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| MEETING: | CABINET– Cllr Anthony Johnson |
| MEETING DATE: | 19 DECEMBER 2013 |
| TITLE OF REPORT: | BUDGET MONITORING REPORT – OCTOBER 2013 |
| REPORT BY: | CHIEF OFFICER – FINANCE |

1. Classification

Open

2. Key Decision

This is not a key decision

3. Wards Affected

County-wide

4. Purpose

To provide Cabinet with assurance on the robustness of budgetary control and monitoring across the Council, to highlight key financial risks within directorates and identify mitigation to bring the authority within its overall approved budget.

5. Recommendations

THAT:

- (a) Cabinet notes the projected overspend of £2.5m for 2013/14, an improvement on the September position of £0.8m, the potential impact on reserves and the 2014/15 budget; and
- (b) Cabinet supports the continuing action by Directors to identify further financial savings to mitigate the impact; and

6. Alternative Options

6.1 There are no alternative options that do not radically affect the provision of services.

7. Reasons for Recommendations

7.1 The council continues to forecast an overspend for the year, at October approximately £2.5m or 1.6% of its net budget, compared to £3.3m in September. The overall position has

been mitigated by additional funding from central government to support small business rate relief.

- 7.2 The key pressure continues to be Adults Wellbeing; either savings slipping or not being able to be delivered and pressures from the Department of Health.
- 7.3 The council has a limited level of general reserves; to such an extent that any overspend in year would need to be recovered in 2014/15.
- 7.4 Local authorities are not legally permitted to borrow to support revenue overspends and the low level of general reserves put this position at risk unless urgent action is taken. Additional action is therefore recommended, to bring forward additional savings proposals from across the council, to minimise the potential overspend.

8. Key Considerations

- 8.1 This report sets out the reasons for the major variances and actions taken to date. Moving forward the Council will need to radically change its approach to delivering services in order to deliver essential services within the available funding

| Service | Budget Exp. | Budget (Income) | Net Budget | October Forecast Outturn | Projected (Over)/ under spend |
|--|----------------|------------------|----------------|--------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adults Wellbeing | 69,701 | (15,414) | 54,287 | 58,172 | (3,885) |
| Childrens Wellbeing | 43,145 | (14,657) | 28,488 | 28,308 | 180 |
| Economy, Communities and Corporate | 111,814 | (67,452) | 44,362 | 44,357 | 5 |
| Chief Executive and Organisational Development | 8,058 | (707) | 7,351 | 7,293 | 58 |
| Public Health | 7,896 | (7,753) | 143 | (119) | 262 |
| Total Directorates | 240,614 | (105,983) | 134,631 | 138,011 | (3,380) |
| Treasury Management | 15,239 | (259) | 14,980 | 14,920 | 60 |
| Change management* | 1,800 | | 1,800 | 1,800 | 0 |
| Government grants | | (3,534) | (3,534) | (4,634) | 1,100 |
| Contingency | 773 | | 773 | 773 | 0 |
| Other central budgets | 280 | (634) | (354) | (119) | (235) |
| Transfer to general balances | 2,000 | | 2,000 | 2,000 | 0 |
| Total Budget | 260,706 | (110,410) | 150,296 | 152,751 | (2,455) |

*Total budget for severance costs is £2m, with £200k within Directorate budgets

8.3 The Adults over spend of **£3.9m** comprises:

| | Sept | Oct |
|--|--------------|------------|
| | £m | £m |
| ▪ Savings scheme slippage | 3.2 | 3.2 |
| ▪ Department of Health Funding Pressures | 0.5 | 0.5 |
| ▪ Other* | <u>(0.3)</u> | <u>0.2</u> |
| | 3.4 | 3.9 |

* The movement relates to an increased number of client packages.

8.4 The Children's Wellbeing position has improved by £219k since September, which is mostly attributable to reduced home to school transport costs and staffing reductions.

8.5 Included in the 2013/14 budget is a target of £300k to be achieved through procurement projects, including printing, stationery, cash collection and mail services. Whilst savings of £65k are anticipated, the remaining £235k will not be delivered and this pressure is reported within central budgets.

8.6 Further detail is included in the Directorate Control meeting reports in appendices A to E.

8.7 The council has been notified of additional one-off funding by central government to cover the cost of the extended Small Business Rate Relief scheme, which ends in March 2014. The final figure will not be confirmed until Summer 2014 when the council's accounts are agreed, but is estimated to be in the region of £1.1m. This has been the first year the council has included business rate income as part of its budget, replacing government grant, therefore a prudent approach has been taken in producing previous forecasts as any re-valuations or collection default is now the council's responsibility. However a review of Business Rate or National Non-Domestic Rates collected by the council shows that original estimates are on target allowing the business rate relief scheme grant to be shown in the forecast.

8.8 Appendix F includes the position on the capital programme for 2013/14. It shows that the projected capital out-turn is £51.2m funded from capital grants (£31.2m), borrowing (£16.7m) and capital receipts (£3.3m).

8.9 The Treasury Management position is projected to underspend by £60k in 2013/14. Appendix G includes a detailed analysis.

8.10 Estimated Reserve Level 31.3.14

| Reserves | Actual Reserves 31.3.13 £m | Estimated level 31.3.14 £m |
|--|---|---|
| Prudential/minimum acceptable balance* | 4.5 | 4.5 |
| General reserves | 0.1 | 0.1 |
| Provision for risks around the budget | 0.0 | 2.0 |
| Potential overspend in 2013/14 | 0.0 | (2.5) |
| Earmarked reserves | 8.5 | 7.2 |
| Council reserves | 13.1 | 11.3 |
| Schools balances – not available for council | 5.5 | 5.3 |
| Total reserves | 18.6 | 16.6 |

* Each authority's S151 Officer must determine a minimum acceptable working balance which recognises potential unforeseen/unbudgeted financial risks e.g. flooding, natural disaster or unforeseen litigation. In Herefordshire this has been assessed and approved by the External Auditor as 3% of the net revenue budget. If used it must be replenished the following financial year.

- The reserves include an estimated £5.3m of schools balances, which are not available for general use, and £7.2m of earmarked reserves e.g. £2.6m waste disposal reserve.
- The 13/14 budget included an additional £2m to increase reserve levels, this has now been set aside for unbudgeted costs, including pending court cases. If these do not transpire this will reduce the level of overspend or be used for its original intention to top-up general fund balances
- The overall level of reserves at 31.3.13 of £18.6m is sometimes referred to. However £5.5m relates to school balances and cannot be used by the council, £4.5m is its minimum balance that it must not plan to use to balance its budget and £8.5m are earmarked against specific commitments, leaving only £0.1m available for use.

9. Community Impact

9.1 Savings measures may impact on the community but will be subject to consultation before implementation.

10. Equality and Human Rights

The recommendations do not have a direct equality implication, however, resulting actions will need to consider these.

11. Financial Implications

11.1 These are contained within the report.

12. Legal Implications

- 12.1 The Local Government Finance Act 1988 makes it a legal requirement that the council's expenditure (and proposed expenditure) in each financial year must not exceed the resources (including sums borrowed) available to the authority. If this principle is likely to be breached, the Chief Financial Officer is under a statutory duty to make a formal Report to Members.

13. Risk Management

- 13.1 Monthly budget control meetings are chaired by the Chief Officer Finance to give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures on the council's overall position.

14. Consultees

- 14.1 None

15. Appendices

- 15.1 Appendix A – Month by month comparison
Appendix B – Adults Wellbeing Budget Control meeting
Appendix C – Childrens Wellbeing Budget Control meeting
Appendix D – Economies, Communities and Corporate Budget Control meeting
Appendix E – Chief Executive and Organisational Development Budget Control meeting
Appendix F – Public Health Budget Control meeting
Appendix G – Capital Monitoring
Appendix H – Treasury Management

16. Background Papers

- 16.1 None identified.