

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	15 MARCH 2013
TITLE OF REPORT:	BUDGET MONITORING REPORT 2012/13
REPORT BY:	CHIEF OFFICER: FINANCE AND COMMERCIAL

1. Classification

1.1 Open.

2. Key Decision

2.1 This is not a key decision.

3. Wards Affected

3.1 County-wide.

4. Purpose

4.1 To update the Audit and Governance Committee on the financial position to 31 January 2013. The Treasury Management position is also included. As part of the Committee's work programme it receives six monthly updates on the financial position.

5. Recommendation(s)

THAT the Audit and Governance Committee notes the report and the forecast position.

6. Key Points Summary

- The report covers the position to be presented to Cabinet on 14 March 2013.
- As at 31 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 1 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 inform the Audit and Governance Committee about the projected revenue and capital out-turn position for 2012/13 including Treasury Management activities.

9. Introduction and Background

9.1 The Audit and Governance Committee receive financial position updates as part of its work programme. These enable the Committee to be aware of the overall financial position.

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
Projected out-turn as at December	(3,819)
Emergency works in relation to flood damage from September, November and 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
Projected out-turn as at January 2013	(3,933)

- 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 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.
- 10.5 The general fund reserve balance as at 31 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.
- 10.6 At 1 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.

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.