

MEETING:	CABINET
DATE:	5 APRIL 2012
TITLE OF REPORT:	BUDGET MONITORING REPORT 2011/2012
PORTFOLIO AREA:	CORPORATE SERVICES AND EDUCATION

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To report the forecast financial position for both revenue and capital to 29 February 2012.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT:

- (a) **the report and the forecast deficit position be noted; and**
- (b) **the Chief Executive's requirement that Directors deliver recovery plans to ensure a balanced revenue budget be noted;**

Key Points Summary

- As at 29 February 2012 the overall revenue budget position for 2011/12 shows a £634k projected overspend, which is approximately 0.4% of the council's £146.3m revenue budget (excluding Dedicated Schools Grant funding). Any potential overspend will put pressure on the council's reserves.

Alternative Options

- 1 There are no Alternative Options

Reasons for Recommendations

- 2 To keep Cabinet informed about the projected revenue and capital out-turn position for 2011/12 including Treasury Management activities.

Introduction and Background

- 3 Cabinet receives regular budget monitoring reports. The last report was presented to Cabinet on 15 December 2011, which included the revenue and capital projected out-turn as at October 2011.

Key Considerations

1. Appendix A includes the detailed revenue budget monitoring report. As previously reported, the key area of concern continues to be the People's Services Directorate, with a projected £4.6m overspend. The major area of overspend within People's Services is commissioning of adult services, where there is an underlying overspend position and continuing demographic pressures.
2. The council's overall financial performance has a direct bearing on the level of reserves balance at year end, as any overspend on the revenue account would be funded from this source.
3. A detailed review of "central" budgets has identified areas where a contribution can be made to offset directorate pressures. These are as follows:

	£,000
Redundancy capitalisation	520
Contract savings	641
Inflation savings	283
Waste disposal contingency	395
Unallocated contingency budget	213
Other central budgets	70
Procurement	(1,683)
Projected underspend	439

The projected savings from procurement activity within centrally held budgets have been re-phased and carried forward to 2012/13 due to the timing of the realisation of benefits. It should be noted this area has made a contribution to activity reflected in directorate budgets.

4. The report reflects an updated position as of end February 2012. It is appropriate that the key risks going forward are confirmed if the council is to deliver a balanced position without using general or specific reserves
 - a. The Adult Social Care position now assumes that £1m of the recovery plan will not be delivered.
 - b. The savings associated with the commercial strategy have been rephased as per previous discussions at Leadership Team.
5. The leadership team has worked to work to deliver financial balance for the council for 2011/12. This has been necessary to ensure the flexibility afforded by the general fund and financial support from specific reserves continues.

6. Appendix B includes the position on the capital programme for 2011/12, which is a forecast out-turn spend of £58.7m.
7. As previously reported, the overall revenue position is mitigated by savings on borrowing and investments. The Treasury Management projected out-turn is an underspend of £1.07m on borrowing costs and £229k on interest received. The savings on the cost of borrowing are due to slippage on the capital programme, lower borrowing rates than forecast and the timing of taking out loans. The treasury management function has worked to ensure this critical area continues to make decisions about refinancing and timing of borrowing that assist the overall financial position. Additional interest earned is due to both higher cash balances and improved returns through investing in longer term deposits at the beginning of the financial year. In accordance with accounting policy and to support the overall revenue position the council intends capitalising interest costs totalling around £100,000 and this figure has increased the forecast surplus at the end of the year. Appendix C includes a detailed analysis.

Community Impact

8. Not applicable.

Financial Implications

9. These are contained in the report.

Risk Management

10. Effective financial reports, used to facilitate robust budget monitoring are an essential element in the management of risks and the delivery of the council's and Herefordshire Partnership's priorities.

Legal Implications

11. None.

Alternative Options

- There are no Alternative Options.

Appendices

Appendix A – Revenue Budget Monitoring

Appendix B – Capital Monitoring

Appendix C – Treasury Management