

MEETING:	CABINET
DATE:	16 SEPTEMBER 2010
TITLE OF REPORT:	BUDGET MONITORING REPORT 2010/11
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To report the forecast financial position for both revenue and capital to 31st March 2011 and provide an update on Directorates' recovery plans instigated to address projected overspends.

The report also provides information on treasury management activities in the first four months of 2010/11.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet

- a) **Note the report and the forecast deficit position of £1.9 million; and**
- b) **Note the Chief Executive's requirement that Directors deliver recovery plans to ensure a balanced revenue budget.**

Key Points Summary

- As of the end of July the overall revenue budget position for 2010/11 shows a projected £1.9m overspend. This is approximately 1.4% of the Council's £143m million revenue budget (excluding Dedicated Schools Grant funding).
- The forecast capital outturn has decreased from the original budget position by £0.2m to £77.7m.
- Virements exceeding £140k are highlighted throughout the documents.

Alternative Options

- 1 There are no alternative options.

Reasons for Recommendations

- 2 To ensure Cabinet is informed of the forecast outturn and receive assurance that officers take appropriate action as necessary to ensure a balanced outturn position is delivered. To ensure there is the appropriate use of virements to fund the revenue deficits and the reprofiling of capital funding where schemes have slipped into 2011/12.
- 3 To ensure that Cabinet is kept informed of treasury management activities in accordance with CIPFAs recommended best practice.

Introduction and Background

- 4 The Council's revenue and capital position is reported to Cabinet quarterly throughout the year. (The first report of the year uses the July position to extrapolate a forecast position) The information provides an indication of the Council's performance against budgets.
- 5 CIPFA best practice recommends Members are informed of Treasury Management activities on a regular basis and as a result Cabinet receives an update every quarter. Treasury management is a key activity for the council and given concerns about financial markets in the recent past it is important that Cabinet remains aware of performance.

Key Considerations

- 6 Appendix A includes the detailed revenue budget monitoring report. The key areas of concern are Integrated Commissioning Directorate, with a projected £2.3m overspend and the Children and Young People's Directorate, with a £0.5m projected overspend.
- 7 Both directorates have produced recovery plans and Cabinet should note the actions detailed in Appendix A which will continue to be effectively monitored over the coming months. The delivery of the recovery plan is essential to mitigate the effect of the overspends rolling into in 2011/12. This is more pressing than at any previous times given the likely reduction in funding to be announced in October's Comprehensive Spending Review.
- 8 The Council's overall financial performance has a direct bearing on the level of reserve balance at year end as any overspend on the revenue account would be funded from this source.
- 9 For Integrated Commissioning, their 2009/10 deficit outturn and the full year impact of placements meant a starting budget shortfall of £3.7m, which has in part (£2.2m) been mitigated by central budgets. The Directorate has an ongoing recovery plan of £1.9m to meet 2009/10 shortfalls, and in addition is establishing what further measures are required to balance the £2.3m current year overspend.
- 10 The capital programme budget monitoring is provided at Appendix B. The forecast outturn has decreased by £0.2m to £77.7m. Where possible, use of time limited grants will be maximised before other more flexible resources.
- 11 Appendix C is the quarterly update on treasury management, which ensures the Council is following best practice in accordance with CIPFA's recommendations. Maximising investment interest and rescheduling loans, should see the delivery of £800k above budget, to assist the financial concerns highlighted in Appendix A. This sum is included in the mitigations of the overall revenue position.

Community Impact

12 Not applicable.

Financial Implications

13 These are contained in the report.

Legal Implications

14 None.

Risk Management

15 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.

Consultees

15 None.

Appendices

- Appendix A – Revenue Budget Monitoring
- Appendix B – Capital Programme
- Appendix C – Treasury Management Update

Background Papers

- None identified.