

<b>MEETING:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>25 NOVEMBER 2010</b>
<b>TITLE OF REPORT:</b>	<b>BUDGET MONITORING REPORT 2010/11</b>
<b>PORTFOLIO AREA:</b>	<b>RESOURCES</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide.

### **Purpose**

To report the forecast financial position for both revenue and capital to 31 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 six months of 2010/11.

The report also includes the number and amounts written off for individual debts exceeding £1,000 covering the period 1 April 2010 to 30 September 2010.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT**

- a) the report and the forecast deficit position of £2.4m be noted;**
- b) the Chief Executive's requirement that Directors deliver recovery plans to support delivery of balanced revenue budget be noted; and**
- c) it be noted that 66 debts totalling £185k be written off.**

### **Key Points Summary**

- As of the end of September the overall revenue budget position for 2010/11 shows a projected £2.4m overspend. This is approximately 1.7% of the Council's £143m revenue budget (excluding Dedicated Schools Grant funding).

- The forecast capital outturn has decreased from the original budget position by £3.1m to £74.6m, due to slippage on schemes.
- 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.
- 3 To demonstrate there is the appropriate use of virements to fund the revenue deficits and the re-profiling of capital funding where schemes have slipped into 2011/12.
- 4 To ensure that Cabinet is kept informed of treasury management activities in accordance with CIPFAs recommended best practice.

## **Introduction and Background**

- 5 The Council's revenue and capital position is reported to Cabinet quarterly throughout the year. The information provides an indication of the Council's performance against budgets.
- 6 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**

- 7 Appendix A includes the detailed revenue budget monitoring report. The key areas of concern are Integrated Commissioning Directorate, with a projected £3.8m overspend and the Children and Young People's Directorate, with a £1.1m projected overspend.
- 8 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 recovery plans is essential to mitigate the effect of the overspend rolling into 2011/12. This is more pressing than at any previous time given initial analysis of the Comprehensive Spending Review and its impact on future years funding.
- 9 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.
- 10 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 £2.0m to meet 2009/10 shortfalls and, in addition, is establishing what further measures are required to balance the current year overspend.
- 11 The capital programme budget monitoring is provided at Appendix B. The forecast outturn has decreased by £3.1m to £74.6m. Where possible, use of time limited grants will be

maximised before other more flexible resources.

- 12 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 £1.0m above budget, to assist the financial concerns highlighted in Appendix A.
- 13 The Council's Financial Procedure Rules, require that the number and amounts written off for individual debts exceeding £1,000 is reported to Cabinet twice a year for information purposes. This information for the period 01/04/10 to 30/09/10 is detailed in appendix D.

### **Community Impact**

- 14 Not applicable.

### **Financial Implications**

- 15 These are contained in the report.

### **Legal Implications**

- 16 None.

### **Risk Management**

- 17 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**

- 18 None.

### **Appendices**

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

### **Background Papers**

- None identified.