 2011/12.

### **Social & Community Services: +£0.484m in year directorate variation**

12. Social & Community Services are forecasting an overspend of +£0.484m. There is also a forecast overspend of +£1.567m on the Council elements of the Pooled Budgets (mainly on adults with physical disabilities). The directorate is aiming to make savings totalling -£19.6m in 2011/12. These rise to -£42.0m by 2014/15 and their delivery is being overseen by the Directorate's Change Management Board.

### Adult Social Care

13. An overspend of £0.431m is forecast on Social Work (Locality Teams), a decrease of -£0.047m since the last report. The change relates to the inclusion of HIV/AIDS funding. As noted in the last report following a restructure of the service the saving relating to the reduction in staff will not be fully achieved. This will be considered as part of the Service and Resource Planning process for 2012/13 and also as part of other reorganisation proposals.
14. Savings of £0.298m will not be achieved by Internal Learning Disabilities in 2011/12. These savings are partly dependent on restructuring Day Services and Supported Living and partly on the implications of the proposed transfer of the services to external providers. It is expected that the full year effect of the savings will be realised within the service and resource planning period.
15. Income relating to Older People and Physical Disabilities is forecast to be overachieved by -£0.068m, an improvement of £0.209m since the last report. Fairer Charging income is forecasting an underachievement of +£0.648m this is due to a lower number of clients being liable for the full cost of their care. This is offset by an overachievement on residential and nursing care of -£0.716m as a result of additional clients. This is a volatile area so the position will continue to change throughout the year.

16. The position includes an overspend of +£0.238m on Acquired Brain Injury which is due to an increase in the number of clients. The position also includes an underspend of -£0.213m on Asylum Seekers against a budget of £0.220m based on current client activity.

Community Safety (including Fire & Rescue)

17. Fire and Rescue are forecasting an underspend of -£0.260m. This mainly relates to an underspend of -£0.200m on wholtime firefighters pay due to part year vacancies and changes to the number of firefighters on development and competent pay rates. There is also an underspend on -£0.100m on the retained duty system (RDS) which includes the current estimated cost of the changes to Grey Book following the implementation of the Part Time Workers (Prevention of less favourable treatment) Regulations 2000. The firefighter ill health retirement budget is also forecasting an overspend of +£0.040m. Any variance on the RDS and Firefighter ill health retirements will be returned to balances.
18. Increased rental income and savings on pay and repair and maintenance mean the Gypsy and Traveller Service is forecasting an underspend of -£0.100m.

Quality & Compliance (Strategy & Transformation)

19. The consultation process for the Joint Commissioning structure with Children, Education and Families will begin at the end of October 2011 and the intention is to implement the new structure later in the year. Due to the delay in starting the consultation process savings of £0.350m are not expected to be achieved this year. The service is however is expected to achieve savings of £0.450m in 2012/13.

**Pooled Budgets**

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

20. As shown in Annex 6 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£2.858m, +£1.490m on the Council's element and +£1.368m on the Primary Care Trust's (PCT).
21. The forecast includes use of the additional 2011/12 funding of £6.196m for Adult Social Care being provided via the NHS of which the majority has been allocated to the Older People's Pooled Budget.

Older People

22. The County Council's element of the pool is forecast to be underspent by -£0.478m. This is due to underspends on the External Home Support budget and due to the closure of the Internal Home Support service generating a larger underspend than expected as clients transition to the external service. The budget for the Internal Day Centre service, which was forecasting an underspend, has been moved to Prevention & Early Support outside of the pool as agreed by Joint Management Group.

Physical Disabilities

23. The County Council's element is projected to be overspent by +£1.733m. This reflects an increase in the number of people needing care over the last two years. Work is underway to understand the causes of this increased demand and the options for reducing the level of spending. This will be considered further as part of the Directorate's service and resource planning work.

Equipment

24. Additional resources amounting to £0.342m have been contributed to this budget from the extra money for adult social care from the NHS. This reflects the fact that the provision of equipment can often be a very effective way of helping ensure that the individual does not require more intensive (and expensive) methods of care (whether health or social care). Despite this there is still a pressure of £0.224m on the budget. Work is underway to understand why these pressures are arising and what should be done in response.

Learning Disabilities Pool

25. As set out in Annex 6 the Learning Disabilities Pooled Budget continues to forecast an overspend of +£0.091m. The Council element is overspending by +£0.077m. The forecast overspend relates to the reduction in funding for Supporting People which was agreed by the Joint Management Group in July 2011. This has not yet been included in the Efficiency Savings Plan so is shown as a potential overspend at this time. It is hoped that alternative savings can be identified to offset this.
26. An Efficiency Savings Plan for 2011/12 is in place and is being monitored closely by the Joint Management Group. It is expected to deliver efficiency savings in excess of £4m during the year. This will cover the overspend brought forward from 2010/11, the savings included in the Directorate's Business Strategy and a number of other pressures. A significant proportion of the savings target has already been achieved as a result of work carried out in 2010/11.

**Environment & Economy: -£1.291m in year directorate variation**

27. Environment & Economy are forecasting an underspend of -£1.291m. The directorate's Business Strategy includes savings of -£13.2m rising to -£31.8m by 2014/15. The delivery of the savings is being monitored by the Directorate's Business Strategy Delivery Board but it is anticipated that the agreed levels of service will be delivered within the budget set.

Highways & Transport

28. The service is forecasting an underspend of -£0.523m an increase of -£0.068m since the last report. This comprises of underspends of -£0.200m on Concessionary Fares and -£0.223m relating to slippage in use of Community Transport Grant along with previously reported underspends on Public Transport and the Integrated Transport Unit.

Growth & Infrastructure

29. The service is forecasting an underspend of -£0.633m, an increase of -£0.461m since the last report. This change relates an underspend of -£0.500m forecast for Waste Management. Current activity levels for recycling/composting are showing 62-64% recycling/composting. This is better position than forecast with less landfill tonnage being the main contributing factor to the increased performance. Work is continuing on the financial position based on the tonnage data and will be included in the next report.

Property and Facilities

30. The service is forecasting a variation of +£0.057m a decrease of +£0.218m since the last report. This relates to an increase in the forecast spend on repairs and maintenance and the additional costs of the contract procurement.
31. Food with Thought are forecasting a trading surplus of £0.400m. This reflects a 5.7% increase in the uptake of meals at the end of June 2011 compared to the same period last year. The intention is that this surplus, plus any remaining School Lunch Grant will be reinvested in the service in agreement with Schools. QCS Cleaning is forecasting a break-even position.

Oxfordshire Customer Services

32. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.267m an increase of -£0.134m since the last report. The change relates to small underspends being reported across the service. Adult Learning are still reporting an underspend of -£0.133m and as part of the agreed four-year recovery plan will be used to pay back part of the £0.181m supplementary estimate with the balance repaid in 2012/13. However written confirmation has been received from the Skills Funding Agency (SFA) that some targets were not achieved during the academic year 2010/11. This may result in a clawback for funding, with a maximum liability of £0.400m.

**Chief Executive's Office: +£0.071m in year directorate variation**

33. The Chief Executive's Office (CEO) is forecasting a variation of +£0.071m. The Business Strategy savings for CEO (£1.3m) are generally low risk and on target to be delivered in 2011/12.
34. An overspend of +£0.270m is forecast for Legal Services an increase of +£0.100m since the last report.
35. Cabinet approved the first wave of bids for the Big Society fund totalling £0.282m on 19 July 2011. The second wave of bids totalling £0.153m were agreed by Cabinet on 18 October 2011. Further bids for the remaining £0.165m of funding will be allocated later in 2011/12.

**Redundancy Costs**

36. As noted in the Annex 3, £6.705m estimated redundancy costs expected in 2011/12 or later years were accounted for in 2010/11. Actual 2011/12 payments made to the end of September 2011 are £2.728m and will continue to be monitored and reported throughout the year.

**Virements and Supplementary Estimates**

37. The virements requested this month are set out in Annex 2a and temporary virements to note in Annex 2d. Previously approved virements in Annex 2b and 2c are available on the Council's website and in the Member's Resource Centre. Virements requested this month include the transfer of Business and Skills from CEF to E&E which does not reflect a change in policy.

**Grants Monitoring**

38. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £429.499m (including £388.925m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month

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include an additional grant of £0.340m for Phonics, Physical Education, Maths and Science Teachers (MAST) and New Opportunities from the Department for Education which will be passported to Schools as set out in the terms and conditions of the grant. The grant that the Council receives from the Home Office for costs relating to Asylum Seekers has also increased by £0.328m to £1.328m as set out in paragraph 9.

### **Bad Debt Write Offs**

39. There were 30 general write offs to the end of September 2011 totalling £14,285. In addition Client Finance has written off 49 debts totalling £32,490.
40. A debt of £12,490 is recommended to be written off and the amount charged against the provision for bad debts. This debt relates to a client assessed under the Charging for Residential Accommodation Guide (CRAG) scheme as contributing towards residential care services from 2008 until the end of their placement in 2010. Income and Care Management have been heavily involved with the client and over the years and have made attempts to try and work with the family to resolve issues. Legal Services have explored all avenues available, however, following the enforcement of a court judgement received in 2010 it was identified that the client had no assets available to settle this debt.
41. The outstanding debt balances are currently being reviewed, further requests for bad debt write offs may be included in future reports.

### **Treasury Management**

#### Lending List Changes

42. The Treasury Management Lending List is included at Annex 8. On 22 September 2011 the Treasury Management strategy team made a decision to increase the lending limit with Svenska Handelsbanken and Rabobank Group from one to six months. This decision was taken due to the high credit quality of both banks, as indicated by their strong credit ratings, stable Credit Default Swap (CDS) rates and minimal exposure to Greek and Italian sovereign debt. On 7 October 2011 Lloyds TSB Bank Plc., Santander UK Plc., Bank of Scotland Plc., and Nationwide Building Society were suspended from the lending list due to the downgrading of the long term ratings of these banks by the ratings agency Moody's. On 13 October 2011 Barclays Bank Plc. was suspended from the lending list due the long term rating being placed on negative watch by Fitch. On the same day the lending limit with Royal Bank of Scotland was reduced to £5m due to the long term rating being downgraded by Fitch.
43. The average cash balance during September was £ 271.948m and the average rate of return was 1.12%. The budgeted return for interest receivable on balances invested internally is £2.234m for 2011/12. It is expected that this will be achieved.

### **Part 2 – Balance Sheet**

#### Reserves

44. Annex 4 sets out earmarked reserves brought forward from 2010/11 and the forecast position as at 31 March 2012. Forecast reserves are £76.254m a decrease of -£6.407 since the last report. The change reflects the carry forward

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requests that were agreed by Council on 13 September 2011 transferring from the Carry Forward Reserve, and being added to revenue budgets on a one-off basis.

### Balances

45. Annex 5 sets out the current position for general balances taking into account known changes. Balances are currently £15.666m.
46. Supplementary estimates were agreed by Cabinet on 20 September 2011 to release the revenue element of PRG from balances for use by the Council or to be passed to partners and are reflected in this report.

## **Part 3 – Capital Monitoring and Programme Update**

### **Capital Monitoring**

47. The capital monitoring position set out in Annex 9a, shows the forecast expenditure for 2011/12 is £67.7m (excluding schools local capital). This is £1.3m lower than the latest capital programme agreed by Cabinet on 18 October 2011.
48. The table below summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	30.7	30.7	0.0
Social & Community Services	9.9	9.9	0.0
Environment & Economy - Transport	23.6	22.9	-0.7
Environment & Economy - Other	4.7	4.1	-0.6
Chief Executive's Office	0.1	0.1	0.0
<b>Total Directorate Programmes</b>	<b>69.0</b>	<b>67.7</b>	<b>-1.3</b>
Schools Local Capital	7.8	7.8	0.0
<b>Total Capital Programme</b>	<b>76.8</b>	<b>75.5</b>	<b>-1.3</b>

\* Approved by Cabinet 18 October 2011

49. The major in-year spend forecast variations to note for each directorate programme are explained in the following paragraphs and other significant variations are listed in Annex 9b.
50. In the Transport programme, the A44 Crossing at Yarnton will not be completed in 2011/12 as originally anticipated as it will conflict with other work being carried out in the area. Therefore, £0.313m has been re-profiled to 2012/13.
51. Further delays in pre-construction work on the Didcot Station Forecourt scheme has led to further slippage of £0.315m into 2012/13.
52. In the Environment & Economy programme, the Kidlington Waste Recycling Centre project has been experiencing some delays since the beginning of the financial year as securing planning permission took longer than originally anticipated. The revised detailed planning application was approved on 12

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September 2011. Although this is a positive outcome in moving the project forward, the latest monitoring results show that project progress is still affected by complex land issues which slows down the leasehold acquisition for the new site. Given this position, the expenditure profile has been further revised to a minimal level of £0.150m in this financial year, a reduction of £0.600m from the latest capital programme. Further revisions will be made as part of the regular monitoring reflecting the progress on the ground.

### Actual & Committed Expenditure

53. As at the end of September actual capital expenditure for the year to date (excluding schools local spend) was £20.8m. This is 31% of the total forecast expenditure of £67.7m, which is around 2% below the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 63% of the forecast.

### Five Year Capital Programme Update

54. The total forecast 5-year capital programme (2011/12 to 2016/17) is now £397.0m, an increase of £6.1m from the latest capital programme. The new schemes and project/programme budget changes requiring Cabinet approval are set out in Annex 9c. The table below summarises the variations by directorate and the main reasons for the increase in the size of the programme are explained in the following paragraphs.

Directorate	Last Approved Total Programme (2011/12 to 2015/16) *	Latest Forecast Total Programme (2011/12 to 2015/16)	Variation
	£m	£m	£m
Children, Education & Families	175.8	175.8	0.0
Social & Community Services	23.7	24.9	+1.2
Environment & Economy - Transport	104.4	104.4	0.0
Environment & Economy - Other	16.3	16.3	0.0
Chief Executive's Office	0.1	0.1	0.0
<b>Total Directorate Programmes</b>	<b>320.3</b>	<b>321.5</b>	<b>+1.2</b>
Schools Local Capital	19.1	19.1	0.0
Earmarked Reserves	57.6	57.6	0.0
<b>Total Capital Programme</b>	<b>397.0</b>	<b>398.2</b>	<b>+1.2</b>

\* Approved by Cabinet 18 October 2011

55. The relocation of Bicester Library has been included within the Social & Community Services programme. This was a scheme on hold that was re-considered by Capital Investment Board in August 2011. It will be a self-financed scheme up to a maximum contribution of £1.200m funded by secured Section 106 contributions and future capital receipt from the sale of the current library should this new scheme be part of the town centre redevelopment.

## **Part 4 – Fees and Charges**

56. Disabled Parking Permits (Blue Badges) entitle the holder to park for free in priority parking spaces and a number of locations on the highway. The permits are key in supporting disabled people to play an active role in community, work, life and leisure. In February 2011 the Government announced wide-ranging reforms to the Blue Badge scheme. From 1 January 2012 Local Authorities will continue to administer the applications and eligibility, but badge production will be fulfilled through a central national contract.
57. As part of the reforms Local Authorities may now increase the maximum charge for issued passes from £2 to £10. This is the first increase for 30 years and has been subject to consultation nationally. The increase, which is being taken up by most other authorities, is required to cover increased expenditure and administration resulting from the changes to the application process.
58. Cabinet are recommended to approve a charge of £10 for the issue of each Disabled Parking Permit administered by the Council to £10 from 1<sup>st</sup> January 2011.

### **RECOMMENDATIONS**

59. **The Cabinet is RECOMMENDED to:**
- a) **note the report and approve the virements as set out in Annex 2a;**
  - b) **Approve the change to the Capital Programme as set out in annex 9c;**
  - c) **Agree the bad debt write off as set out in paragraph 40;**
  - d) **Approve the proposed charge of £10 for the issuing of each Disabled Parking Permit as set out in Part 4 to be effective from 1 January 2012.**

### **SUE SCANE**

**Assistant Chief Executive & Chief Finance Officer**

Background papers: Directorate Financial Monitoring Reports 30 September 2011

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November 2011