

## CABINET – 18 DECEMBER 2012

### 2012/13 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

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

#### **Introduction**

1. This report focuses on the delivery of the Directorate Business Strategies which were agreed as part of the Service and Resource Planning Process for 2012/13 – 2016/17. Parts 1 and 2 include projections for revenue, reserves and balances as at the end of October 2012. Capital monitoring is included at Part 3.

#### Summary Position

2. The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of -£1.262m, or -0.30% against a budget of £417.517m as shown in the table below. This compares to a forecast underspend of -£0.720m or -0.17% reported to Cabinet on 16 October 2012.

Original Budget 2012/13 £m		Latest Budget 2012/13 £m	Forecast Outturn 2012/13 £m	Variance Forecast October 2012 £m	Variance Forecast October 2012 %
105.814	Children, Education & Families (CE&F)	107.248	106.412	-0.836	-0.78
219.635	Social & Community Services (S&CS)	212.157	211.838	-0.319	-0.15
77.658	Environment & Economy	79.711	79.749	+0.038	0.00
8.394	Chief Executive's Office	18.401	18.051	-0.350	-1.90
411.501	In year Directorate total	<b>417.517</b>	<b>416.050</b>	<b>-1.467</b>	<b>-0.35</b>
	Less: Net overspend on Council Elements of Pooled Budgets			+0.205	
	<b>Total Variation including Council Elements of Pooled Budgets</b>			<b>-1.262</b>	<b>-0.30</b>

3. The following annexes are attached:

Annex 1	Original and Latest Estimates for 2012/13
Annex 2	Virements & Supplementary Estimates
Annex 3	Forecast Earmarked Reserves
Annex 4	Forecast General Balances
Annex 5	Ring-fenced Government Grants 2012/13
Annex 6	Older People & Physical Disabilities and Learning Disabilities Pooled Budgets
Annex 7	Treasury Management Lending List
Annex 8	Capital Programme Monitoring

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' Resource Centre.

## **Part 1 - Revenue Budget & Business Strategy Savings**

### **Children, Education & Families (CE&F)**

5. The directorate is forecasting a variation of -£0.836m. In addition there is a forecast underspend of -£2.546m on services funded by the Dedicated Schools Grant (DSG). Any underspend on DSG will be placed in a reserve at the end of 2012/13 for use in 2013/14.

#### CE&F1 Education & Early Intervention

6. Education & Early Intervention are reporting a variation of -£1.146m. This includes an underspend of -£0.419m on school intervention and savings on staffing budgets. Home to School Transport are now forecasting a breakeven position. The underspend of -£0.991m reported previously has been removed to reflect updated routes for the new academic year, and the impact of some transport providers going into administration.
7. A carry forward from 2011/12 of £0.257m was agreed to meet the relocation costs of staff within the Early Intervention Service following the restructuring. All the claims have now been agreed and total £0.203m. The balance of £0.054m will be used to meet other costs associated with the restructure i.e. redundancy and hidden pension costs as reported for CE&F3 in paragraph 12.
8. It is proposed to use £0.100m revenue funding from an underspend on Early Intervention Hubs towards the capital scheme at Littlemore Early Intervention Hub.
9. Changes are proposed to the fees and charges for activities at Hill End Outdoor Education Centre from 1 January 2013, these are included in the Service & Resource Planning 2013/14 to 2016/17 report elsewhere on the agenda.

#### CE&F2 Children's Social Care

10. Children's Social Care is reporting a net variation of -£0.071m. An underspend of -£0.517m on Corporate Parenting which mainly reflects underspends on in - house fostering is offset by overspends on Placements totalling +£0.442m.
11. The position reported includes a -£0.060m underspend on a carry forward from 2011/12 which was agreed to fund a one – year social work post to assist with the implementation of the Framework information system. Most of the expenditure is now expected to be incurred in 2013/14 so the Directorate are requesting to place the funding in an earmarked reserve for use next year. A further underspend of -£0.135m relates to carry forwards agreed for the Corporate Parenting service. This funding is now expected to be spent in 2013/14 so is also requested to be placed in reserves. £0.013m for the literacy and numeracy skills pilot scheme for looked after children is no longer required and will be returned to balances.

CE&F3 Children, Education & Families Central Costs

12. An overspend of +£0.331m includes one –off redundancy costs incurred in 2012/13 and Premature Retirement Compensation that the Schools' Forum Finance & Deprivation Sub Committee agreed should be met centrally rather than from schools' DSG.
13. A carry forward of £0.120m was agreed to fund twelve apprentices for a year from September 2012. The balance remaining as at 31 March 2013 will be placed in the staff training and development reserve to complete the apprenticeships in 2013.

DSG Funded Services

14. A forecast underspend of -£2.546m includes -£1.358m contingency which will be delegated to schools in 2013/14 as part of the new funding formula. There are also underspends on out of county placements for children with special educational needs and Education Effectiveness. A breakeven position is being reported on capitalised Repair & Maintenance but no planned work has taken place since the summer term. It is possible that there will be a significant underspend at year end, although this may be partly offset by increased expenditure on urgent works. More details will be provided in the next report.

**Social & Community Services (S&CS)**

15. Social & Community Services are forecasting a variation of -£0.319m. In addition, there is an overspend of +£2.714m on the Council elements of the Older People, Physical Disabilities and Equipment Pooled Budget and a –£2.509m underspend on the Learning Disabilities Pooled Budget.

S&CS1 Adult Social Care

16. Adult Social Care remains broadly on track to deliver the business strategy and are forecasting an overspend of +£0.087m. Pressures relating to Fairer Charging income and additional staffing resources required by locality teams to manage operational pressures are being managed using carry forwards, underspends elsewhere in the service, and reserves. An overspend on service agreements reflects a realignment required between budgets inside and outside the Older People's Pool. A temporary virement of £0.250m to correct this is requested in Annex 2a. Additional rental income of £0.374m is also requested to be transferred into the Older People's Pool to offset budget pressures.

S&CS3 Joint Commissioning

17. Restructuring of the Joint Commissioning Team is almost complete and the forecast underspend of -£0.366m includes -£0.168m staffing vacancies and slippage in recruitment. A carry forward of £0.150m agreed at the end of 2011/12 is not now required and it is proposed that this is used to reduce on-going pressures in the locality teams in Adult Social Care.

S&CS5 Fire & Rescue and Emergency Planning

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18. There is a forecast overspend of +£0.058m on fire-fighter pay. This is due to the recently agreed national fire-fighters' pay award of 1% back dated to 1 July 2012. The retained duty system (RDS) is currently forecasting an underspend of -£0.170m. However, as a result of the implementation of the Part Time Workers (Prevention of less favourable treatment) Regulations 2000, arrears will need to be paid to RDS staff for sickness and light duties' remuneration, backdated to 2010. If the service cannot manage this pressure, it will need to be met from balances.
19. The budget for fire-fighter ill health retirements is forecasting to overspend by +£0.112m. As this is a budget that the service cannot control, the variance will be met from balances at year end.

### **Pooled Budgets**

#### Older People, Physical Disabilities and Equipment Pooled Budget

20. As shown in Annex 6 the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£6.231m. +£2.714m relates to the Council's element and +£3.517m to the Primary Care Trust (PCT) (which is shadowed by the Oxfordshire Clinical Commissioning Group).
21. As reported previously the forecast overspend on the Council elements of the Older People's Pooled Budget (+£0.355m) comprises additional expenditure on care home placements offset by underspends on Home Support and the Re-ablement Service. The care home placements overspend reflects variations in the forecast number of services users and an increase in the average price of placements.
22. It is expected that the Department of Health will release additional one-off resources towards winter pressures before the end of the financial year. This will be used to reduce waiting lists.
23. The council element of the Physical Disabilities Pool is expected to exceed budget by +£1.842m. In February 2012 Council approved additional funding of £0.800m from 2012/13 to move the base budget to a level to fund current clients and the needs of future clients. Based on more recent information this is insufficient to fund the current year activity and significantly increased demand. Subject to approval by Council on 10 December 2012, a £1.8m virement from the Learning Disabilities Pooled Budget will offset this pressure on a one-off basis. The on-going effect of the additional activity in the Physical Disabilities Pool will be considered as part of the Service & Resource Planning Process.
24. The Council's element of the Equipment Pooled Budget is overspending by +£0.517m. This is mainly due to pressures relating to the cost of keeping people safely at home, reducing delayed transfers of care and avoiding admissions. The total overspend for the equipment pool is +£0.697m after applying £0.750m of additional funding allocated from Health to Social Care.

#### Learning Disabilities Pooled Budget

25. As set out in Annex 6 the Learning Disabilities Pooled Budget is forecast to underspend of -£2.800m. This comprises -£2.509m on the Council's

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element and -£0.291m on the PCT element. This underspend has arisen as the provision for additional client numbers of £1.3m in 2012/13 is not required and the cost of de-registration of the Home Farm Trust is forecast to be £0.5m less than anticipated. Furthermore, efficiency savings have been achieved earlier than expected.

26. Subject to approval by Council on 10 December 2012 £1.8m of this underspend will be used to meet pressures in the Physical Disabilities Pooled Budget on a one-off basis in 2012/13 (see paragraph 23). The critical and substantial needs of all Learning Disability Service Users who have been assessed are being met from the remaining resources within the Learning Disabilities Pool.

### **Environment & Economy (E&E)**

27. The directorate is forecasting a variation of +£0.038m.

#### EE1 Highways & Transport

28. Highways and Transport are forecasting an underspend of -£0.261m. This includes an overspend of +£0.365m in Highways & Transport due to an increase in highway maintenance, vehicle maintenance and rapid incident responses and contract management costs. This overspend is offset by Public Transport contract savings of -£0.516m due to the early realisation of future planned savings. Expenditure on concessionary fares is also expected to be less than budgeted by £0.100m.

#### EE2 Growth & Infrastructure

29. An overspend of +£0.095m is forecast by Growth and Infrastructure. This includes an overspend of +£0.403m for Property and Facilities relating to recent implementation of the new contract and Corporate Landlord costs. These pressures are offset by underspends on non – schools repairs and maintenance and health and safety works identified at the end of the previous property contract. There is also an underspend of -£0.295m in Business & Skills.

30. Waste Management are continuing to forecast a breakeven position. However, tonnages for landfill & recycling remain above the budgeted levels and the proportion of waste going to landfill is also higher than budgeted. The service expects to be able to manage these pressures in 2012/13 but it may be more difficult to make the planned on-going budget reductions in future years.

31. The budget for the Landfill Allowance Trading Scheme (LATS) will not be required this year so it is proposed to transfer £0.794m to the Waste Management Reserve for future contract costs.

#### EE3 Oxfordshire Customer Services

32. An overspend of +£0.204m across Oxfordshire Customer Services includes +£0.321m relating to the partial non – achievement of the planned 2012/13 Customer Service Centre savings. This will be offset against other underspends in 2012/13 managed in year. Alternative savings for future years will be addressed as part of the Service & Resource Planning Process.

**Chief Executive's Office (CEO)**

33. The directorate is forecasting an underspend of -£0.350m. This mainly relates to staffing vacancies in Strategy and Communications.

**Virements and Supplementary Estimates**

34. Virements larger than £0.250m requiring Cabinet approval are included in Annex 2a. Virements requested this month relate to telephony budgets which are transferring from directorates to ICT as part of the Council's Telephony Strategy and the transfer of cleaning budgets from directorates to Property & Facilities under the new property contract. A further temporary virement request is required to update Property & Facilities budgets for the new contract and does not represent a change in policy.
35. DSG budgets within CE&F need to be adjusted to bring them in line with the latest grant notification as set out in paragraph 37 and new income and expenditure budgets are requested to be created for social work training and development funding.
36. Virements within S&CS include proposed adjustments to budgets for service agreements as noted in paragraph 16, and the temporary use of one – off underspends and £0.374m additional rental income in 2012/13 to cover pressures in the Locality Teams.

**Grants Monitoring**

37. As set out in Annex 5, ring-fenced grants totalling £372.550m are included in Directorate budgets and will be used for the specified purpose. The Department for Education continue to make a series of adjustments to local authority DSG following each school's conversion to academy status. The latest DSG total for the authority is £328.421m. Additional grants notified to CE&F since the last report are for Adoption Improvement (£0.059m), Mathematics Specialist Teacher (£0.027m) and £0.175m additional grant for specific schools to support specified initiatives.

**Bad Debt Write Offs**

38. There have been 212 general write offs to the end of October 2012 and these totalled £41,715. In addition Client Finance has written off 48 debts totalling £40,388.

**Treasury Management**

39. The latest treasury management approved lending list (as at 30 November 2012) is shown in Annex 7. There have been no changes to the lending list since the last report to Cabinet.
40. The average cash balance during September 2012 was £321.6m and the average rate of return for the month was 0.98%. The average cash

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balance during October 2012 was £320.4m and the average rate of return was 1.03%.

41. The budgeted return for interest receivable on balances invested internally is £2.50m for 2012/13. It is expected that this budget will be achieved.

### **Part 2 – Balance Sheet**

#### Reserves

42. Annex 3 sets out earmarked reserves brought forward from 2011/12 and the forecast position as at 31 March 2013. These are held for specified one – off projects, contractual commitments and to support the Medium Term Financial Plan. Forecast reserves are £95.853m and include £11.881m school balances. These are expected to continue to reduce as schools convert to academy status.
43. Within CE&F a new reserve is requested for the primary traded service within School Improvement. This service operates as a self-financing function in a similar way to Governor Services. Any surplus at year end will be placed in the reserve for use in future years. A new reserve is also requested for Children's Social Care. This will be used to hold the balance of the unspent carry forwards from 2011/12 as explained in paragraph 11.
44. As agreed by Cabinet on 18 September 2012 the Learning Disabilities Pool Reserve balance of £0.804m has been used to provide one - off funding for pressures relating to the Locality Teams and Fairer Charging income in Adult Social Care.
45. The Trading Standards Trainee Reserve is no longer required and is proposed to be closed and the balance moved to the Trading Standards General reserve for future vehicle purchases.
46. The New Dimensions Vehicles reserve was set up to provide initial funding for the insurance and other unbudgeted running costs of specialist vehicles for major emergencies. There is sufficient budget for the running costs of these vehicles so the reserve will be closed and it is proposed that the £0.050m balance should be moved to the Rescue Equipment reserve.
47. It is proposed that a new earmarked reserve is set up to support the implementation of the Asset Rationalisation Strategy in E&E. It is currently estimated that £0.728m will be unspent at year end.

#### Balances

48. There have been no calls on balances to date in 2012/13. As set out in Annex 4 current balances are £16.693m.

### **Part 3 – Capital Programme**

49. The capital monitoring position shows the forecast expenditure for 2012/13 is £49.8m (excluding schools local capital). This is a decrease of

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£0.2m compared to the latest approved capital programme. The table on the next page summarises the variations by directorate.

Directorate	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children, Education & Families	21.2	21.2	0.0
Social & Community Services	3.6	3.6	0.0
Environment & Economy - Transport	22.5	22.3	-0.2
Environment & Economy - Other	1.7	1.7	0.0
Chief Executive's Office	1.0	1.0	0.0
<b>Total Directorate Programmes</b>	<b>50.0</b>	<b>49.8</b>	<b>-0.2</b>
Schools Local Capital	5.1	5.1	0.0
<b>Total Capital Programme</b>	<b>55.1</b>	<b>54.9</b>	<b>-0.2</b>

\* Approved by Cabinet 16 October 2012

50. In the Transport capital programme, £0.129m has been re-profiled from 2012/13 to 2013/14 on the Kennington and Hinksey Hill Roundabouts scheme along with £0.157m on the Thames Towpath Reconstruction scheme.

### Actual & Committed Expenditure

51. Actual capital expenditure for the year to date (excluding schools' local spend) was £14.1m at the end of October. This is 28% of the total forecast expenditure of £49.8m. Actual and committed spend is 55% of the forecast and planned work is greater in the second half of the year due to the transition period to the new property contract with Carillion Capita Symonds earlier in the year. There is a risk that the capital programme will not be delivered if there are adverse weather conditions in the final quarter.

### Five Year Capital Programme Update

52. The total forecast 5-year capital programme (2012/13 to 2016/17) is £365.7m. There is no change from the position reported to Cabinet in October 2012.

### RECOMMENDATIONS

53. **The Cabinet is RECOMMENDED to:**
- (a) note the report;
  - (b) approve the use of £0.100m revenue funding towards the capital project at the Littlemore Early Intervention Hub as set out in paragraph 8;
  - (c) approve the virement requests over £0.250m set out in Annex 2a;
  - (d) agree the creation of new reserves as set out in paragraph 43 and 47 and the proposed changes to reserves set out in paragraph 45 and 46;



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(e) note the Treasury Management lending list at Annex 7.

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**Assistant Chief Executive & Chief Finance Officer**

Background papers: Directorate Financial Monitoring Reports 31 October 2012.

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