

CABINET – 18 OCTOBER 2011

2011/12 FINANCIAL MONITORING & BUSINESS STRATEGY DELIVERY REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

- This report focuses on significant issues around 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 August 2011. The Capital monitoring and programme update is included at Part 3. Fees and Charges are included in Part 4.

Summary Position

- The current in – year Directorate forecast including the Council elements of the Pooled Budgets is a variation of +£0.711m or +0.17% against a budget of £416.788m as shown in the table below. This forecast excludes an overspend of +£0.317m on services funded from Dedicated Schools Grant (DSG).

Original Budget 2011/12 £m		Latest Budget 2011/12 £m	Forecast Outturn 2011/12 £m	Variance Forecast August 2011 £m	Variance Forecast August 2011 %
112.817	Children, Education & Families (CE&F)	110.627	109.423	-1.204	-1.09
219.442	Social & Community Services (S&CS)	219.200	219.711	+0.511	+0.23
75.561	Environment & Economy	78.418	77.526	-0.892	-1.14
7.751	Chief Executive's Office	8.543	8.490	-0.053	-0.62
415.571	In year Directorate total	416.788	415.150	-1.638	-0.39
	Add: Overspend on Council Elements of Pooled Budgets			+2.349	
	Total Variation including Council Elements of Pooled Budgets			+0.711	+0.17
	Plus: Overspend on DSG			+0.317	
	Total Variation			+1.028	+0.25

3. 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 (including appendices A-E)
Annex 10	Capital Programme Update
Annex 11	Fees and Charges

Part 1 - Revenue Budget & Business Strategy Savings

4. The forecast revenue outturn by Directorate based on the position to the end of August 2011 is set out below. Carry forwards from 2010/11 were considered by Cabinet on 21 June 2011 and those agreed so far are included in this report. Carry forwards in CEF, S&CS and Environment & Economy dependent on virements larger than £0.5m, and which constituted a policy change, were agreed by Council on 13 September 2011 and will be included in the report to Cabinet on 15 November 2011 which will set out the position to the end of September.

Children, Education & Families: -£1.204m in year directorate variation

5. Children, Education & Families are forecasting an in-year variation of -£1.204m (-£0.887m total variation including a +£0.317m overspend 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.
6. As previously reported services are being redesigned as part of the Business Strategy and, subject to the wider restructure of the Directorate, implementation is underway as detailed in the Service Redesign Report agreed by Cabinet on 19 April 2011. Due to the timing of the implementation there is a risk that some of the savings dependent on service redesign will not be achieved in full in 2011/12.

Admissions & Transport

7. Home to School Transport continues to forecast a variation of -£0.481m. There may be further savings depending on the outcome of route reviews put in place for the new academic year.

Placements

8. A breakeven position is forecast for Placements. There continues to be an upward trend in agency residential placements and the position reported allows for £0.900m to be spent on new placements during 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

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complex needs that require specialist or secure placements. This service area is subject to significant fluctuations depending on demand.

Asylum

9. As noted in the last report due to additional income an underspend of -£0.663m is forecast on Asylum. 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 Quality and Compliance structure with Social and Community Services has begun. Savings will be made as the restructure of the Quality and Compliance service is implemented. As part of the Business Strategy the service is expected to achieve savings of £0.400m by 2012/13. £0.145m has already been achieved through retirements and services ceasing and it is anticipated that the remaining savings will be achieved.

DSG Funded Services

11. An overspend of +£0.317m is forecast on services funded by DSG. This relates to overspends of +£0.113m on Statementing and +£0.194m due to a shortfall in autism recoupment income. The overspend will be met from DSG balances brought forward from 2010/11.

Social & Community Services: +£0.511m in year directorate variation

12. Social & Community Services are forecasting an overspend of +£0.551m. There is also a forecast overspend of +£2.349m 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 £0.478m is forecast on Social Work (Locality Teams), a decrease of £0.109m since the last report. The change relates to the inclusion of an underspend on the Electronic Time Management System in the forecast. 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 forecasting to be underachieved by +£0.141m, an improvement of £0.139m since the last report. The change relates to a small increase in the number of clients being liable to partially fund the cost of care. This is a volatile area so the position will continue to change throughout the year.

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16. This includes an overspend of +£0.255m 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 -£0.270m. This mainly relates to an underspend of -£0.200m on wholetime 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 of -£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. Any variance on the RDS 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 Quality and Compliance structure with Children, Education and Families has begun and the intention is to implement the new structure later in the year. As part of the Business Strategy the service is expected to achieve savings of £0.450m by 2012/13.

Pooled Budgets

Older People, Physical Disabilities and Equipment Pool

20. As shown in Annex 1 the Older People's and Physical Disabilities Pooled Budget is forecast to overspend by +£3.818m, +£2.272m on the Council's element and +£1.546m 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 Council's Element of the Older People's Pooled Budget is forecasting an overspend of +£0.472m an increase of +£0.399m since the last report. The change relates to a lower than expected death rate and an increased use of nursing beds under the contract with the Oxfordshire Care Partnership. The PCT's element is overspending by +£1.245m.

Physical Disabilities

23. An overspend of +£1.576m is forecasted on the Council's Element of the Physical Disabilities Pooled Budget. The overspend remains a cause for concern given the relatively small size of the budget. It reflects an increase in the number of people needing care over the last two years. Work is underway to understand the causes of the increased demand and the options for reducing the level of spending. This will be considered as part of the Service and Resource Planning process.

Equipment

24. Significant extra resources amounting to £0.584m have been contributed to the Equipment budget from the extra money for adult social care from the NHS.

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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 £0.361m. 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 1 the Learning Disabilities Pooled Budget is forecasting an overspend of +£0.091m. This is unchanged from the last report. 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: -£0.892m in year directorate variation

27. Environment & Economy are forecasting an underspend of -£0.892m. 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 -£0.455m compared to a break-even position in the last report. This comprises of underspends of -£0.200m on Concessionary Fares and -£0.223m relating to the 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 -£0.172m an increase of -£0.028m since the last report. This is mainly due to the slippage in the delivery of the Minerals and Waste Framework (-£0.180m). One-off funding was agreed for 2011/12 to fund the work on the Framework. This will be requested to be carried forward to 2012/13 or set aside in a reserve for this purpose during the year.
30. Waste Management is forecasting a break-even position. Current activity levels overall are showing a 36%/64% split between landfill and recycling/composting. This is a better position than forecast with less landfill tonnage being the main contributing factor to the increased performance. Work is continuing on financial position based on the tonnage data and will be included in the next report.

Property and Facilities

31. The service is forecasting a variation of -£0.161m a decrease of +£0.034m since the last report. This relates to savings being realised earlier than expected due to the closure of the Cricket Road Centre (-£0.204m). This excludes the potential cost of dilapidation which depends on whether the cost will be revenue or capital. It also includes underspends of -£0.116m on the rental budget and -£0.205m on Facilities Management. A virement is requested to use the underspends within the service to fund the consultancy and legal cost associated with the contract re-tendering.
32. 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

33. Oxfordshire Customer Services (OCS) is forecasting an underspend of -£0.133m which is virtually unchanged since the last report. This relates to Adult Learning 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. Elsewhere within the service a break even position is being reported and business strategy savings are being delivered or are on target to be delivered.

Chief Executive's Office: -£0.053m in year directorate variation

34. The Chief Executive's Office (CEO) is continuing to forecast a variation of -£0.053m. The Business Strategy savings for CEO (£1.3m) are generally low risk and on target to be delivered in 2011/12.
35. Legal Services continue to forecast an overspend of +£0.100m. As in previous years an increase in the number and complexity of childcare and planning cases is putting a pressure on the service. In addition, external income from Section 106 work has reduced. The service is controlling costs where possible by limiting the use of external counsel.
36. Cabinet approved the first wave of bids for the Big Society fund totalling £0.282m on 19 July 2011. Further bids for the remaining £0.318m of funding will be allocated during 2011/12. The second wave of bids is included elsewhere on the agenda.

Redundancy Costs

37. As noted in the Annex 6, £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 August 2011 are £1.926m and will continue to be monitored and reported throughout the year.

Virements and Supplementary Estimates

38. 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 internet and in the Member's Resource Centre.

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Virements requested this month include the merger of the defects budgets within Highways and Transport and the temporary virement requesting the use of the Property & Facilities underspend on costs relating to the contract re-tendering process (paragraph 31). These virements do not constitute policy changes.

Grants Monitoring

39. Annex 7 sets out government grants that are being received in 2011/12. Ringfenced grants totalling £428.130m (including £388.925m of Dedicated Schools Grant) are included in Directorate budgets. Changes this month include a new grant of £0.033m from the Young People's Learning Agency for the Young Apprentice scheme.

Bad Debt Write Offs

40. There were 30 general write offs to the end of August 2011 totalling £14,285. In addition Client Finance has written off 42 debts totalling £30,155.
41. A family managing the affairs of a client, who had been assessed as contributing towards residential care in 2001, advised in 2005 that they could no longer continue managing those affairs. Between this period and the client's death in 2008 there was a build up of debt. Unsuccessful attempts were made to seek an agreement for repayments from the family. Legal Services advise that there is no legal recourse open to the Council. It is recommended that the debt of £12,619 be written off and the amount charged against the provision for bad debts

Treasury Management

Lending List Changes

42. The Treasury Management Lending List is included at Annex 8. On 13 September 2011 a decision was made to remove BNP Paribas and Credit Industriel et Commercial (CIC) from the Council's approved lending list. This decision was taken in line with advice received from the Council's treasury advisers, Arlingclose.
43. The average cash balance during August was £274.653m and the average rate of return was 1.11%. 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 £82.212m.

Balances

45. Annex 5 sets out the current position for general balances taking into account known changes. Balances are currently £15.666m excluding the Performance Reward Grant (PRG).

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. These budgets will be reflected in the next report.

Part 3 – Capital Monitoring and Programme Update

Capital Monitoring

47. The capital monitoring position set out in Annex 9a, shows forecast expenditure of £69.0m in 2011/12 (excluding schools local capital). This is £4.6m lower than the latest capital programme agreed by Cabinet on 19 July 2011.
48. The table below summarises the variations by directorate.

	Last Approved Programme *	Latest Forecast Expenditure	Variation
	£m	£m	£m
Children, Education & Families	32.5	30.7	-1.8
Social & Community Services	11.5	9.9	-1.6
Environment & Economy - Transport	23.2	23.6	+ 0.4
Environment & Economy - Other	6.3	4.7	- 1.6
Chief Executive's Office	0.1	0.1	0.0
Total Directorate Programmes	73.6	69.0	-4.6
Schools Local Capital	7.8	7.8	0.0
Total Capital Programme	81.4	76.8	-4.6

* Approved by Cabinet 19 July 2011

49. The major in-year forecast expenditure 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 Children, Education & Families programme, the main variations this month are:
- A £1.200m reduction in the Wood Farm expenditure profile for 2011/12. The project is now at the contract let stage with an expected start in late autumn following the approval of additional resources of £0.910m to increase the total value of the project to £12.660m.
 - A £0.500m reduction in the Basic Need Programme expenditure profile for 2011/12. This follows a review of the ten projects completed for September 2011 and an additional two projects that are on site and are expected to be completed later in the financial year. The remaining budget requirements are for project development costs for schemes expected in September 2012 and September 2013 and have been re-profiled to future years.
 - The Grange in Banbury and Fitzwaryn in Wantage are reporting spend increases totalling £0.400m in 2011/12.
51. The main variations in the Social and Community Services programme are:
- The Fire Equipment scheme of £1m will be re-profiled. The requirement for this has been managed within the service through the procurement of a

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longer-term (eight year) revenue based solution. The future requirement for this capital budget will be reviewed as part of the capital budget setting process.

- The Extra Care Housing that is being provided on the same site as the Banbury Day Centre Scheme needs to be completed by the end of March 2012 to meet Homes and Communities Agency (HCA) grant requirements. This means that the completion of work on the day centre has slipped by £0.500m.

52. The main variations for the Transport programme are:

- The inclusion of £0.345m for the A44 Crossing at Yarnton. This work was due to be completed by a third party, but the Council has now received a Section 106 contribution to complete the work.
- Didcot Station Forecourt scheme: Due to a movement in the work start date (now forecast to commence in November 2011) as a result of Network Rail delays, the scheme will be reprofiled with £0.284m now planned to be spent in 2012/13.
- An increase in the spend profile for Phase 2 of the Iffley Road scheme of £0.165m as work is anticipated to start on this phase in this financial year.

53. The main variations for the Environment & Economy programme are:

- A delay in submission of the planning application for the Kidlington Waste Recycling Centre leading to a further £0.700m slippage on the planned construction dates. The total slippage is now £0.950m.
- Slippage of £0.321m on the Asset Strategy Implementation Programme.
- Slippage of £0.230m on the Energy programme (relating to the installation of solar panels on non-school buildings).

Actual & Committed Expenditure

54. As at the end of July actual capital expenditure for the year to date (excluding schools local spend) was £13.7m. This is 20% of the total forecast expenditure of £69.0m, which is around 3% below the expected position compared to the profile of expenditure in previous years. Actual and committed spend is 49% of the forecast.

Five Year Capital Programme Update

55. 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 full impact of the changes in both Annex 9b and 9c are reflected in the full Capital Programme update at Annex 10. 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.

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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	176.3	175.8	-0.6
Social & Community Services	23.7	23.7	0.0
Environment & Economy – Transport	100.4	104.4	+4.0
Environment & Economy – Other	16.5	16.3	-0.2
Chief Executive's Office	0.1	0.1	0.0
Total Directorate Programmes	317.1	320.3	+3.2
Schools Local Capital	19.1	19.1	0.0
Earmarked Reserves	54.7	57.6	+2.9
Total Capital Programme	390.9	397.0	+6.1

* Approved by Cabinet on 19 July 2011

56. In the Children, Education & Families programme, £0.250m of project contingencies have been released back to the capital programme from the New Sixth Form project at Cooper School, Bicester that has reached completion.
57. A revised 5-year budget requirement is reported on the Health & Safety, Temporary Classroom (Replacement & Removal) and the School Accommodation Intervention and Support annual programmes. This has enabled the creation of a 2016/17 budget provision for these programmes without placing additional pressure on the capital programme resources requirement.
58. The other changes to the Directorate five-year programmes were reported last month and are shown in Annex 9c.

Earmarked Reserves

59. In preparation for the capital budget setting process, the assumptions on the estimated level of Government capital grant allocations have been reviewed. Originally, a decrease in the Education grant allocation for 2012/13 had been assumed, however the Department for Education has stated that “2012/13 allocations will be broadly in line with 2011/12 allocations”. Therefore, the 2012/13 grant figure included in the capital programme has been increased by £2.223m to reflect the 2011/12 allocation. This amount has been earmarked for allocation in the capital budget setting process. If the Council's allocation is lower, the capital programme contingencies can be used to meet the difference.
60. The additional increase in the earmarked reserves is due to completed schemes returning project contingencies in line with Council policy.
61. The amount now being held in earmarked reserves for the budget setting process is £6.623m.

Overall Surplus

62. The overall surplus on the capital programme has reduced from £0.672m to nil as this has been used to fund the cost increase on the Wood Farm scheme.

Part 4 – Review of Charges

63. The integration of Oxfordshire Record Office and Oxfordshire Studies to form Oxfordshire History Services requires the standardisation of fees and charges across the new service. At the same time, the emergence of external providers of many chargeable services requires the service to review those charges in order to remain competitive and ensure sufficient take up to meet income targets. Cabinet is recommended to approve the fees and charges as set out in Annex 11 effective from 1 November 2011.

RECOMMENDATIONS

64. **The Cabinet is RECOMMENDED to:**
- a) **note the report and approve the virements as set out in Annex 2a;**
 - b) **Agree the bad debt write off as set out in paragraph 41;**
 - c) **Approve the changes to the Capital Programme as set out in annex 9c;**
 - d) **Approve the updated Capital Programme included at Annex 10;**
 - e) **Approve the proposed fees and charges for the Oxfordshire History Centre as set out in Part 4 and Annex 11 to be effective from 1 November 2011.**

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Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports 31 August 2011

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