

CABINET – 25 January 2011

FINANCIAL MONITORING

Report by the Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out the Council's forecast position for the 2010/11 financial year based on eight months of actuals to the end of November 2010. Parts 1 and 2 include projections for revenue, balances and reserves. The Capital Monitoring is included at Part 3.
2. As part of the Council's Business Strategy, a new Directorate structure will be fully implemented by 1 April 2011. This report reflects the virements requested for the changes to be implemented in January 2011 that Cabinet approved on 16 November 2010. The remaining changes to fully implement the Business Strategy including changes for 2011/12 to create the Children, Education and Families directorate and the new Adult Social Care structure following the implementation of Self-Directed Support, will be made through the Service and Resource Planning process.

Summary Revenue Position

3. The in – year Directorate forecast is an overspend of +£0.035m, or +0.01% compared to a budget of £385.744m as shown in the table below. The in-year forecast excludes an overspend of +£0.034m on services funded from Dedicated Schools Grant (DSG) and +£0.178m relating to the City Schools Reorganisation which was carried forward from 2009/10 as planned.

Original Budget 2010/11 £m		Latest Budget 2010/11 £m	Forecast Outturn 2010/11 £m	Variance Forecast November 2010 £m	Variance Forecast November 2010 %
99.050	Children, Young People & Families (CYP&F)	96.807	96.745	-0.062	-0.06
183.657	Social & Community Services (S&CS)	204.445	206.067	+1.622	+0.79
70.408	Environment & Economy	72.215	71.296	-0.919	-1.27
28.122	Oxfordshire Customer Services	1.408	1.290	-0.118	-1.23
9.578	Chief Executive's Office	10.869	10.381	-0.488	-3.42
390.815	In year Directorate total	385.744	385.779	+0.035	+0.01

Less: Underspend on DSG		+0.034	
Plus: Planned overspend on City Schools Reorganisation		+0.178	

Total Variation		+0.213	+0.06
------------------------	--	---------------	--------------

4. Forecasts include the impact of in – year grant reductions notified during 2010/11 and reflect £35m of savings agreed in the 2010/11 budget.
5. As set out in Annex 5 general balances are unchanged at £13.078m. Taking into account the forecast Directorate overspend (+£0.035m), the Council elements of the overspend on the Pooled budgets (+£2.994m), and several other technical adjustments (£0.507m), the consolidated revenue balances forecast as at 31 March 2011 is £10.556m.
6. Figures for each Directorate are summarised within the Annexes and individual Directorate Financial Monitoring Reports setting out the detail behind this report have been placed in the Members' Resource Centre.
7. The following Annexes are attached:

Annex 1 (a-e)	Forecast Revenue Outturn by Directorate
Annex 2 (a-f)	Virements and Supplementary Estimates
Annex 3 (a-c)	Specific Grants and Area Based Grant
Annex 4	Forecast earmarked reserves
Annex 5	Forecast general balances
Annex 6	Capital Programme Monitoring
Annex 7	Treasury Management Lending List

Part 1 - Revenue

8. The forecast revenue outturn by Directorate based on the position to the end of November 2010 is set out below. Significant issues or movement in the variances are commented on along with the management action being taken.

Children Young People & Families (CYP&F): -£0.062m, or -0.06% in – year Directorate underspend

9. CYP&F are forecasting an in-year Directorate underspend of -£0.062m, or -0.06%, (+£0.180m total overspend after taking account of an overspend of +£0.034m on services funded from Dedicated Schools Grant and the planned overspend of +£0.178m remaining in respect of the City Schools reorganisation).

Young People & Access to Education

10. Young People & Access to Education (YP&AE) is overspending by +£0.259m on services funded by the Council. A net underspend of -£0.027m in the Youth Support Service will be requested as a carry forward to 2011/12 to enable two service level agreements (SLAs) with the voluntary sector to be honoured.

Children and Families

11. Current forecasts show an underspend in the region of -£0.432m based on a flat-line projection before accounting for new clients entering the service part way through the financial year. Taking into account an estimate for new clients, a break-even position continues to be reported.

12. As previously reported the Asylum Service is forecasting an overspend of +£0.562m. For 2010/11, there have been a number of changes to the rates payable for clients and further changes to the criteria which have to be met for clients to qualify for funding, which has meant that expenditure is again higher than the income that can be received. The latest grant instructions also state that 'there will be no additional payments to any local authority above these standard daily rates', which implies that no Special Circumstances grant will be available for 2010/11 or future years, but further information is awaited.

Raising Achievement Service

13. Raising Achievement Service are forecasting an overspend of +£0.533m an increase of +£0.539m from last month. The Equality and Diversity Achievement Service is forecasting an overspend of +£0.315m which includes the anticipated redundancy costs of up to £0.522m as the service is planning to make the proposed savings in future years in line with the Medium Term Financial Plan. Staff are currently being consulted with the changes coming in from 31 March 2011 for Green book staff and 30 April 2011 for Teachers. The overspend also includes the +£0.300m redundancy pressure in relation to the funding for Primary and Secondary National Strategies which is due to end in 2011.

Commissioning, Performance & Quality Assurance (CPQA)

14. CPQA are forecasting an underspend of -£1.416m which includes an underspend on Home to School Transport of -£1.539m, or -10.19% compared to a budget of £15.107m.

Dedicated Schools Grant (DSG) Funded Services

15. Services funded by DSG are forecast to overspend by +£0.032m, an increase of £0.215m since last month. This relates to an overspend of +£0.210m Nursery Education Funding budget. The forecast in this area has been updated after a recent analysis of payments to date and those predicted for the Spring 2011 term which indicate that costs will be higher than originally anticipated.
16. An overspend of +£1.180m has been carried forward from previous years in relation to capitalised repair and maintenance. The overspend has been decreased in year by reducing the 2010/11 budget by £0.581m and £0.186m through a revenue/capital funding switch. The remaining £0.413m is expected to be received from Schools. Updates will be included in future reports.

Social & Community Services: +£1.622m, or +0.79%, in – year directorate overspend

Community Services

17. As previously reported Community Services is forecasting an overspend of +£0.061m relating to the Music Service. This will be carried forward and repaid the over the next three years in line with the recovery programme. Adult Learning is now reported as part of Oxfordshire Customer Services.

Social Care for Adults

18. Social Care for Adults is forecasting an overspend of +£1.645m an increase from +£1.456m reported last month.
19. As previously reported an overspend of +£0.311m is forecast in Older People Care Management. This is mainly due to the costs of the additional staff required for safeguarding work and to reduce waiting lists and delayed transfers of care and meet other key performance targets. In addition redundancy costs of £0.114m following the restructure of the service will be funded from the Efficiencies Reserve.
20. The Alert Service, a new preventative service primarily for Older People was commissioned in April 2010. Transition to the new service ran from April to October and new referrals started in July 2010. By November the number of service users was 4,962 against a planned level for the year of 5,000, a faster take up than anticipated. The transition to new equipment is extremely complex and is taking longer than anticipated which has also contributed to the projected overspend of +£0.390m. An action plan is being prepared and further information will be included in future reports.
21. Fairer Charging and Residential Client Income is forecast to be underachieved by £0.593m which is unchanged since the last report and as noted in previous reports continues to be monitored.
22. The Mental Health service is forecasting an overspend of +£0.173m and has decreased by -£0.148m since the last report. The decrease relates to reductions in the cost of six individual placements.

Supporting People

23. As previously reported the programme is overspending by +£0.106m as a result of the Supporting People Administration Grant being withdrawn. The service are looking at how the administration of this programme can be combined with similar functions to achieve efficiency savings.

Pooled Budgets

Older People, Physical Disabilities & Equipment Pool

24. As shown in the table on the next page the Older People, Physical Disabilities and Equipment Pooled Budget is forecast to overspend by +£5.073m. This includes overspends of +£2.001m carried forward from 2009/10. The Council element of the pool is forecast to overspend by +£2.100m (a decrease of -£0.107m since the last report) and the Primary Care Trust (PCT) element overspend by +£2.973m (a decrease of -£1.127m since the last report).

Original Budget 2010/11 £m	Latest Budget 2010/11 £m		Forecast Variance November 2010 £m	Variance October 2010 £m	Change in Variance £m
		Council Elements:			
53.052	51.417	Older People			
		Care Homes	+0.160	+0.312	-0.152
28.818	29.293	Community Support	+0.137	+0.097	+0.040
		Purchasing Budget			
81.870	80.710	Total Older People	+0.297	+0.409	-0.112
		Physical Disabilities			
2.450	2.450	Care Homes	+0.808	+0.823	-0.015
4.652	4.616	Community Support	+0.778	+0.823	-0.045
		Purchasing Budgets			
7.102	7.066	Total Physical Disabilities	+1.586	+1.646	-0.060
		Equipment			
1.169	1.169	Forecast in-year variance	+0.217	+0.152	+0.065
90.141	88.945	Total Forecast in year variance – Council Elements	+2.100	+2.207	-0.107
		PCT elements:			
17.917	23.760	Older People	+1.789	+2.972	-1.183
4.047	4.047	Physical Disabilities	+0.994	+0.958	+0.036
0.312	0.311	Equipment	+0.190	+0.170	+0.020
22.276	28.118	Total Forecast in-year variance – PCT Elements	+2.973	+4.100	-1.127
112.417	117.063	Total	+5.073	+6.307	-1.234

Council Elements

25. The overspend on the Older Persons budget has reduced by -£0.112m since the last report due to a reduction in the average cost of care packages agreed. Action to limit the number of care home placements and the number of hours of home support available each week was taken earlier in the year. However, this had an impact on the number of delayed transfers of care. The Council is working closely with NHS Oxfordshire (the Primary Care Trust) and the various hospitals to reduce the number of delays within the resources available.
26. As previously reported additional funding is being provided by the Oxford Radcliffe Hospital Trust and the PCT to relieve pressures on delayed transfers of care. The impact of this additional funding has been included in the forecast.
27. The Physical Disabilities Budget is forecast to overspend by +£1.586m on Residential and Nursing Beds and External and Internal Home Support. This is due to the full year effect of placements made in 2009/10 and an increase in client numbers. To reduce expenditure in this area, strict quotas are being

applied to the number of placements and packages agreed during the year. However, because of the low turnover of clients, savings in this part of the budget are more difficult to achieve. A recovery action plan has been put in place to reduce the over-spend. In addition, the potential longer term implications have been considered through the Directorate's Service and Resource planning process.

Primary Care Trust Elements

28. The PCT element of the pool is forecast to overspend by +£2.973m, a decrease of £1.127m on the previous forecast. The additional contribution in relation to the PCT's overspend from 2009/10 has now been received by the Council.

Equipment

29. The Equipment budget is currently forecast to overspend by +£0.407m an increase of +£0.085m on the previous month. The Council's element of this is overspend is +£0.217m and the PCT's element is +£0.190m.

Learning Disabilities Pool

30. The Learning Disabilities Pooled Budget is forecast to overspend by +£1.471m as shown in the table below

Original Budget £m	Latest Budget £m		Variance November 2010 £m	Variance October 2010 £m	Change in Variance £m
		Council Contribution			
9.688	9.673	Residential Services	+0.434	+0.295	+0.139
17.421	17.426	Supported Living	+0.184	+0.087	+0.097
15.307	15.285	Community Support	+0.276	+0.241	+0.035
42.416	42.384	Council Total	+0.894	+0.623	+0.271
		PCT Contribution			
7.236	7.251	Residential Services	+0.326	+0.221	+0.105
13.010	13.064	Supported Living	+0.138	+0.066	+0.072
11.432	11.459	Community Support	+0.113	+0.088	+0.025
31.678	31.774	PCT Total	+0.577	+0.375	+0.202
74.146	74.158	Total	+1.471	+0.998	+0.473

31. The forecast has increased by +£0.473m since the last report this is due to the inclusion of £0.264m of increased panel commitments and the commitments for a new Supported Living Project. An action plan is being developed to reduce the overspend by the end of the financial year and to identify how any overspending that is carried forward will be dealt with in the new financial year.

Community Safety

32. As previously reported Community Safety are underspending by -£0.190m. This includes an underspend of -£0.245m in the Fire & Rescue Service. An increase in call outs during the winter months has been factored into the forecast but there is a risk that this could be higher if there is a spell of

severe weather. The service will only seek to use the option of meeting the cost of the retained duty system (RDS) emergency call outs from Council balances if it cannot be contained within the total service budget.

Environment & Economy: -£0.919m, or -1.27%, in – year directorate underspend

Transport

33. Transport are forecasting to underspend by -£0.801m an increase of -£0.028m since the last report. The total underspend includes -£0.300m relating to the Integrated Transport Unit, as the purchase of new vehicles has been temporarily suspended. Bus Subsidy contracts are also underspending by -£0.500m. This reflects better prices negotiated for contract renewals and other contract efficiencies.
34. Previous reports have assumed a forecast breakeven position for the Highways Delivery budget and have noted that the new transport contract mobilised from the beginning of September. Due to outstanding issues relating to the implementation of new processes there is a risk of an underspend in this area and updates will be included in future reports.

Sustainable Development

35. As previously reported Planning Implementation are underspending by -£0.118m. This includes an underspend of -£0.306m including -£0.153m carried forward from 2009/10. This reflects the delay caused by the freezing of the New Growth points funding linked to the West End Partnership. The directorate is considering other re-generation projects in line with priorities. Further details will be included in future reports along with proposals to use this funding for an alternative purpose.
36. Waste Management is forecasting a break-even position after the estimated underspend of -£1.255m has been transferred to reserves as previously reported. The underspend has decreased by +£0.142m since the last report mainly due to an increase in the predicted project costs for the Waste Treatment Procurement.
37. Overall actual tonnage has increased by 1 kilo tonne (kt) since the last report as further information becomes available on the impact of the implementation of the new district collections. Recycling and composting waste is predicted to increase by 4kt, which is offset by a reduction in landfill waste of 3kt.

Property Services

38. As previously reported Property Services is forecasting an underspend of -£0.080m.

Oxfordshire Customer Services: -£0.118m, or -1.23%, in – year directorate underspend

39. An underspend of -£0.200m is forecast for the services previously included as part of Shared Services an increase of -£0.040m since the last report. This includes approximately £0.060m of the one off budget for Implementing

Financial Reporting Standards (IFRS) which is unlikely to be required. This will be returned to balances.

40. Meals supplied by Food with Thought were 7.8% above target in November and 0.8% above target for the year to date. Management action is being taken to control inflationary pressures on food costs. Food with Thought is currently forecasting a trading surplus of £0.200m. This will be transferred to the reserve and used for future investment in the service. QCS Cleaning is on target to break-even.
41. As previously reported ICT continues to forecast a nil variance against budget. Staffing levels are sufficient to maintain current service commitments but there is no capacity for additional development work. Pressures arising from Government Connect are now less than previously anticipated. Increases in Microsoft licensing charges will be a pressure next year rather than this year and will be managed by controlling the size of the desktop estate. Maintenance costs with other suppliers have been reduced as has the cost of server and storage support provided by third party suppliers. A moratorium on non essential hardware refresh this year is also helping to keep ICT within budget.
42. The Adult Learning Service continues to report an overspend of +£0.080m which will be carried forward to 2011/12. The service has a recovery programme in place to repay the overspend by March 2013 as planned.

Chief Executive's Office: -£0.488m, or -3.42%, in – year directorate underspend

Business Support

43. Business Support is forecasting an underspend of -£0.070m a decrease of £0.030m since the last report.

Law and Governance

44. As previously reported, there are continuing pressures on the legal services budget, in particular in the safeguarding children and planning areas. The service is continuing to forecast an overspend in the region of +£0.130m. Democratic Services is forecasting an underspend of -£0.100m due to savings from vacant posts following the restructure of the service, this will be used to off-set redundancy costs from the restructure.
45. The Coroner's Service is forecasting an underspend of -£0.025m. Any variance against this service will be returned to Council balances at the end of the year.

Strategy and Communications

46. An underspend of -£0.350m is reported by these services, mainly due to vacant posts and the production of only two of the number of editions of the Oxfordshire Magazine prior to ceasing publication. This will be used to off-set redundancy costs in the Chief Executive's Office.

Human Resources

47. As previously reported Human Resources is continuing to forecast an underspend of -£0.120m for which a request to carry forward will be made to

enable the completion of the two year funding for the Apprenticeship Scheme and the employment of a Performance and Engagement Lead.

Finance & Procurement

48. Finance and Procurement continue to underspend by -£0.258m. This includes an underspend of -£0.168m on the External Audit fee. As in past years and due to the uncontrollable nature of the Audit Fee budget, the balance will be returned to balances at year end. Corporate Finance is underspending by -£0.090m as a result of achieving planned savings early and savings from vacant posts.

Redundancy Costs

49. Redundancy costs of £2.853m are included in the forecasts in this report. The table on the next page shows the breakdown between directorate and how the costs are being funded. Updates will be provided in future reports.

Directorate	Redundancy Costs		Total Redundancy Costs
	Funded by Directorate	Funded by Efficiency Reserve	
	£'m	£'m	£'m
CYPF	0.600		
- National Strategies			
- Equality & Diversity Achievement Service	0.522		1.642
-Student Support	0.052		
S&CS (Restructure of Adult Social Care)		0.114	0.114
Oxfordshire Customer Services (ICT)	0.108	0.246	0.354
Chief Executive's Office	0.356		0.356
E&E	0.205	0.182	0.387
Total	2.311	0.542	2.853

Virements and Supplementary Estimates

50. The virements requested this month are set out in Annex 2a with virements previously approved in Annex 2b and 2c and virements to note in Annex 2d. Annex 2e shows the cumulative virements to date and their status in respect of requiring Council approval where larger than £0.5m. There are Budget Book lines that are indicating that the cumulative virements may require Council approval. These virements relate to the structure changes to reflect the Council's Business Strategy and are not a change in policy so do not require Council approval. There are no new requests for supplementary estimates this month.

Bad Debt Write Offs

51. There were 209 general write offs to the end of November 2010 totalling £117,417.72. Most of these were very small and not economically effective to recover. As noted throughout the year the largest to date is £74,667.09 and reflects a Section 106 debt in connection with a planning obligation which was agreed to be written off by Cabinet on 18 May 2010. In addition Client Finance wrote off 85 debts totalling £31,149.55.

Strategic Measures

52. The average cash balance during November 2010 was £235.947m and the average rate of return was 0.87%. It is expected that the budgeted income for deposits of £1.9m will be achieved.
53. Bank Nederlandse Gemeenten N.V has been removed from the Treasury Management Lending List due to its individual credit rating being withdrawn. The Lending List is included in Annex 7.

Part – 2 Balance Sheet**Reserves**

54. Reserves have decreased by £0.481m to £65.776m since the last report. The variation is made up of contributions to reserves of £0.250m for Food With Thought and Customer Services Centre, the change in the Waste underspend that is being transferred to reserves of £0.142m and the reduction in underspend of £0.475m in the Carryforward reserve.

Balances

55. General balances remain unchanged at £13.078m.

Part 3 –Capital Monitoring

56. The capital monitoring position set out in Annex 6, shows the forecast expenditure for 2010/11 is £91.1 m (excluding schools local capital), a decrease of £9.3m compared to the latest capital programme and a decrease of £8.4m compared to the position reported last month. The table on the next page summarises the variations by directorate and the main variations by scheme are explained in the following paragraphs.
57. The capital monitoring report continues to reflect the old directorate format. This will be updated to include the Business Strategy changes from the February report to Cabinet.

CA6

Directorate	Latest Capital Programme (Position as at end of Aug '10, approved by Cabinet Oct '10) £m	Forecast Expenditure (Position as at end of November 2010) £m	Forecast Variation £m
CYP&F	59.4	57.7	-1.7
S&CS	11.6	6.8	-4.8
Environment & Economy – Transport	22.6	20.1	-2.5
Environment & Economy – Other	5.6	5.5	-0.1
Community Safety & Shared Services	0.4	0.2	-0.2
Corporate Core (ICT)	0.8	0.8	0.0
Total Directorate Programmes	100.4	91.1	-9.3
Schools Capital/ Devolved Formula	11.9	11.9	0.0
Earmarked Reserves	0.1	0.1	0.0
Total Capital Programme	112.4	103.1	£9.3

Children, Young People & Families

58. The forecast expenditure for Children, Young People & Families is now £57.7m (excluding schools local capital). This has reduced by £1.7m compared to the last approved capital programme. £1.2m of the reduction relates to delays in the Fitzwaryn Phase 2 project whilst a new contractor is appointed as the current contractor is in administration. A further £0.2m relates to the Matthew Arnold – Access Project.
59. The Department for Education has announced a capital allocation of £8m towards the cost of the Oxford Spire Academy.

Social & Community Services

60. The forecast spend for Social & Community Services is now £6.8m. This has reduced by £4.9m compared to the last approved capital programme and £5.0m compared to the position reported last month. This is mainly due to the removal of £4.1m spend from the Homes for Older People New Builds Programme due a change in the financing method for the Chipping Norton project. The prudential borrowing is no longer required as the cost will now be included in the bed price charged.
61. The forecast spend has also decreased on Deferred Interest Loans (£0.6m), Adult Social Care IT Infrastructure (£0.2m) and Headington Library by (£0.2m). These reductions have been offset by the acceleration of £0.2m expenditure on the RFID programme.

Environment & Economy – Transport

62. The forecast spend for the Transport Programme is now £20.1m, which is a reduction of £2.4m compared to the last approved capital programme and a reduction of £1.5m compared to the position reported last month.
63. The main reductions in forecasts reported this month are as follows:
- Cogges Link Road £0.3m - due to delay in the public inquiry (now likely to be held in May or June 2011) and delays in obtaining land.
 - Premium Routes £0.5m - forecast now reduced as this programme is on hold under the moratorium.
 - Access to Oxford £0.4m - Major Projects funding is no longer available from the Department for Transport therefore the forecast has been reduced to cover only the abortive costs.
 - changes in forecasts on several small developer funded schemes leading to a £0.5m reduction overall.

Environment & Economy - Other

64. The forecast spend for this programme is £5.4 m. This has reduced by £0.2m compared to the last approved capital programme.

Community Safety & Shared Services

65. The forecast spend for this programme is £0.3m, which is a reduction of £0.1m compared to the last approved capital programme.

Corporate Core

66. The forecast for ICT has remained the previously reported level of £0.8m.

Actual Expenditure

67. As at the end of November actual capital expenditure for the year to date was £41.6m, and has increased by £6.2m compared to last month. This is 46% of the total forecast expenditure of £91.1m, which is 5% below the expected position compared to the profile of expenditure in previous years. This is a slight improvement on the position reported last month.
68. The areas of lowest spend to date continue to be Social & Community Services and Transport. A number of S&CS projects remain on hold and a review of the OCP contract is now under way which has delayed further expenditure on HOPs programme.

RECOMMENDATIONS

69. **The Cabinet is RECOMMENDED to:**

(a) note the report and approve the virement requests as set out in annex 2a;

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Directorate Financial Monitoring Reports to 31 November 2010

Contact Officers: Kathy Wilcox, Principal Financial Manager
Tel: (01865) 323981
Lorna Baxter, Assistant Head of Finance (Corporate Finance)
Tel: (01865) 323971

January 2011