

CABINET – 22 JUNE 2010

FINANCIAL MONITORING REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This is the first financial monitoring report for the 2010/11 financial year and covers the period up to the end of April 2010 for both revenue and capital budgets. Since it is difficult to forecast the year-end outturn based on a single month of expenditure and income the report focuses on key risk areas and areas of emerging pressures identified by Directorates, along with plans to manage these.
2. The 2010/11 revenue budget was approved by Council on 9 February 2010. Subsequent budget reallocations to reflect changes to inflation in 2010 were approved as part of the Financial Monitoring Report to Cabinet on 20 April 2010 (see paragraphs 97 – 101). A further change has been made to the published Service and Resource Planning – Service Analysis 2010/11 to reflect the most up-to-date information about Dedicated Schools Grant income.
3. Requests for carry forwards of under and overspends from 2009/10 to 2010/11 are included in the Provisional Outturn Report which is a separate item on the agenda. Virements within Children, Young People & Families and Social & Community Services that are over £0.5m, upon which the carry forwards are dependent, will subject to approval by Council on 14 September 2010.
4. If approved the carry forwards will be reflected in the monitoring to the end of June, with the exception of those which require Council approval. These will be reflected in the monitoring report to the end of September.
5. Following the coalition Government's announcement that savings of £6.5bn will need to be made in 2010/11, £1.165bn has been allocated to Local Government. The detail available so far is set out in Part 3 of this report. Although there will be no change in the budget requirement the grant reductions will be reflected as virements changing both income and expenditure. Since these are likely to require, or include, changes in policy they will need to be agreed by Cabinet in July and subsequently by Council.
6. The following annexes are attached:

Annex 1 (a-d): Virements and Supplementary Estimates
Annex 2 (a-c): Specific and Area Based Grants Monitoring
Annex 3: Treasury Management Lending List

Part 1: Revenue Budget

7. The table below summarises the budget for 2010/11 for each Directorate as agreed by Council and shown in the Council's Service and Resource Planning publications for 2010/11 – 2014/15.

	Original Budget 2010/11		
	Gross Expenditure £m	Income £m	Net Expenditure £m
Children, Young People and Families	581.9	-482.8	99.1
Social & Community Services	237.8	-54.1	183.7
Environment & Economy	99.3	-28.9	70.4
Community Safety & Shared Services	52.4	-24.3	28.1
Corporate Core	38.6	-29.0	9.6
Directorate Budgets	1010.0	-619.1	390.9
Area Based Grant (ABG)			-45.6
Strategic Measures			37.9
Contributions to/from reserves			6.7
Total Budget Requirement			389.9

Children, Young People & Families

8. The Directorate is not currently forecasting an in-year variation on its budget. The City Schools Reorganisation overspend will be carried forward from 2009/10. The balance remaining in 2010/11 is £0.178m and will be full repaid in 2011/12.
9. The financial restructuring project is due to be completed in June 2010. This project has aligned the budget with the Directorate's management structure. This will enable improved accountability and robust monitoring to take place. For financial monitoring and reporting purposes the Directorate will continue to report variations on a functional basis, in line with the published budget figures, although reference will be made to significant variances within localities. In addition it is intended that future reports will contain a clearer division between services funded by Dedicated Schools Grant (DSG) and those funded by the local authority.
10. A comprehensive review of the Children's Social Care budgets is currently being undertaken. This includes children looked after, family support and assessment, and safeguarding. As part of the Service & Resource Planning process for 2010/11 the service as a whole was allocated additional funding of £4.1m in respect of the level of pressures being incurred.
11. In previous years the Home to School Transport budget has realised significant year-end variances. This was repeated in 2009/10 with the service underspending by -£1.491m, including -£0.371m on services funded by area based grant (ABG). In future years of the medium term financial plan the

service is committed to making £2m of savings. Since there has only been a slight change in the service's budget in 2010/11 it is likely that a significant underspend will be achieved again.

Social & Community Services

COMMUNITY SERVICES

12. Adult Learning overspent by +£0.233m in 2009/10. The overspend will be brought forward to 2010/11 and a recovery plan is in place to bring the budget into balance and repay the remaining £0.101m balance of the supplementary estimate originally agreed in July 2006, along with a further £0.080m agreed in April 2009, by March 2013. This plan will be kept under review throughout the year.
13. The overspend of +£0.122m on the Music Service budget in 2009/10 will be carried forward to 2010/11. A four year Music Service Change Programme was drawn up in 2009/10 with the aim of bringing the service to a break-even position over this period so, as with Adult Learning, the overspend will be recovered by March 2013.

ADULT SOCIAL CARE

14. The 2010/11 budget agreed by Council on 9 February 2010 includes £1.4m in relation to the estimated costs of implementing the Personal Care Bill in 2010/11. In March 2010, the Department of Health issued provisional allocations for the Personal Care at Home Grant for 2010/11 to be paid as Area Based Grant. The allocation for Oxfordshire was £2.481m. This was in addition to the £1.4m Council funding.
15. The Bill was approved by Parliament on 8 April 2010 but implementation of the provisions of the Act is subject to approval by both Houses of Parliament. The new Government has announced that it will not be commencing the provisions of the act. However, it will consider what more can be done on reablement and carers' breaks in the light of available resources. The grant funding has been removed from Annex 2a and the £1.4m Council budget allocation which will not be required in 2010/11 is recommended to be transferred into the Efficiencies Reserve.
16. Self Directed Support - All local authorities are required to be able to offer personal budgets to new service users from October 2010 and existing service users are required to have been offered a personal budget by April 2011. Work is underway to develop a Resource Allocation System (RAS) which will be used to allocate individual personalised budgets. This includes decisions on the services and budgets to be included in the RAS. There are risks to service providers (both internal and external) if individual service users choose to spend their personal budgets other than on conventional services. In order to fully implement Self Directed Support budgets for Adult Social Care will be restructured during the year to reflect the roll out of

personal budgets and changes to staff structures required to implement this fully.

STRATEGY & TRANSFORMATION

17. The Strategy & Transformation budget is being revised during the year to reflect the transfer to Environment & Economy of the Facilities Management Service and the transfer of the Access team to the new Corporate Customer Services Centre.

POOLED BUDGETS

18. The following table sets out the pooled budgets for 2010/11.

	OCC Contribution £m	PCT Contribution £m	Total Pooled Budget £m
Older People	81.870	17.917	99.787
Physical Disabilities	7.102	4.047	11.149
Equipment	1.169	0.312	1.481
Total Older People's, Physical Disabilities and Equipment Pool	90.141	22.276	112.417
Learning Disabilities	42.416	31.678	74.094

19. The Primary Care Trust (PCT) contribution to the Older People's, Physical Disabilities and Equipment Pooled Budget is £22.276m. This is £2m lower than the original contribution for 2009/10. During 2009/10 additional contributions of £6.487m were made. Expenditure was £32.079m resulting in an overspend of £1.316m to be carried forward to 2010/11.
20. The additional costs in 2009/10 related mainly to Continuing Health Care. Although the number of new clients being awarded Continuing Health Care has reduced over that period and reviews of existing clients are being undertaken the financial impact is not yet reflected in the monthly spend. Very significant reductions in spending will have to be made to bring the PCT expenditure into line with the budget provision for 2010/11.
21. The Council's share of the budget will also be under considerable pressure in 2010/11. The 2009/10 budget was overspent by £0.790m despite additional contributions of £1.220m¹ being made during the year. The 2010/11 contribution to the pool is similar to the total contribution for 2009/10.

¹ As set out in paragraph 33 & 34 of the Financial Monitoring Report to Cabinet on 16 February 2010

22. The pressures on the Council share of the pool in 2010/11 include:
- The impact of the withdrawal of Continuing Health Care funding from clients who may then qualify for social care funding. This could be in excess of £1m.
 - The cost of Section 117 clients transferring from the PCT. This has not yet been calculated.
 - Additional demands on both Internal and External Home Support due to increasing client numbers and the pressure to minimise delayed transfers of care
 - Increased client numbers and higher cost packages for clients with Physical Disabilities
 - Increasing demands for equipment
23. The PCT contribution to the Learning Disabilities Pooled Budget has increased by £0.573m on the original contribution for 2009/10 and by £0.081m compared to the final contribution. The Learning Disabilities Pooled Budget is under severe pressure to achieve savings to meet pressures in 2010/11 and future years. An Efficiency Savings plan is in place and is being monitored by the Joint Management Group on a monthly basis.

Environment & Economy

TRANSPORT

24. The new transport contract, which started at the beginning of the financial year, should be fully implemented by the end of August 2010. It is anticipated that any financial benefit will be re-invested into the service to support the potential for reducing the future year operating costs of the contract.
25. It is anticipated that the cost of implementing the transfer of responsibility for the administration of concessionary fares will be funded through a carry forward request. However, there may be additional pressure, which it is anticipated would be funded within Transport.

SUSTAINABLE DEVELOPMENT

26. Within Sustainable Development it is anticipated that the overall level of waste disposed of will be in line with 2009/10. Any increase to the level of waste disposed of however, will put an immediate pressure on the waste budget.
27. The Waste Treatment project costs should be funded within the current budget however there is a risk that the cost of this project may exceed that budget allocation. It is anticipated that any cost pressure will be absorbed within the waste budget assuming waste tonnages are lower than anticipated.
28. Carbon Reduction management pressures have been identified and funded within the annual budget. There is a risk that the cost of developing this will be in excess of the budget agreed. The team will work to consider further potential funding options if this is realised.

PROPERTY SERVICES

29. Within Property Services any unfunded pressures of the Better Offices Programme and Facilities Management will need to be reviewed and alternative funding options considered.

Community Safety & Shared ServicesFIRE & RESCUE SERVICE

30. The Fire & Rescue Service is forecasting a nil variance at this stage of the year. It has a challenging list of efficiency savings this year but action plans are in place for their delivery. The service will need to manage the following significant known or potential pressures.
31. Delivery of the action plan drawn up in response to the recommendations of the Health & Safety Executive (HSE) following its inspection of the service. A carry forward request of £0.117m has been made to provide funding for delivery of the action plan. Failure to deliver in full could result in a formal Improvement Notice being served on the Fire Authority. The identified funding will be used to design and implement a Training Competency Framework which will ensure that personnel are able to become competent against specific safety critical competencies in and around the equipment used. It will also be used to increase the level of Breathing Apparatus training required by Retained Duty System fire-fighters to align with wholetime fire-fighters and ensure competence in this most safety critical of areas. However, the action plan has not yet been formally agreed with the HSE and as a result it is not yet known if the carry forward will meet all the actions necessary. It should also be noted that there is an ongoing cost relating to annual refresher training which will have to be met from existing training budget.
32. Changes to the national pay and conditions of retained firefighters together with their pension entitlement following the decision of an employment tribunal. A provision of £0.225m has been included in the 2009/10 accounts to cover the estimated cost of compensation payments which are backdated to July 2000. Any costs in excess of this provision will be a pressure on the service this year together with the ongoing cost of the changes in pay and conditions. These are difficult to estimate accurately until the changes are implemented.
33. An overspend of +£0.122m on the Retained Duty System (RDS) was reported last year. Management action in the latter part of the year reduced the overspend from the earlier forecast but there are continuing pressures on this budget, in particular the cost of addressing training needs. A significant proportion of the expenditure is difficult to control as it is linked directly to the number of emergency call outs. A new RDS pay system is being trialled in eight stations and will be reviewed towards the end of the financial year before a decision is made on extending it to the other retained stations.

SHARED SERVICES

34. Shared Services has an efficiency target of £0.5m in 2010/11. Some of the savings are dependent on achieving income targets and the development and implementation of new systems. Action plans are in place for all savings and progress is being tracked throughout the year.
35. The original business case savings target has now been achieved in full. If the new efficiency savings target is added (£0.686m per annum by 2012/13), the business case target of delivering a total of £27m gross savings (2005/06 prices) by March 2014 will be exceeded.

Corporate Core

36. At this stage of the year, all services in Corporate Core are forecasting nil variance against budget. However, there are risks as follows:

ICT

37. ICT is implementing an action plan to keep within budget this year. This includes a reduction in establishment and changes to directorate service level agreements to ensure that all projects are fully funded before they commence. A number of pressures will require careful management to ensure that the service remains close to target:
- The establishment target of 132 full time equivalents (FTEs) will be met by mid-summer but it will be difficult to reduce any further without a serious effect on service delivery.
 - There are likely be some redundancy costs arising from the continuing restructure of the ICT establishment but it is too early to quantify them.
 - Oxfordshire Community Network (OCN) – this should come close to budget this year but savings of over £0.3m need to be found for 2011/12.
 - Maintenance costs – some small savings have been made by ceasing contracts and this should enable spend to be kept within budget. Proposed changes to Microsoft licensing could be a very significant pressure for 2011/12.
 - An overspend against the SAP budget is expected due to pressures on staffing, licensing and the completion of the Organisational Management project
38. ICT is currently exceeding its income target although there is evidence that workload is dropping in some areas as directorates are becoming less active. At this stage of the year, ICT expects to be able to manage the pressures identified above and is forecasting nil variance against budget.

LEGAL & DEMOCRATIC SERVICES

39. There will be continuing pressures on the legal services budget in particular in the safeguarding children and planning areas. Two cases, one relating to a village green and the other a child protection case, have already been identified in these areas which are likely to cost over £0.025m. It is likely that supplementary estimates will be requested for both cases when the full costs are known.

Virements and Supplementary Estimates

40. Requests for virements are included at Annex 1a. As mentioned in paragraph 9, a review of Children's Social Care budgets is being undertaken by Children, Young People & Families. Requests include a number of changes identified already and mainly relate to the allocation of the funding agreed as part of the Service & Resource Planning process. Further virements in this service area will be requested in future reports once the review has been completed.
41. A number of virements in Children, Young People and Families are larger than £0.5m. The virement relating to Children's Centres is temporary and intended to allocate recharged grant income to individual Centres. As noted above further £0.982m is requested to be moved from Children Looked After (CYPF2-24) to Agency Residential Placements (CYPF2-25). Again, this does not change the service activity so does not constitute a policy change.
42. Virement requests for Social & Community Services include adjustments relating to the implementation of the new Alert Service. The new service brings together the council's current Telecare arrangements and the related Area Based Grant funding for the Supporting People Programme services in order to make the best use of the resources that are available. This does not constitute a change in policy, so does not need Council approval.
43. There are requests for virements relating to Facilities Management following the establishment of the corporate function within Environment & Economy Directorate. There is also a virement request relating to the transfer of the highways team from Environment & Economy to the Customer Services Centre from 1 July 2010. Again, both of these move, rather than change, the service activity.
44. There is a request to move £2.0m from the ICT Strategy Investment Fund to Human Resources for the Employee Self Service / Manager Self Service and Customer Services Centre projects. This virement does not represent a change of policy as the purpose of the budget remains the same. The budget has been moved to the service area of the Head of Human Resources who is the project sponsor.
45. Virements reducing Green Book pay inflation which were noted by Cabinet on 20 April 2010 are included for information at Annex 1c.

Grants Monitoring

46. Annex 2 details the movement on grants compared to the published Service & Resource Planning – Directorate Budgets publication. This reflects the position before any changes referred to in paragraph 5. Further changes to Grants will be reported as soon as they become available.
47. Details of specific government grants receivable in 2010/11 and the associated expenditure are included at Annex 2a. Changes to specific grants and associated expenditure are shown in Annex 2b. Annex 2c shows grants that are included in Area Based Grant.
48. Grant income carried forward from 2009/10 to be used in 2010/11 is reported to Cabinet in the Provisional Outturn Report. The carried forward amounts will be included in the grant totals in the next monitoring report.

Specific Grants

49. As per the Service & Resource Planning – Financial Plan 2010/11 – 2014/15, specific grants receivable in 2010/11 total £480.2m and include £333.4m Dedicated Schools Grant. New grants or changes to existing grants noted in this report total £1.531m.
50. £1.477m one - off grant funding relating to damage to the highway surface as a result of the cold weather was notified to us by the Department for Transport at the end of March 2010 and is required to be spent in 2010/11. The Department for Transport require a public statement by 31 October 2010 setting out how the money has been spent.

Area Based Grant

51. As shown in the Service & Resource Planning – Financial Plan 2010/11 – 2014/15 the Area Based Grant allocation for 2010/11 is £45.7m. This report notes an additional allocation of £0.064m within Children, Young People and Families. The provisional allocation of £2.481m relating to Personal Care at Home has been removed (see paragraph 14 and 15).

Strategic Measures

52. The average cash balance during April 2010 was £190.5m and the average rate of return was 0.84%.
53. The Treasury Management lending list is included at Annex 3 along with changes since the report to Cabinet on 20 April 2010.

Balances and Reserves

54. As reported in the Provisional Outturn Report, general balances were £11.145m at 31 March 2010. As part of the 2010/11 budget £1.975m has been added to balances in 2010/11 with the intention of bringing the total back to the risk assessed level of £12.5m. Balances are currently £13.120m.

Debt Write Offs

55. The Cabinet resolved at its meeting on 18 May 2010 to write off a planning obligation (Section 106 agreement) debt of £74,667.09 as the Council has been unable to secure payment of the outstanding monies.
56. There were 16 general write offs to the end of April 2010 totalling £4,883. Of these the largest was £1739. In addition Client Finance wrote off 12 debts totalling £10,444.85.

Carry Forwards from 2007/08

57. As noted in the Provisional Outturn Report, which is a separate item on the agenda, £0.087m of the total held in the Carry Forward Reserve relates to amounts held from 2007/08. Since these are not required, it is proposed that this amount should be transferred to the Efficiency Savings Reserve.
58. £0.020m remains in the reserve and was originally intended to fund the Creative Learning Conference in Social & Community Services. The Directorate is now requesting that this amount is released from reserves and added to their budget to fund dedicated staff capacity to coordinate the county's response to the opportunities created by the London Olympics and Paralympics.

Part 2: Capital Programme

59. The table below sets out the 2010/11 capital programme agreed by Council on 9 February 2010.

Directorate	Original 2010/11 Budget (Feb 2010)
	£m
Children Young People & Families	66.4
Social & Community Services	14.0
Environment & Economy: Transport	25.9
Environment & Economy: Other	8.8
Community Safety	1.3
Corporate Core	1.0
Subtotal Directorate Programmes	117.4
Devolved Formula Capital	9.5
Grant Funded Schemes devolved to schools	2.5
Earmarked Reserve Allocations	0.8
Total Capital Programme	130.2

60. The next formal programme update will be considered by Cabinet on 20 July 2010 and will include an update on the latest expenditure and funding profiles taking account of the 2009/10 year end position and other changes in April and May 2010. At this stage there are no changes to the programme agreed by Council on 9 February 2010.

Part 3: Impact of £6.2Bn National Savings Target

61. On 24 May 2010, the Government announced details of their plans to save £6.2Bn in 2010/11. Of this figure, £1.165Bn is to be found by Local Government. Key elements are that:
- There will be no reduction in Revenue Support Grant for 2010/11 so the budget requirement will not change;
 - Funding for Schools, 16-19 participation and Sure Start funding will be protected;
 - Ring fencing will be removed from £1.7Bn of other grant increasing flexibility locally; and
 - The savings of £1.165Bn will be found from reductions in individual grants to Local Authorities.
62. Notification has not yet been received on which specific grants are to be removed or reduced in 2010/11. However, the total is spread across four government departments as follows:
- £537m Department for Communities & Local Government (CLG)
 - £311m Department for Education
 - £309m Department for Transport
 - £8m Department of Environment, Food and Rural Affairs (DEFRA)
63. The effects of the reductions will vary, depending on whether the grants are for capital or revenue; whether work has been contractually committed and whether they support core activities. When details of which grants are affected are known, consideration will need to be given to whether the services they fund should be reduced, or whether other areas can offer any reductions.
64. Changes resulting from reductions in revenue grants will be reflected as virements which will change both income and expenditure. Since these are likely to require changes in policy they will need to be agreed by Cabinet and subsequently by Council. In addition the council will be reviewing and prioritising building and maintenance schemes in the coming months.
65. Further information had been received at the time of submitting this report, and an addenda will be issued prior to the meeting.

RECOMMENDATIONS

66. **The Cabinet is RECOMMENDED to:**
- (a) **note the report;**
 - (b) **approve the virement requests as set out in Annex 1a;**

- (c) **approve the transfer of £0.087m from the Carry Forward Reserve to the Efficiency Savings Reserve and the release of £0.020m to Social & Community Services as set out in paragraphs 57 and 58;**
- (d) **approve the transfer of £1.4m Council funding not required for Personal Care at Home to the Efficiencies Reserve as set out in paragraph 15.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate reports

Contact Officer: Kathy Wilcox, Principal Financial Manager,
Tel: 01865 323981

June 2010