

<b>MEETING:</b>	<b>Cabinet</b>
<b>MEETING DATE:</b>	<b>18 December 2014</b>
<b>TITLE OF REPORT:</b>	<b>Budget monitoring report – October 2014</b>
<b>REPORT BY:</b>	<b>Chief financial officer</b>

## **Classification**

Open

## **Key Decision**

This is not a key decision

## **Wards Affected**

Countywide

## **Purpose**

To provide Cabinet with an updated position on the projected outturn for 2014/15.

## **Recommendation(s)**

**THAT:**

- (a) Cabinet notes the council is projected to spend within its budget for this financial year;**
- (b) Cabinet notes the capital and treasury projected outturns;**
- (c) The bad debt written off to date in 2014/15 be noted; and**
- (d) Cabinet agrees the virement of 2014/15 revenue and capital budgets to meet in year pressures within council directorates;**
- (e) Cabinet notes the performance to achieve 2014/15 and future savings plans;**

## **Alternative Options**

- 1 There are no alternative options.

## Reasons for Recommendations

- 2 The forecast outturn for the year, based on spend to the end of October 2014, is a break-even position.

## Key Considerations

### Revenue Outturn

- 3 This report sets out the forecast outturn position based on information as at the end of October 2014. Monitoring indicates a similar position to the August position reported to Cabinet on 9 October 2014 with directorate pressures in adult and children's wellbeing mitigated by under-spends in corporate budgets. The conclusion is the same, the council will spend within its overall budget.
- 4 The council budget includes £1.6m set aside for the 2013/14 anticipated overspend that could be used if other unforeseen items occur that otherwise will be used to increase reserve levels. This has not been used in the forecast to mitigate pressures.

Service	Budget expenditure	Budget (income)	Net budget	October forecast outturn	Projected Over/ (under) spend
	£000	£000	£000	£000	£000
Adult and wellbeing	78,314	(22,908)	55,406	56,380	974
Children's wellbeing	43,349	(21,698)	21,651	22,123	472
Economy, communities and corporate	125,014	(71,503)	53,511	53,269	(242)
<b>Directorate total</b>	<b>246,677</b>	<b>(116,109)</b>	<b>130,568</b>	<b>131,772</b>	<b>1,204</b>
Treasury management	16,060	(180)	15,880	15,250	(630)
Other budgets and reserves	6,714	(7,027)	(313)	(1,313)	(1,000)
<b>Total</b>	<b>269,451</b>	<b>(123,316)</b>	<b>146,135</b>	<b>145,709</b>	<b>(426)</b>

### Adult and wellbeing

- 5 The latest forecast predicts an overspend against budget of £974k at the year end. This compares to a forecast overspend of £962k that was previously reported to Cabinet.

- 6 The forecast overspend within adult social care client groups has continued to increase particularly in residential and nursing as a result of pressures in the hospital system. This has been partially offset by a continued reduction in the forecast spend on domiciliary care.
- 7 The client forecast assumes that any further demand pressures will be managed and that new services such as reablement and telecare that were introduced in July and are fully operational from November, will have an impact on managing growth. This continues to be monitored within the operational teams, by the adult and wellbeing (AWB) panel and senior management.

### **Children's wellbeing**

- 8 The latest forecast predicts an overspend against budget of £472k at the year end, this is an improvement of £12k since August.
- 9 Continuing cost pressure of children in care and the agency staff costs means that mitigating savings have stopped any further overspend.
- 10 There continue to be no new residential placements. However, there is little spare capacity within the council's in-house fostering service and therefore despite significant efforts to reduce the use of independent foster agency placements there has been an increase of seven placements with independent fostering agencies since August costing an additional £139k. The Herefordshire Intensive Placement Support Service has now been commissioned, with a specific remit to reduce costs and improve outcomes in this area of the children's system.
- 11 The first cohort of newly qualified social workers have completed their initial 12 months and have now moved in to posts. The commitment to keep caseloads at a manageable level has meant that there is still a significant reliance on long term agency staff with a number of them being extended until the end of the financial year. However, recruitment of permanent staff continues and a new regional approach to agency recruitment is anticipated to commence in January.

### **Economy, communities and corporate**

- 12 The projected underspend is £242k, a minor improvement from the August position of £17k.
- 13 There have been 14 major planning applications leading to £747k in fees in excess of the income budget, an increase of £237k from the August position.
- 14 There is a net revenue pressure in relation to interpretation costs for the Master's House of £174k. This expenditure is required to meet grant conditions of the Heritage Lottery Fund for this project.
- 15 Outstanding insurance liabilities have been externally re-assessed, they have recommended increasing the amount we set aside in our insurance reserve. This, as well as associated costs with the re-tender of the contract, gives an overspend of £250k. This has been built into the 2015/16 base budget. There are risks on property maintenance budgets which will be managed within the overall directorate budget.

## Savings Performance Monitoring

- 16 In addition to managing the overall budget, directorate's review their savings plans to ensure any slippage is addressed and if appropriate alternatives are put in place. As part of good practice a summary of the monitoring is now being included in budget monitoring reports. This also shows anticipated performance against future year's savings plans, the report is attached as appendix E.

## Treasury management

- 17 The treasury management budget is forecast to underspend by £630k this year as a result of deferring the take up of longer term prudential borrowing and obtaining short term loans at a lower interest rate. The budget includes provision for taking £10m in longer term loans that has been deferred so far this year and may slip into next year, which would result in a further underspend, further detail is provided in appendix C.

## Other budgets and reserves

- 18 We set aside earmarked reserves and contingency budgets for in year pressures. Of the £2m change management budget, we are forecasting a £1m underspend due to less than forecast redundancy costs falling in year. The revenue contingency budget of £700k was allocated for additional grass cutting, Colwall Primary School's temporary accommodation and adults transitions in the October Cabinet report.
- 19 We estimate general reserves to increase to £5.5m at year end, £1.1m above the minimum balance, equivalent to 3% of the net budget requirement (£4.4m). This gives us more resilience going into the new financial year where significant budget reductions are planned. A summary of estimated year end reserves is set out below:

	<b>31 March 2014</b>	<b>Transfer in(out) 2014/15</b>	<b>Estimate 31 March 2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General reserve	5,053	4,006	9,059
<b>Earmarked</b>			
School balances	6,345	(845)	5,500
Waste disposal	2,407	(550)	1,857
Risk mitigation	3,500	(800)	2,700
Business rate smoothing	1,000	-	1,000
Other smaller reserves < £1m	4,909	(2,139)	2,770
Severe weather grant	2,120	(2,120)	0

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Further information on the subject of this report is available from  
Peter Robinson, chief financial officer on Tel (01432) 383519

Other unused grants carried forward	3,662	(1,703)	1,959
<b>Total</b>	<b>28,996</b>	<b>(4,151)</b>	<b>24,845</b>

## Capital

20 It is forecast that capital spending will be £95m for 2014/15, £8m higher than originally budgeted.

21 The addition since the last report is £0.8m in relation to corporate accommodation capital spend funded by prudential borrowing which is financed from additional vacated properties and maintenance budget savings associated with the corporate accommodation strategy.

Further detail is provided in appendix B.

## Community Impact

22 None

## Equality and Human Rights

23 The recommendations do not have any equality implications.

## Financial Implications

24 These are contained within the report.

## Legal Implications

25 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.

## Risk Management

26 Monthly reporting gives the chief finance officer assurance on the robustness of budget control and monitoring, highlighting key risks and identifying any mitigation to reduce the impact of pressures on the council's overall position.

## Consultees

27 The Audit and Governance Working Party were consulted on a draft version of the savings monitoring report (Appendix E) as part of its ongoing work following the PIDA report.

From a governance perspective they were positive about the improvements the report brings to the reporting of savings monitoring to members and welcome that the external auditor's recommendation to do so has been actioned. It was felt the report gave clear information and was noted that future reports will make comparisons with previous data to highlight any developing trends.

It was noted that, internally, savings monitoring is a monthly exercise which gives assurance that areas of concern could be reported to cabinet more frequently than quarterly if required.

Following discussions about the content of the report it was agreed that good practice would be to include hyperlinks within the report to allow members access to further details about areas of concern.

## **Appendices**

Appendix A - Revenue forecast

Appendix B - Capital forecast

Appendix C - Treasury forecast

Appendix D - Bad debt written off to date in 2014/15

Appendix E - Performance of savings plans 2014/15

## **Background Papers**

None identified.