Item No 6

Overview and Scrutiny Board

25th January 2012

Quarter 3 Integrated Finance and Performance Report (April – December 2011)

Recommendation

That the Overview and Scrutiny Board consider the report and forward any comments to Cabinet for consideration at the 26th January 2012 meeting.

1.0 Introduction

1.1 The Overview and Scrutiny Board, at its meeting on 20th December 2011, requested that this paper is discussed and any comments are forwarded for consideration by Cabinet at its meeting on 26th January 2012.

1.2 A full copy of report to Cabinet is attached at Appendix A. Please note that the appendices to the Cabinet report are available electronically on the Committee Administration System and a paper copy has also been placed in each of the Group rooms.

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Appendix A

Cabinet

26th January 2012

Quarter 3 Integrated Finance and Performance Report (April - December 2011)

Recommendations

(1) It is recommended that Cabinet:

I. Review and comment on performance against targets set. (Appendix T)

II. Notes the 2011/12 projected revenue outturn position and the projected reserves at year-end, and instructs those services currently forecasting an overspend to take appropriate management action to try to ensure spending remains within budget.

III. Approves the net transfer from reserves totalling £5.198million.

IV. Notes the quarter 3 forecast performance against the 2011/12 Savings Plan and the comments on the delivery of the savings highlighted by Strategic Directors.

V. Approves the revised capital payments totals and the revised financing of the 2011/12 capital programme as detailed in Table 3 and detailed in Appendices A to S.

VI. Notes the projection of estimated capital spending and financing for future years.

VII. Notes the impact of the 2011/12 forecast financial performance on the delivery of the Medium Term Financial Plans as outlined in Section 10.

1.0 Key Issues

1.1 The following report provides Members with a joint picture of how the Organisation is performing in terms of our key performance measures and financial management of our resources including capital budgets and savings plans for 2011/12.

1.2 The purpose of this report is to inform Members of the forecast 2011/12 performance and financial position of the authority and individual services, based on information available at the end of Quarter 3.In respect of the authority's finances it highlights the main reasons for any variations from the approved budget for each service and the impact on the authority's reserves position and the delivery of the Medium Term Financial Plan. In terms of performance, the report highlights the progress of the delivery of each of our corporate Ambitions.

2.0 Performance – High Level Summary

2.1 The Quarter 3 Performance Summary (**Appendix T**) provides Members with a summary of progress against the delivery of our Corporate Ambitions. The Performance appendix also contains links to further supporting information in each of the Business Unit Plans.

2.2 The Aims and Ambitions are supported by a set of 46 strategic measures which collectively provide Members with a robust view of the progress that the Authority has made over the first 9 months of this financial year in working towards delivering the Corporate Aims and Ambitions. All of the 46 measures are contained within the relevant Business Unit Plans.

Mid Year Performance Highlights[1]

2.3 Overall, we remain on track at the end of Quarter 3 to deliver on the Aims and Ambitions as set out in the Corporate Business Plan. 73% of all available performance measures (30 out of 41) are reporting that by the end of March 2012 they will have achieved the stated level of performance. Therefore, our overall direction of travel has improved relative to the targets at the start of the year.

2.4 There are three performance measures that are being forecast to potentially miss their targets set.

	Red	Amber	Green	Total	NYA*
Mid Year	**3 (7%)**	**8 (20%)**	**29 (73%)**	**40**	**6**
Qtr 3	**3 (7%)**	**8 (20%)**	**30 (73%)**	**41**	**5**
**supporting information for the Not Yet Available (NYA) indicators is found within the Performance Appendix*					

Ambition 1: Community & Customers

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	**0**	**1 (33%)**	**2 (66%)**	**3**	**3**	**Green** ⇧
Qtr 3	**0**	**1 (33%)**	**2 (66%)**	**3**	**3**	**Green** ⇔

[1] Alert System: Progress against all measures and targets for 2011/12 is presented against a more refined alerting system: **Green**: Target has been achieved or exceed; **Amber:** Performance is behind target but within acceptable limits; **Red**: Performance is significantly behind target and is below an acceptable pre-defined minimum

2.5 Performance for this Ambition has remained constant over the nine months of 2011/12, and the performance results that we are able to report against are now final and will not change by the end of this financial year. These measures are based on the Citizens Panel Wave that was carried out in September and further details are available in Appendix T.

Ambition 2: Safety & Protection

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	1 (10%)	4 (40%)	5 (50%)	10	0	Green ⇩
Qtr 3	1 (10%)	5 (50%)	4 (40%)	10	0	Amber ⇩

2.6 Performance for this Ambition has fallen over the last 9 months and therefore, the direction of travel is forecast as being Amber – below target but within tolerance. Performance has declined slightly at the end of Qtr 3 for two measures; Number of people killed or seriously injured on our roads and total number of fires per 100,000 population but both remain within acceptable limits. Progress against both will be closely monitored. However, we are forecasting a fall in the number of incidents of anti social behaviour across the County.

Ambition 3: Care & Independence

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	0	0	9 (100%)	9	0	Green ⇔
Qtr 3	0	0	9 (100%)	9	0	Green ⇔

2.7 Performance remains on track to deliver on the targets in support of this Ambition and we continue to make positive progress in delivering on the outcomes in the Corporate Business Plan. The numbers of people using social care who receive self directed support continue to increase above the target set.

Ambition 4: Enterprise, Transport & Tourism

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	0	2 (33%)	4 (66%)	6	0	Green ⇩
Qtr 3	0	1 (17%)	5 (83%)	6	0	Green ⇧

2.8 Performance for this Ambition remains overall on target and the overall direction of travel has improved slightly. At the end of Qtr 3, we are reporting an increase in the number of people employed in key target growth areas and a fall in the number of businesses reporting skill shortages.

Ambition 5: Environment & Housing

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	0	0	3 (100%)	3	0	Green ↔
Qtr 3	0	0	3 (100%)	3	0	Green ↑

2.9 Performance remains on track to deliver on the targets in support of this Ambition. We are reporting an increase in performance with regards to household waste being minimised and an increase in the number of extra care units provided.

Ambition 6: Schools & Education

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	0	1 (25%)	3(75%)	4	1	Amber ↑
Qtr 3	0	1 (20%)	4(80%)	5	0	Amber ↑

2.10 Performance remains within acceptable levels to deliver on the targets in support of this Ambition.

2.11 Educational performance measures are based on the academic school year and therefore run from September to August and are published in the Autumn following the end of the school year. Early indications show that we are on track to deliver improved levels of educational attainment of the children of Warwickshire.

2.12 The number of young people not in education, employment or training (NEET) is now forecasting to meet the revised 5.2% target for 2011/12. As previously reported in Qtr 2, the original NEET target of 4.4% for 2011/12 that was set in 2004 by the Government Office West Midlands was revised following agreement by the County Strategic Partnership.

Ambition 7: Organisation

	Red	Amber	Green	Total	NYA	Direction of Travel
Mid Year	2 (40%)	0	3 (60%)	5	2	Green ↑
Qtr 3	2 (40%)	0	3 (60%)	5	2	Green ↓

2.13 Performance for this Ambition has remained on track over the 9 months of 2011/12, and for the majority of measures where we are able to forecast we will continue to meet the targets set. We are reporting a decrease in the % of our retained operational property portfolio having optimum utilisation however, the forecast remains well above the target set. This decrease in performance is reflected in our overall direction of travel for this ambition.

2.14 However, it has become apparent through our strategic commissioning activity that the measure around established principles of WCC market position will actually form a substantive element of our approach to strategic commissioning and therefore, this measure can no longer be viewed independently and therefore, will remain red for 2011/12 and this is reflected in the above table.

3.0 Financial Monitoring – High Level Summary

3.1 Table 1 provides a one page summary of the financial performance of each service compared to the plans approved in March. At the end of Quarter 3 the projected revenue outturn position for the authority is an underspend of £5.108 million. This includes a forecast overspend on Dedicated Schools Grant (DSG) funded services of £10.412 million. This overspend will be met from schools reserves and will not impact on the level of corporate resources.

3.2 This money is then available to support spending in future years and to assist in any delays in the delivery of the savings plan. The key messages in relation to the revenue budget are highlighted in Section 4.

3.3 A service-by-service breakdown of the variations compared to the budget including where this is funded from DSG, the reasons for the variations and the management action now being taken as a result, is shown in Appendices A to S. **These appendices are available electronically on the Committee Administration System and a paper copy has also been placed in each of the Group rooms.**

Table 1: Summary of 2011/12 Financial Performance as at Quarter 3

App.	Group/ Service	Revenue (Under)/ Over Spend £'000	Savings (Above)/ Below Target £'000	Capital Programme 2011/12 (Under)/ Over Spend £'000	Capital Programme Variation to total capital budget £'000
	People Group				
A	Safeguarding*	150	93	(37)	0
B	Social Care and Support Services	(1,352)	329	0	0
C	Business Manager*	(1,556)	(389)	(28)	175
D	Strategic Commissioning*	(712)	(130)	(359)	(479)
E	Early Intervention and Family Support*	(1,833)	(200)	(151)	(104)
F	Learning and Achievement*	4,577	(84)	(15,587)	(100)
	Resources Group				
G	Customer Service	(50)	20	(1,891)	(321)
H	Finance	(24)	0	0	0
I	Human Resources & Organisational Development	(129)	0	-	-
J	Information Assets	(35)	0	366	366
K	Law and Governance	(582)	(76)	-	-
L	Physical Assets	(146)	247	(1,900)	248

M	Service Improvement and Change Management	(245)	(26)	-	-
	Communities Group				
N	Sustainable Communities	(916)	0	(294)	66
O	Localities and Community Safety	133	(51)	0	0
P	Transport and Highways	(2,937)	(158)	(5,062)	(12,643)
Q	Public Health	0	-	-	-
R	**Fire and Rescue**	140	0	206	20
S	**Other Services***	410	-	-	-
	Total	**(5,108)**	**(425)**	**(24,737)**	**(12,772)**

Note: * indicates services where the revenue outturn is partly funded by DSG

3.4 The 2011/12 Budget included a savings target of £21.911 million for 2011/12. Currently savings of £19.252 million have already been delivered and a further £3.094 million is forecast to be delivered by the end of the financial year. Overall, therefore, there is a £0.425 million over achievement in the delivery of the savings plan in 2011/12. This is not additional savings, but rather some elements of the 2012/13 savings plan being delivered ahead of schedule.

3.5 In the detailed service estimates agreed by Council in March, the approved estimated value of capital payments due in 2011/12 was £115.764 million. The latest forecast for 2011/12 capital payments is £73.129. This £42.635 million reduction is primarily a result of the rephasing of project spend from 2011/12 into future years. The key messages in relation to the capital budget and its financing are highlighted in Section 6.

4.0 Revenue Spending

4.1 At the time the service estimates were approved in March the new organisational structure was still bedding down and there remained a number of unresolved issues (similar to the debate prior to the integration of Resources functions across the authority). Whilst the majority of these issues had been resolved by Q2 there are further changes as the People Group becomes fully established and as a result of the further coordination of support functions across the authority, required to deliver the savings plans. Where agreement has been reached the changes are shown in Table 2 below in the ‘Agreed Variations’ column.

4.2 As well as the adjustment of revenue budgets in response to the restructuring there have also been a number of other changes to budgets, flowing from the Quarter 2 monitoring report and a technical adjustment to Other Services. As a result the current budget is £3.861 million lower than the original budget reported to Council in March.

4.3 The effect of the restructuring adjustments and other changes on the budget for individual service areas is shown in Table 2. The remainder of the section highlights the key areas of under/overspending.

Table 2: 2011/12 Revenue Budget – Summary of Agreed and Projected Changes						
App.	Group/ Service	Budget as at Q2 £'000	Agreed Variations £'000	Revised Budget £'000	Variation £'000	Variation %
	People Group					
A	Safeguarding	33,919	(110)	33,809	150	0.4
B	Personal Care Co-ordination	94,043	(189)	93,854	(1,352)	-1.4
C	Business Manager	22,692	(382)	22,310	(1,556)	-7.0
D	Strategic Commissioning	42,263	(25,754)	16,509	(712)	-4.3
E	Early Intervention and Family Support	21,266	(13)	21,253	(1,833)	-8.6
F	Learning and Achievement	39,885	26,978	66,863	4,577	6.8
	Resources Group					
G	Customer Service	9,329	(43)	9,286	(50)	-0.5
H	Finance	5,382	671	6,053	(24)	-0.4
I	Human Resources & Organisational Development	4,690	(32)	4,658	(129)	-2.8
J	Information Assets	6,619	23	6,642	(35)	-0.5
K	Law and Governance	1,388	(3)	1,385	(582)	-42.0
L	Physical Assets	18,621	(2,401)	16,220	(146)	-0.9
M	Service Improvement and Change Management	1,976	24	2,000	(245)	-12.3
	Communities Group					
N	Sustainable Communities	20,291	839	21,130	(916)	-4.3
O	Localities and Community Safety	10,624	595	11,219	133	1.2
P	Transport and Highways	27,393	345	27,738	(2,937)	-10.6
Q	Public Health	134	0	134	0	0.0
R	**Fire and Rescue**	19,605	245	19,850	140	0.7
S	**Other Services**	(37,961)	(4,654)	(42,615)	410	-1.0
	Total	**342,159**	**(3,861)**	**338,298**	**(5,108)**	**-1.5**

Note: There may be rounding differences

4.4 The most significant areas of underspending are in relation to:

- **Adult Social Care** – The forecast under spend should be viewed with a degree of caution as the service is in the early days of delivering its transformation programme. Although the trend from previous quarters remains unchanged it remains a risk as to whether any of the changed activity reflects the risk that frontline staff reductions have led to backlogs which have 'bottlenecked' expenditure and increased the risk of unmet need. However, other reasons contributing to the under spend include the delivery of significant savings which at an overall level appear to be meeting or exceeding targets. It is also proposed that reviewing capacity is commissioned to assist with progressing reviewing backlogs, and that residential care redundancy costs will be covered in-year by the revenue budget.

- **Early Intervention and Family Support** - This under spend is due to the achievement of savings within the Youth Service being made ahead of future savings targets.

- **Learning and Achievement –** This overspend largely relates to DSG expenditure, mainly one-off allocations agreed by the Schools Forum.

- **Law and Governance –** The forecast underspend is partly due to delayed recruitment and partly due to additional income generated by the Legal Services business unit.

- **Service Improvement and Change Management –** The forecast underspend is largely due to the Resources Group transformation programme being in its early stages.

- **Sustainable Communities –** The forecast underspend is mainly due to less recycling of green waste. This is down to a very dry summer resulting in a reduction of 1.4%, in addition, a decline in waste disposal tonnes of just over 1%.

- **Transport and Highways** – The forecast underspend is primarily (£1.2 million) due to the costs of concessionary travel, transferred from the district/borough councils on 1 April 2011, being lower than anticipated. The remainder is a result of improved performance in generating income or early delivery of savings.

5.0 NHS Section 256 Money

5.1 As part of the 2011/12 Local Government Finance Settlement the Department of Health made additional funding available, through PCTs, to local authorities for social care purposes. This non-recurrent funding totals £648 million nationally in 2011/12 and is to be transferred to local authorities, from PCTs, under a section 256 agreement.

5.2 In 2011/12 Warwickshire will receive £6.027 million from the allocations outlined above. A S256 agreement has been reached with Warwickshire PCT that details how the money will be spent. This funding, and its planned use, had been excluded from the quarterly monitoring reports to date, pending the signing of the S256 agreement. However, now the agreement has been reached the forecast spend is included in the forecasts of the relevant Heads of Service plan. The expenditure agreed with Warwickshire PCT is as follows:

- £3.163 million for reablement
- £0.441 million on residential care assessment beds
- £0.637 million for residential respite care and ‘in your place’ services
- £0.157 million for Telecare
- £1.075 million for Integrated Community Equipment service (ICES)
- £0.059 million on rapid response services
- £0.454 million for dementia care services
- £0.041 million on extra care housing

6.0 Capital Budget Update

6.1 The capital budget provides for spending on assets which have a life of more than a year. Capital spending is defined by statute and includes;

- ❖ The acquisition of land, buildings, vehicles, equipment and computer software
- ❖ The construction and improvement of buildings and roads
- ❖ The provision of capital grants to enable third parties to acquire or improve assets.

6.2 In the Quarter 2 Budget Monitoring report, approved by Cabinet on 17 November, the value of capital payments due in 2011/12 was £97.865 million with a further £118.647 million over the medium term. Since November, the total scheme cost on a number of projects has changed, including a large Developer scheme which now appears unlikely to happen. As a result, the total change in payments in 2011/12 and later years is a decrease of £12.772 million.

6.3 The reasons for the £12.772 million decrease are:

- ❖ A developer funded scheme for Stoneleigh park link road now unlikely to go ahead; a reduction of £11.811 million.
- ❖ The repayment of the Kitchen and Dining Room Improvement Grant in Learning and Achievement, which was recalled by Partnerships for Schools as it was unspent by the deadline by which expenditure had to be incurred; a reduction of £0.217 million.
- ❖ Reductions on a number of other schemes in Learning and Achievement because the funding has been transferred to the School in order for them to incur the spend as part of their devolved capital programme; a reduction of £0.651 million.
- ❖ The remainder of the decrease consists of minor changes across a number of schemes.

6.4 Financial Standing Orders require Cabinet to approve changes to schemes where the figures have a variance of more than 10% or are greater than £25,000 on any individual scheme. These schemes are included in all tables and figures within this report and are identified in the appendices, with reasons for the variations provided.

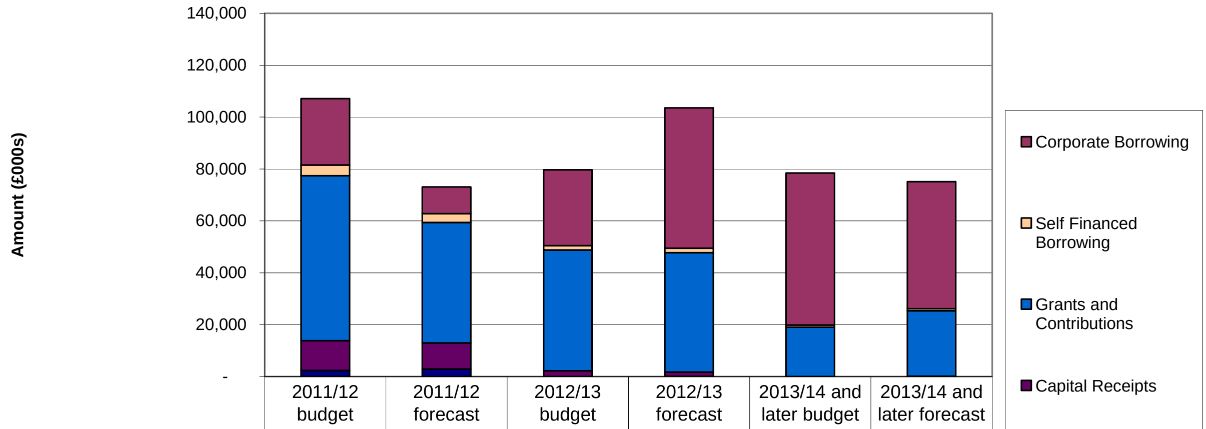
6.5 As well as approving the revised spending in the capital programme, the County Council must also ensure it has sufficient funding available to meet its capital payments in each financial year. The main sources of financing are:

- ❖ Borrowing, within the levels set by Council in February 2011
- ❖ Capital grants from government
- ❖ Third party contributions e.g. private developers
- ❖ Capital receipts from the sale of assets, and
- ❖ Service revenue budgets.

6.6 Table 3 shows how the capital expenditure shown in Appendices A to S is to be financed. These figures also include the remaining unallocated borrowing agreed in the February 2011 budget which now sits at £48.060 million over the medium term. Decisions on the use of some/all of this unallocated borrowing will form part of the 2012/13 budget to be agreed by Council in February.

6.7 Total borrowing commitments in 2011/12 and later years have reduced by £0.487 million from the £119.769 million as approved by Cabinet in November 2011. The revised estimate is £119.282 million. The variance has been caused by a reduction in the self-financed borrowing needed by Services and does not affect the level of corporate resources available to support the 2012/13 and future years' capital programme.

Table 3 Estimated Financing to 2011/12 and later years



	2011/12 budget	2011/12 forecast	2012/13 budget	2012/13 forecast	2013/14 and later budget	2013/14 and later forecast
Total	107,115	73,129	79,655	103,557	78,403	75,118
Corporate Borrowing	25,568	10,284	29,209	54,073	58,562	48,990
Self Financed Borrowing	4,090	3,445	1,620	1,771	720	720
Grants and Contributions	63,611	46,379	46,577	45,902	19,121	25,217
Capital Receipts	11,462	10,060	2,250	1,722	-	-
Revenue	2,384	2,961	-	89	-	191

6.8 After allowing for slippage and self-financing the overall level of borrowing remains within the envelope approved in February. Therefore there is no impact on the MTFP. Any rephasing of the revenue impact of the capital programme as a result in the changed profile of spending will be picked up as part of the 2012/13 budget process.

7.0 Specific Capital Issues

7.1 Members are asked in this report to re-approve the capital programme, including the detailed variations which are contained within the appendices. This section of the report highlights issues which Members may wish to consider individually;

7.2 **Slippage:** Slippage in 2011/12 capital spend of some £42 million has been reported since the budget was set by Council in February, including £25 million at this quarter alone. As a percentage of the original estimate, slippage is spread relatively consistently across each service. However, due to the size of their programmes, Learning and Achievement and Transport's slippage is particularly pronounced. For Transport around half of the underspend in 2011/12 relates to developer schemes which are not proceeding at present; and mobilisation of the new highway maintenance contract in May 2011 has also a lead-in time to the undertaking of capital works. Ensuring that the capital programme for 2012/13 onwards is realistic and deliverable will be a key priority in the budget setting process.

7.3 **Smallholdings Maintenance:** In order to fund Nitrate Vulnerable Zone works, and essential maintenance work at Poplars Farm, the budget for smallholdings maintenance was reduced in previous quarters, pending the identification of alternative funding. Physical Assets have identified slippage of £0.187 million in their non-schools maintenance programme which they request approval to transfer to Smallholdings. Further details are provided in Appendix L.

7.4 **In-Vessel Composting for Schools:** Sustainable Communities are requesting approval to reallocate the unspent capital funds currently programmed for installing the last in-vessel composter unit in a school to one of the Household Waste Recycling Centres (HWRC). Further details are provided in Appendix N.

7.5 **Rationalisation of the Council's Property:** Customer Services and Physical Assets are requesting a £0.321 million virement from the Customer Services budget for One Stop Shops to the Rationalisation of the Council's Property budget within Physical Assets. This is to contribute to work led by Physical Assets on Shire Hall Library. Further details are provided in Appendices L and G.

7.6 **Repayment of Self Financed Borrowing:** Transport are proposing to use a revenue surplus of £0.400 million on Civil Parking Enforcement (CPE) to repay early self-financed borrowing used to install CPE. This will reduce the Council's outstanding debt and decrease the annual revenue charge made to Transport to service the element relating to CPE.

7.7 Fire and Rescue are also planning to use a small underspend of £0.031million on their equipment replacement capital budgets to reduce their self financed borrowing for vehicle replacement. As above, this will reduce outstanding debt, and the annual revenue charge to Fire and Rescue.

8.0 Commentary from Strategic Directors

8.1 The forecast financial performance at the third quarter shows a lowering of both forecast revenue and capital expenditure since Quarter 2. This forecast underspend is additional to the delivery of the savings plan, which remains on track.

8.2 In many ways this is not wholly unexpected. Service managers have recognised the difficult financial environmental within which the authority is working and the necessity for their savings plans to be delivered. This has meant that many managers have been cautious in their revenue spending as they attempt to achieve both this years and next years savings as soon as possible. As savings are delivered and the environment becomes more certain it is not expected that this underspend will continue to increase at the same rate to end of the year.

8.3 However, the level of slippage in the capital programme, some £24 million at Q3 in addition to £18 million reported previously, is of greater concern. Cabinet have already identified the process for agreeing and delivering the capital programme as an area in need of review and this will undertaken alongside the development of the 2012/13 to 2014/15 Medium Term Financial Plan.

8.4 Despite a positive picture overall there remain a number of specific issues that Strategic Directors wish to bring to Members attention.

8.5 The Strategic Director for Resources draws members' attention to the position relating to the Physical Assets Service as detailed in Appendix L. Proposals for revenue and capital spending to enable the overall savings plan to be delivered will be considered by the Council in February 2012.

9.0 Impact on Reserves

9.1 At the start of 2011/12 our reserves were £70,689 million. Over the current financial year our reserves are forecast to increase to £75,181 million by 31 March 2012. Details are shown in Table 4.

Table 4: Reserves Projection

Reserve	In-Hand/ (Overdrawn) 1 April 2011 £'000	Previously Approved Changes £'000	Additional Contribution/ (Use) Requested £'000	Effect of Forecast Outturn £'000	Estimated In-Hand/ (Overdrawn) 31 Mar 2012 £'000
General Reserves	12,466	(1,048)	1,300	1,919	14,637
Insurance Fund	10,977	0	-	0	10,977
Service Realignment Fund (1)	5,398	3,515	-	0	8,913
Capital Fund (2)	181	(0.113)	-	0	68
Virtual bank	(573)	275	-	0	(298)
Earmarked – Schools	27,573	0	-	(10,410)	17,163
Earmarked – Non-Schools	10,593	(2,544)	3,898	312	12,259
Service Savings	4,074	(0.702)	-	8.090	11.462
Total	**70,689**	**(0.616)**	**5,198**	**(90)**	**75,181**

Notes:
1. The Service Realignment Fund is for meeting the upfront costs of realigning the services of the County Council in response to future resource projections.
2. The capital fund is used to help fund capital expenditure as required.
3. The table may not sum due to rounding differences

9.2 Members are asked to agree to the following changes to reserves that have been requested by services based on their current projected position. The net effect being a one-off transfer to reserves of £5,198 million in 2011/12.
- ❖ The transfer of £0.025 million from the Physical Assets Service Area to the Catering Equalization Fund Reserve.
- ❖ £3.873 million to be transferred to the adult social care modernisation reserve to cover future costs (see 5.3 above), and
- ❖ £1.300 million to be transferred to general reserves (see 5.3 above).

9.3 The quarter 3 forecast position for adult social care presents the facility to create revenue reserves to assist with managing the financial position of social care services and the local authority overall. £1.300m is proposed to be transferred to general reserves and £3.873 million is proposed to be transferred to the adult social care modernisation reserve to cover future costs and risk as follows:

- ❖ Future redundancy costs (particularly in day services and also potentially in residential care).
- ❖ Potential future capital costs, for example in relation to systems development and extra care development.
- ❖ The one-off costs of service transformation, such as project costs and double running costs.
- ❖ Management, on a temporary basis, of the risk of difficulties in nursing home and residential care home markets.
- ❖ The risk of slippage in savings plans – in particular in relation to care homes sale/closure, learning disability day service reviews, learning disability moves to supported living, demographic pressures, winter pressures, and risks around the Section 256 transfer from health in 2012/13.
- ❖ Changes in health market commissioning – for example reductions in hospital bed numbers transferring the need to provide services in the community, changes in hospital discharge practice and pressure to contribute towards balancing the PCT budget deficit, and
- ❖ Prevention of any backlog pressures rebounding on the overall financial stability of the service in future.

9.4 Reserves are held in accordance with the Council's reserves policy. Overdrawn reserves (except Virtual Bank, Fire Pensions and the Schools IT loan reserves) are a first call on 2012/13 budgets. Meanwhile, any service reserves that are overdrawn in the current year are effectively a temporary call on General Reserves until they are repaid.

9.5 General reserves are projected to be at £14.637 million by the end of the year. Any need for additional reserves or if there are any reserves available to be used will be considered as part of the 2012/13 budget process. This will include the Head of Finance updating the risk assessment of the minimum adequate level of general reserves it is appropriate for the authority to hold.

10.0 Impact on the Medium Term Financial Plan

10.1 As the reports to Cabinet in December titled "2012/13 Revenue Budget and Medium Term Financial Framework' and '2012/13 to 2014/15 Capital Programme' showed the MTFP includes a balanced budget for 2012/13. However, potentially £11.6 million of the budget in 2014/15 would be funded on a one-off basis, using resources generated in previous years. Therefore without any other changes in assumptions or information the starting point for 2015/16 would be the delivery of a significant level of further savings.

10.2 The revenue underspends being reported here provide the authority with increased flexibility and potentially time to deliver savings but as one-off resources are not an alternative to the delivery of the agreed savings plan.

10.3 The need to focus on delivering the full savings plan contained in the MTFP remains unchanged. Any individual underspends or accelerated savings are welcome, but they should not detract from the need to deliver the savings programme.

10.4 There is nothing within the finance elements of this monitoring report that suggests the MTFP position has significantly changed. The report has highlighted a number of areas where difficult decisions are still needed and concerns about the pace of progress exist. The additional issues for Members as we look to roll forward of the existing MTFP remain the same as in Quarter 2:

- ❖ Capital financing costs and the phasing/deliverability of schemes in the indicative capital programme.

- ❖ The delivery of the savings plans, any rephasing necessary in light of the performance to date, for example around property rationalisation.

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