

STRATEGY AND PARTNERSHIPS SCRUTINY COMMITTEE
24 September 2009

FINANCIAL MONITORING OVERVIEW

COMMENTARY BY THE CABINET MEMBER FOR FINANCE

Introduction

1. This report provides a commentary on the Council's forecast financial position for the 2009/10 financial year. In this first report for 2009/10 the Outturn Report for 2008/09 and the 2010/11 Service and Resource Planning process are also considered as context. However, it is important to note that changes made to 2009/10 budgets during the last Service & Resource Planning process, mean we are not necessarily comparing like with like when looking at different years. The forecast position for 2009/10 is based on four months of actual expenditure and income to the end of July 2009 and is consistent with the position reported to Cabinet on 15 September 2009.

Looking Back: 2008/09 Outturn

2. The Outturn position from 2008/09 is set out in below and was reported to Cabinet on 23 June 2009.

Original Budget 2008/09 £m		Latest Budget 2008/09 £m	Provisional Outturn 2008/09 Variance £m	Provisional Outturn 2008/09 Variance %
79.552	Children, Young People & Families	92.588	-0.457	-0.49
151.118	Social & Community Services	164.467	-0.965	-0.59
60.450	Environment & Economy Community Safety & Shared	67.980	-0.866	-1.27
34.228	Services	29.380	-0.785	-2.67
12.512	Corporate Core	15.485	-0.415	-2.68
337.860	In year total	369.900	-3.488	-0.94

Plus: City Schools Reorganisation	1.369	
ICT Investment Fund	-0.800	
Total Variation	1.368	

3. For comparison the Directorate revenue variation at the end of 2007/08 was -£3.281m representing -1.0% of the budget. The -0.94% variation at the end of 2008/09 was consistent with that position.
4. Carry forwards from 2008/09 were approved by Cabinet on 23 June 2009 as part of the Provisional Outturn Report for 2008/09 and are now included in the latest budget. These are summarised by directorate in the table below:

Directorate	Overspends to be carried forward	Approved underspends to be carried forward	Approved underspends to be held in balances until required	Net total to be carried forward
	£m	£m	£m	£m
Children, Young People & Families	1.548	-2.005	0	-0.457
City Schools Reorganisation	1.369	0	0	1.369
Social & Community Services	0	-0.965	0	-0.965
Environment & Economy	0	-0.866	0	-0.866
Community Safety	0	-0.785	0	-0.785
Corporate Core		-0.347	-0.068	-0.415
Total	2.917	-4.968	-0.068	-2.119

5. £1.049m of the overspend carried forward by Children, Young People and Families related to Asylum Seekers.

The Current Year: 2009/10

6. The in – year Directorate forecast for 2009/10 is an overspend of £4.013m. This increased by £1.270m compared to the forecast overspend of £2.743m at the end of May but was consistent throughout June and July. The in-year forecast excludes the variance on the City Schools Reorganisation. In addition £2.421m Dedicated Schools Grant (DSG) has been reallocated to core areas to offset a forecast overspend of £1.303m on DSG funded services. To aid the overall position, the remainder will be used to fund eligible expenditure that would otherwise have been funded from the base budget. A more detailed analysis of the overall position is provided in Annex 1.

Original Budget 2009/10 £m		Latest Budget 2009/10 £m	Forecast Outturn 2009/10 £m	Variance Forecast July 2009 £m ¹	Variance Forecast July 2009 % ¹
98.277	Children, Young People & Families	97.603	99.950	+2.347	+2.40%
166.800	Social & Community Services	167.392	168.736	+1.344	+0.80%
68.631	Environment & Economy	69.771	70.053	+0.282	+0.40%
29.908	Community Safety & Shared Services	30.635	30.675	+0.040	0.13%
9.426	Corporate Core	10.286	10.286	0	0
373.042	In year total	375.687	379.700	+4.013	+1.07%

Plus: City Schools Reorganisation		0.775	
Plus: Reallocation of Dedicated Schools Grant to core areas (see paragraph 15)		2.421	
Total Variation		+7.209	

7. The forecast position takes into account the supplementary estimate of £0.215m agreed to the end of June to address a DSG inflation imbalance in the non devolved schools budget. A further supplementary estimate of £0.160m was approved by Cabinet on 15 September 2009. This is to cover third party legal costs incurred in Property Services and was agreed in line with Council policy to meet legal fees over £0.025m from balances.

Children, Young People & Families

8. After taking account of the reallocation of DSG and excluding the ongoing effect of the City School's Review the total forecast overspend across Children & Families is £2.347m.
9. Children & Families, and within that Placements, is the highest risk area and experiencing the most significant pressure across all Directorates in 2009/10. The forecast overspend of £2.737m on Placements has increased from the £2.188m forecast at the end of May but has not increased significantly from June to July. £0.523m of this pressure could be offset by carry forward from 2008/09 that was placed in the CYP&F reserve to offset pressures within the directorate. There is a further pressure of £1m on Asylum Seekers.
10. Due to a recent judicial review (the "Southwark Judgement") authorities will have to consider homeless children as looked after children. There is a risk that the full year financial implication of this could be as much as £3m to £4m per annum. With appropriate management action and clear structuring of the additional service provision and additional assessment staffing, the service

believes that the full year implication can be constrained to £1.5m. For 2009/10 the part year effect of this is estimated to be £0.5m. A supplementary estimate to cover this will be considered in late 2009 once the impact is clearer.

11. Given the requirement to make additional savings in 2010/11 and onwards, an action plan to bring the overspend across Children & Families back into balance will be included in the next monitoring report.

Social & Community Services

12. Social & Community Services are reporting an overspend of £1.344m or 0.8%. Just over £1m of the total overspend relates to a range of pressures within Adult Social Care. An action plan to bring this back into balance will be included with the next Cabinet report.

Pooled Budgets

Older People's and Physical Disabilities Pool

13. Following the appointment of the Primary Care Trust's Turnaround Director work is continuing on the position on this pool. The outcome will be included in future monitoring reports.
14. The overspend on equipment has now risen to £0.602m for the first four months. Further work has been commissioned to identify the reasons for this over spend and to develop an action plan to bring the budget under control.

Learning Disabilities Pool

15. The Learning Disabilities Pooled Budget is forecasting an overspend of £0.842m. This reflects an overspend of £0.480m carried forward from 2008/09 and the effect of new client packages agreed in July. The forecast does not take into account future panel decisions. Further efficiency savings are to be made during the year and it is expected that the overspend will reduce to £0.200m by the end of the year.

Environment & Economy

16. Environment & Economy are forecasting an overspend of £0.282m or 0.40% against a budget of £69.771m. This is expected to reduce further during the year.
17. Within Sustainable Development, Waste Management are forecasting an underspend of -£0.386m on tonnage related activities. There is a further saving of -£0.130m relating to new contracts for Waste Recycling Centres. These underspends are offset by a shortfall of £0.129m on planning application income.
18. The forecast overspend within Property Services is £0.398m. £0.160m of this reflects third party legal costs that will need to be met by the Council. A

supplementary estimate has now been agreed in line with Council policy to meet legal fees over £0.025m from balances.

Community Safety & Shared Services

19. The directorate is forecasting a small overspend of £0.040m.
20. Shared Services remains on track to deliver its remaining savings in full by next year.
21. School meals figures for Food with Thought from April to Jul 2009 are 9.5% higher than in the equivalent period of 2008 and meal costs below budget. QCS Cleaning Services is forecast to break even.

Corporate Core

22. There are pressures in several areas of Corporate Core. However, services are expected to be able to manage these and a nil variance is currently forecast based on figures for the first quarter of the year.

Balances

23. In setting the 2009/10 budget the risk assessed level of balances was calculated to be £12.5m. As balances were higher than the risk assessed sum, £5.1m was utilised as part of the budget. In addition the balance brought forward from 2008/09 was £20.187m. This was higher than the £19.0m budgeted for, so £1.187m has been transferred to a new reserve to fund efficiency savings. After these adjustments balances were £14.5m at the beginning of 2009/10. It is estimated that up to £2.0m could be called from balances in year giving a year end position of £12.5m as per the risk assessment.
24. After taking account of supplementary estimates, the actual position on balances as at the end of July was £14.166m. After taking account of the forecast Directorate overspend the consolidated revenue balances forecast is £10.153m. This is lower than the £12.5m required based on the risk assessment so it is important that action plans are in place and followed through to reduce the current overspend in 2009/10.

Strategic Measures

25. The average cash balance during June 2009 was £217.9m and this reduced to £197.1m in July. The average rate of return for June was 1.62%, and for July 1.48%. The trend is reducing from the 1.87% reported as at the end of May and reflects the longer term deposits placed at higher rates last year coming to an end and being replaced by deposits at much lower rates. However, the average rate of return remains higher than the current base rate of 0.5% and the budgeted average rate of return of 1.30%.

Capital

26. An updated Capital Programme was included with the July monitoring report and now shows a cumulative deficit of -£6.080m. This is primarily due to a

decrease in the valuation of capital receipts within the agreed disposal programme.

27. Currently the Capital finance team is working with the Capital Programme Manager and with the challenge panels to revise the overall capital programme schedules. It is expected that this will enable us to manage the cashflow and deficit position and hence shift the deficit position beyond the medium term period. However, there may be a residual element of deficit that will need to be considered as part of the Service and Resource Planning process.

28. The capital monitoring position shows forecast expenditure for 2009/10 of £92.5m (excluding schools), a decrease of -£6.6m when compared to the latest capital programme. The table below summarises the variations by directorate.

	Latest Capital Programme (To end of May 2009)	Forecast Expenditure (As at end of July 2009)	Variation	% Variation
CYP&F	£41.5m	£40.3m	-£1.2m	-3%
S&CS	£8.9m	£7.8m	-£1.1m	-12%
E&E	£47.0m	£42.7m	-£4.3m	-9%
Community Safety	£0.7m	£0.7m	£0.0m	0%
Corporate Core	£1.0m	£1.0m	£0.0m	0%
Sub-total	£99.1m	£92.5m	-£6.6m	-7%
Schools Capital/Devolved Formula/Reserves	£11.6m	£11.6m	£0.0m	0%
Total	£110.7m	£104.1m	-£6.6m	-6%

29. The in-year forecast for Environment & Economy shows a decrease of £4.3m. The revised programme for Didcot Station Parkway (-£3.081m) shows a delay of 8 months compared to the original dates. Cogges Link Road (-£0.406m) has been delayed as a result of the Town Green Planning Application, whilst in Oxford, Phase 3 of the London Road Corridor has been delayed by two months (-£0.340m) to address the issues raised during the public consultation. All three schemes are predominantly developer funded so there is no impact on other funding sources.

30. Oxfordshire County Council has been ranked 22nd out of 70 Local Authorities for entry into the Building Schools for the Future (BSF) programme. The Readiness to Deliver Statement was submitted to Partnership for Schools on 17 September 2009. A detailed BSF report will be submitted to Cabinet in

October 2009 and further reports will be taken to Cabinet to seek approval in line with the Council's constitution.

Other Financial Issues

Savings Targets 2010/11 to 2013/14

31. The global financial position will impact on our Medium Term Financial Planning, and on our ability to maintain the assumptions underpinning that. As part of the draft Business Plans Directorates have been asked to identify savings of £60m over the medium term to help meet additional pressures over and above those already built into the published plan. Draft plans will be taken to the directorate Star Chambers over the coming weeks and will be developed further through the 2010/11 Service & Resource Planning process.
32. Of the £60m additional savings, around two thirds will be re-invested into service budgets to deliver key services. However, around a third will cause real reductions in available resources, and will be met through reductions in the total budget requirement. Whilst the intention is to protect front line services and avoid compulsory redundancies it is anticipated that it will be necessary to reduce jobs in the council. It will also be imperative that we get the best from our procurement of services to make the Council a leaner and better organisation.

Green Book Pay Award

33. The Employers' final offer in settlement of the 2009/10 claim was made on 22 July 2009 and has now been agreed with Unison. The increase is 1.25% for Scale Points 4-10 inclusive and 1.0% above Scale Point 10. Since 1.5% was allowed for in the budget the saving arising will be removed and placed in reserves to contribute to efficiency savings.

Conclusion

34. Against the backdrop of the wider economic environment, and savings that are being sought over the medium term, there are currently significant overspends in 2009/10 particularly in CYP&F, but also in Social & Community Services. In light of available balances it is important that these pressures are managed and reduced both in the current year and beyond. Given the spending patterns of the past couple of years it is anticipated that the Directorates will be able to balance most of these pressures, but this position will be closely monitored throughout the Service and Resource Planning process.

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