

MEETING:	CABINET – CORPORATE STRATEGY AND FINANCE
MEETING DATE:	25 JULY 2013
TITLE OF REPORT:	BUDGET MONITORING REPORT MAY 2013
REPORT BY:	CHIEF OFFICER: FINANCE & COMMERCIAL

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 May 2013. The treasury management position is also included.

5 Recommendation(s)

THAT:

- (a) Cabinet notes the projected outturn for 2013/14;
- (b) Cabinet notes the budget movements in Appendix D to be actioned for the June monitoring report; and
- (c) Cabinet approves the earmarking of the £773k revenue contingency for redundancy costs pending central government's clarification of funding options.

6 Alternative Options

6.1 There are no alternative options.

7 Reasons for Recommendations

7.1 To inform Cabinet about the projected revenue and capital out-turn position for 2013/14

including Treasury Management activities.

8 Key Considerations

8.1 The Chief Officer (Finance and Commercial) chairs monthly budget control meetings, which are set up to;

- provide assurance on the robustness of budget control and monitoring within directorates
- to highlight key risks within the directorates
- to identify any mitigation which can be achieved to reduce the impact on the overall council budget for 2013/14.

Appendix A sets out the key points for each Directorate

8.2 The report is the first indication of the Council's 2013/14 financial position and is a prudent assessment of the outturn based on only two months' activity. It uses the original budget prior to the Chief Executive's review of savings delivery and revised pressures presented to Council on 25 May 2013 where a broad indication was given of further savings to meet additional identified pressures and to replace savings at risk.

8.3 The process of updating the budget to reflect changes commenced in June when those savings that do not require Cabinet or Cabinet Member decision were implemented. The budget movements (virements) requiring member sign off will be actioned when savings proposals have been agreed.

8.4 An important principle that has been adopted is that budget will only be moved when the savings proposals have been agreed. This is because the agreement of proposals requires consideration of likely impact.

8.5 The table below shows a summary of projected out-turn as at the end of May 2013;

	Projected (over)/under £000
People's	(7,225)
Places	278
Corporate	1,677
Directorates	(5,270)
Treasury management	120
*Procurement	(1,000)
3 days unpaid leave reduced to 2 days	(119)
Overall position	(6,269)

* To be addressed through budget virements in June from additional savings schemes

8.6 This position is based on the original budget and represents a prudent view, with a cautious view taken about savings delivery. If a Cabinet decision or Cabinet Member

decision is needed the savings are “RAG” rated red until signed off. The status on savings plans is reported in Appendix A.

- 8.7 In addition to the position in paragraph 8.5 there is a potential risk around the funding of redundancies. The revenue budget for exit costs in 2013/14 was set at £2 million and a reserve of £142k was created as part of the 2012/13 closedown. At the time of the 2013/14 local government settlement £100 million was earmarked nationally for capitalisation. The Government are due to announce the terms of applying for a capitalisation direction, which would allow for the statutory element of redundancy costs to be spread over a number of years, but that has not yet been issued.
- 8.8 The table below shows the current projected revenue position both with and without approval to capitalise statutory redundancy costs. It is proposed our revenue contingency of £773k is allocated to this until we have certainty about capitalisation. If we receive a direction from government to capitalise costs the £773k will reduce the overspend.

	With Capitalisation	Without Capitalisation
	£000	£000
Budget	2,000	2,000
Reserve	142	142
Revenue funding available	2,142	2,142
* Non-statutory Redundancy	1,278	
Full cost of redundancy		2,685
Actuarial strain	640	640
Revenue costs	1,918	3,325
Budget surplus/(deficit)	224	(1,183)

*Statutory element will be funded from capital

- 8.9 Appendix B includes the capital programme position for 2013/14. It shows that the projected capital out-turn is £56.2 million funded from capital grants (£30.5 million), borrowing (£21.9 million) and capital receipts (£3.8 million).
- 8.10 The Treasury Management position is a projected out-turn of £120k underspend on borrowing and investments. During the budget review in April £100k was identified as an additional saving and is one of the budget transfers to be actioned in June. Appendix C includes a detailed analysis of the treasury management position.
- 8.11 The 2013/14 budget includes a transfer to the general fund reserve of £2 million, bringing the balance to £6.6 million (after meeting the 2012/13 overspend), compared to the council’s policy of a minimum level of £4.5 million. The projected position assumes no change to the 2012/13 revenue position as a result of the external audit of accounts.

8.12 As at the 31st March 2013 the council held £13.9 million of earmarked reserves, which are detailed below.

	31 Mar 2013
	£000
School balances	(5,535)
Industrial Estates	(431)
Schools Insurance	(497)
Schools sickness	(141)
Members	(40)
Community Centre	(10)
Waste Disposal	(2,407)
Contingent liabilities	(306)
Hereford Futures	(213)
Whitecross school PFI	(339)
Economic Development	(127)
Pool car reserve	(10)
Three Elms Ind. Estate	(241)
Community Equipment	(110)
Community Social Care	(116)
Change management	(142)
Unused Grants cfwd	(3,303)
	(13,968)

9 Community Impact

9.1 Not applicable

10 Equality and Human Rights

10.1 The recommendations do not have equality implications

11 Financial Implications

11.1 These are contained within the report

12 Legal Implications

12.1 None

13 Risk Management

13.1 Monthly budget control meetings are chaired by the Chief Officer (Finance and Commercial) to give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures on the council's overall position.

14 Consultees

14.1 None

15 Appendices

15.1 Appendix A – Revenue Budget Monitoring

Appendix B – Capital Monitoring

Appendix C – Treasury Management

Appendix D – Budget virements

16 Background Papers

None