

MEETING:	CABINET
DATE:	15 DECEMBER 2011
TITLE OF REPORT:	BUDGET MONITORING REPORT 2011/12
PORTFOLIO AREA:	CORPORATE SERVICES AND EDUCATION

CLASSIFICATION: Open

Wards Affected

County-wide

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Purpose

To report the forecast financial position for both revenue and capital to 31st October 2011, and provide an update on directorates' financial recovery plans.

Recommendations

THAT Cabinet:

- (a) **Note the report and the forecast deficit position;**
- (b) **Note the Chief Executive's requirement that Directors deliver recovery plans to ensure a balanced revenue budget; and**
- (c) **Note that the Leadership Team have undertaken to discuss a further level of savings for 2011/12.**

Key Points Summary

- As at 31st October 2011 the overall revenue budget position for 2011/12 shows a £1.552m projected overspend. Whilst this is only approximately 1% of the council's £146.3m revenue budget (excluding Dedicated Schools Grant funding), any potential overspend will put pressure on the council's reserves.

Considerations

1. Appendix A includes the detailed revenue budget monitoring report. The key area of concern continues to be within the People's Services Directorate, with a projected £4.7m overspend. There is an underlying overspend position within commissioning of adult services and

continuing demographic pressures. A recovery plan is in place aimed at balancing the budget over a 2 year period.

2. The council's overall financial performance has a direct bearing on the level of reserves balance at year end, as any overspend on the revenue account would be funded from this source.
3. The overspend position at 31st August reported to Cabinet on 20th October was £2.75m. Following that meeting Herefordshire Public Services Leadership Team (HPSLT) has agreed additional savings and spending reductions to close the gap. These are included in the directorate forecasts in this report.
4. A detailed review of "central" budgets has identified areas where a contribution can be made. These are as follows:

	£000
Redundancy capitalisation	520
Contract savings	641
Inflation savings	283
Waste disposal contingency	350
Unallocated contingency budget	213
Other centrally held budgets	200
Less slippage on procurement savings	(1,000)
Projected underspend	1,207

5. The savings within the recovery plan agreed by HPSLT have been built into the projection. Subsequent projections indicate delivery of the adult services in-year recovery plan is now at risk. Work will continue to identify further savings and the position will be monitored closely.
6. The report reflects an updated position as of end October. It is appropriate that the key risks going forward are addressed if the council is to deliver a balanced position without using general or specific reserves.
 - a. The adult social care position now assumes that £957k of the recovery plan will not be delivered.
 - b. The savings associated with the commercial strategy have been rephased. There remains a requirement to deliver £800k of budget savings against the £1.8m target. This has been built into the target projection.
 - c. The position for domiciliary care packages is subject to a detailed review and an additional pressure may be confirmed.
7. Appendix B includes the position on the capital programme for 2011/12, which is a forecast out-turn spend of £58.6m.
8. The overall revenue position is mitigated by savings on borrowing and investments. The savings on loan charges are due to slippage on the capital programme, lower borrowing rates than forecast and the timing of taking out loans. Additional interest earned is due to both higher cash balances and improved returns through investing in longer term deposits. Appendix C sets out the treasury management position, which currently shows a projected under-spend of £830k on borrowing and £200k on investments.

Community Impact

9. Not applicable.

Financial Implications

10. These are contained in the report.

Risk Management

11. 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

12. None.

Alternative Options

- There are no Alternative Options.

Appendices

Appendix A – Revenue Budget Monitoring

Appendix B – Capital Monitoring

Appendix C – Treasury Management