

MEETING:	CABINET
DATE:	17 FEBRUARY 2011
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 31 March 2011 and provide an update on Directorates' recovery plans instigated to address projected overspends.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet

- (a) **Note the report and the forecast deficit position of £2.2 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 December 2010 the overall revenue budget position for 2010/11 shows a projected £2.2m overspend. This is approximately 1.5% of the Council's £143m revenue budget (excluding Dedicated Schools Grant funding).

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 is being taken 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 reprofiling 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.

Considerations

7. Appendix A includes the detailed revenue budget monitoring report. Key areas of concern continue to be Integrated Commissioning Directorate, with a projected £3.8m overspend. Children and Young People's Directorate are starting to make inroads and the deficit has reduced by £250k.
8. The delivery of these agreed recovery plans is essential to mitigate the effect of the overspends rolling into 2011/12.
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. The Integrated Commissioning Directorate has an ongoing recovery plan of £2.0m to meet its overspends and, in addition, is establishing what further measures are required to balance the current year position going into 2011/12. At this stage of the year it is unlikely to make additional savings, thus the Council must now consider how the overall deficit is managed back to a balanced position.
11. The availability of additional government funding distributed to NHH is being investigated and may be a source of further mitigation to close the gap. There is potentially over £800k to support Social Care, to be used in 2010/11. It is clear that the Integrated Commissioning position is a key financial risk.
12. The council will also use appropriate Local Public Sector Agreement (LPSA) and Area Based Grant (ABG) residual funding in 2010/11 to contribute towards financial mitigation.
13. There may be the opportunity to capitalise redundancy costs, if the expected cost exceeds £695k in the current year. A submission to Department of Community and Local Government is being made. There is a £500k redundancy reserve which would be expected to fund most costs; but the opportunity to capitalise would allow this reserve to contribute towards the forecast deficit or be rolled forward for future use. In 2011/12 the reserve will be £1m and this increase is built into the budget presented to Council on 4th February 2011.

14. The 2010/11 budget includes a £1m efficiency target. This will be covered by central savings and savings being delivered by Directorates.

Community Impact

15. Not applicable.

Financial Implications

16. These are contained in the report.

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.

Legal Implications

18. None.

Alternative Options

- There are no Alternative Options.

Appendices

Appendix A – Revenue Budget Monitoring

Appendix B – Capital Monitoring

Appendix C – Treasury Management