

<b>MEETING:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>14 MARCH 2013</b>
<b>TITLE OF REPORT:</b>	<b>BUDGET MONITORING REPORT 2012/13</b>
<b>REPORT BY:</b>	<b>CHIEF OFFICER: FINANCE &amp; COMMERCIAL</b>

## 1. Classification

Open.

## 2. Key Decision

This is not a key decision.

## 3. Wards Affected

County-wide.

## 4. Purpose

To report the financial position for both Revenue and Capital budgets to 31 January 2013. The Treasury Management position is also included.

## 5. Recommendation(s)

**THAT Cabinet:**

- (a) notes the report and the forecast position;
- (b) notes that the Leadership Team continues to deliver a further level of savings for 2012/13 in order to minimise any impact on reserves at year end; and
- (c) notes the Treasury Management report at Appendix C.

## 6. Key Points Summary

- As at 31st January 2013 the overall revenue budget position showed a projected overspend of £3.9m by the end of the financial year, as shown in Appendix A. This is approximately 2.7% of the Council's £143.4m revenue budget. Details of spending and actions taken by Directorates are included in Appendix A.
- The general fund reserve balance as at 31st March 2012 was £6.1m. Any overspend on the revenue account at the year-end would have to be met largely from this reserve.

- At 1st April 2012 the Council held £13.5m of earmarked reserves, which are detailed in Appendix A. The specific nature of those reserves means that some are not available for reclassification as general reserves, for example the balance held for schools. However, the requirement for other reserves is being reviewed as part of the recovery plan.
- Under the current medium term financial plan, any use of reserves would need to be “paid back” as part of the 2013/14 budget.
- In addition to the revenue overview the forecast outturn spend on capital schemes is £41.9m compared to the original budget of £44m. Further details are attached in Appendix B.
- The overall position is mitigated by projected savings on borrowing and investments (£780k net).

## 7. Alternative Options

7.1 There are no alternative options, as this report is for information purposes.

## 8. Reasons for Recommendations

8.1 To keep Cabinet informed about the projected revenue and capital out-turn position for 2012/13 including Treasury Management activities.

## 9. Introduction and Background

9.1 Cabinet receives regular budget monitoring reports. The last report was presented to Cabinet on 21st February 2013, which included the revenue and capital projected out-turn as at December 2012.

## 10. Key Considerations

10.1 The projected overspend is £3.9m by the end of the financial year 2012/13. This is approximately 2.7% of the Council’s £143.4m revenue budget.

10.2 The main movements from the December projected spend of £3.8m are shown in the table below;

	£000
<b>Projected out-turn as at December</b>	(3,819)
Emergency works in relation to flood damage from September, November & December 2012 (15% Bellwin grant claim)	(356)
Adult social care – increase in backdated packages for residential and nursing placements.	(354)
Adult social care – increase in learning disability packages	(243)
Adult social care – reduction in other packages (mental health and Physical disabilities)	91

Adult social care – contract and other savings	117
Children’s commissioning – vacancy savings and use of grants	82
Reduction in discretionary spend within children’s services	47
Schools severance costs	(23)
Other changes within children’s services	66
Children’s safeguarding, including looked after children residential placements	(215)
Reduced commitment towards Public Health consultants	26
Additional capitalised interest	50
Improvement on investment income	20
Transferring Revenue funded capital to borrowing	320
West Mercia Energy – estimated distribution notified	230
Other centrally held budgets	28
<b>Projected out-turn as at January 2013</b>	<b>(3,933)</b>

- 10.3 The 2012/13 budget agreed by Council in February 2012 reflects the overall savings of £10.8m required to meet the reduced funding levels from central government and budget pressures, particularly on Adult Social Care budgets.
- 10.4 The Leadership Team continues to deliver a recovery plan including actions such as the lock-down of discretionary spend, use of unspent grants, review of reserves, reviewing use of agency staff and vacancy management. Further details of actions taken by Directorates are included in Appendix A.
- 10.5 The People’s Directorate is currently projecting a £6.8m overspend. This includes a projected overspend of £8.1m on the Adult Social Care budget. The Directorate’s overall position is assisted by savings within Children’s Services, where reductions in spend have been identified.
- 10.6 The Places & Communities Directorate is currently showing an underspend of £187k for the year. The reduction in underspend for the Directorate since the last report reflects the pressure on the highways maintenance budgets in relation to emergency works in response to flooding in September, November and December 2012.
- 10.7 The Corporate Services Directorate has reviewed its budgets and put in place actions to deliver a £1m contribution to mitigate the position.
- 10.8 The Treasury Management projected out-turn is an underspend of £850k on borrowing costs largely achieved through delaying taking out PWLB loans by utilising internal reserves and short-term borrowing from other local authorities. It also includes estimated capitalised interest on schemes over 12 months’ duration. Investment income is anticipated to underachieve by £70k as investment balances are less than budgeted due to the delay in borrowing, but the savings on borrowings exceed the reduced investment income. Appendix C includes a detailed analysis of Treasury management activities.

- 10.9 Further mitigation is from the £1m revenue contingency agreed as part of the budget. This is only available in 2012/13 as it is funded from the Council Tax Freeze Grant.
- 10.10 The general fund reserve balance as at 31st March 2012 was £6.1m. This amount is above the Council's policy of maintaining a minimum of £4.5m of general reserves as a contingency against unforeseen emergencies and events. Any overspend on the revenue account at the year-end would have to be met largely from this reserve.
- 10.11 At 1st April 2012 the Council held £13.5m of earmarked reserves, which are detailed in Appendix A. The specific nature of those reserves means that some are not available for reclassification as general reserves, for example the balance held for schools. However, the requirement for other reserves is being reviewed as part of the recovery plan.
- 10.12 In accordance with the current medium term planning assumptions, any use of reserves to balance the 2012/13 budget would need to be repaid as part of the 2013/14 budget.

## **11. Community Impact**

- 11.1 The actions being taken to reduce in-year spend are likely to have some impact on the public, including service levels and response times etc. Every effort is being made to keep this to a minimum.

## **12. Equality and Human Rights**

- 12.1 There are no specific implications in the report and recommendations.

## **13. Financial Implications**

- 13.1 These are contained within the report.

## **14. Legal Implications**

- 14.1 None.

## **15. Risk Management**

- 15.1 it is important that regular budget monitoring reports are presented to outline the financial position. This allows mitigating actions to be put in place to protect the Council's overall financial standing.

## **16. Consultees**

- 16.1 None

## **17. Appendices**

17.1 Appendix A - Revenue Budget Monitoring

17.2 Appendix B - Capital Monitoring

17.3 Appendix C - Treasury Management

## **18. Background Papers**

18.1 None identified.