

MEETING:	CABINET
MEETING DATE:	9 OCTOBER 2014
TITLE OF REPORT:	BUDGET MONITORING REPORT – AUGUST 2014
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not a key decision

Wards Affected

County-wide

Purpose

To provide Cabinet with an updated position on the projected outturn for 2014/15.

Recommendation(s)

THAT:

- (a) Cabinet notes the council is projected to spend within its budget for this financial year;**
- (b) Cabinet notes the capital and treasury projected outturns; and**
- (c) Cabinet agrees the virement of 2014/15 revenue and capital contingency budgets to meet in year pressures within Directorates**

Alternative Options

- 1 There are no alternative options

Reasons for Recommendations

- 2 The forecast outturn for the year, based on spend to the end of August 2014 is break-even.

Key Considerations

Revenue Outturn

- 3 This report sets out a forecast break-even position at year-end based on information at the end of August 2014. Directorate pressures' being mitigated by underspends in corporate budgets. This compares with a forecast £4.5m over-spend forecast in 2013/14 at the same point in the year. External Audit consider the authority to be in a much stronger financial position than it was 12 months ago and has rated all areas of financial performance as green.
- 4 There are in year pressures in relation to Adults, £1m and Children's, £0.5m. Additional spend of £600k Learning Disability transitions, including £300k pressure relating to young people in residential educational and care setting, £320k on Colwall school temporary accommodation needs and £400k on grass cutting have been partially mitigated by using the revenue contingency of £700k. The treasury management budget will underspend due to continued low interest rates and the corporate managing change budget of £2m will underspend by an estimated £1m as voluntary leavers have reduced the need for redundancies.
- 5 The overall council budget made allowance for slippage on savings, taking into consideration the reductions required, £15m. This will mean the 2014/15 budget remains on target, however caution must be exercised in reviewing the realism of savings and budgets set out in the Medium Term Financial Plan (MTFP) when reviewing the 2015/16 budget over the coming months. This may mean other savings initiatives need to be considered above those planned.
- 6 As well as the revenue contingency the council budget includes £1.6m set aside for the 2013/14 anticipated overspend that could be used if other unforeseen items occur that otherwise will be used to increase reserve levels. This has not been used in the forecast to mitigate pressures.

Service	Budget Exp.	Budget (income)	Net budget	August Forecast Outturn	Projected Over/ (under) spend
	£000	£000	£000	£000	£000
Adults and Wellbeing	78,274	(22,908)	55,366	56,338	972
Children's Wellbeing	43,616	(22,179)	21,437	21,921	484
Economy, Communities & Corporate	124,583	(71,456)	53,127	52,902	(225)
Directorate total	246,473	(116,543)	129,930	131,161	1,231
Treasury management	16,060	(180)	15,880	15,350	(530)
Other budgets and reserves	6,759	(6,434)	325	(675)	(1,000)
Total	269,292	(123,157)	146,135	145,836	(299)

Adults and Wellbeing

7. The latest forecast predicts an over-spend against budget of £972k at the year-end.
8. The Directorate has a target of £5.5m savings to deliver in 2014/15 and the majority of transformation and project plans are underway to address these efficiencies. Of the £5.5m savings target the main shortfalls in delivery relate to £1.1m demand management savings and £900k that was assumed to be delivered from reassessments leading to exits from care following the introduction of the new FACE RAS.
9. The area of main risk continues to relate to growth in adult social care, specifically the growth in residential and nursing home admissions, which has again continued during the last month. In addition additional costs associated with transitions, young people moving into adult social care is £300k higher than was previously forecast.
10. The trend of increased activity within nursing and residential care, and demand for social care assessment across older people, is reflected across the health system and in particular the acute and urgent care system. During August, the hospital was reporting its highest level of occupancy and had to activate major incident plans due to demand. This has inevitably led to pressure on the adult social care system to move more people into residential and nursing care rapidly, rather than look at alternative community based options. Other areas that require further investigation and action put in place are community equipment, older people and working age mental health costs. Actions have already been put in place to accelerate savings plans in these areas.

- 11 The majority of the contracts in Public Health need to be procured in 2014/15. The commissioning and procurement programme is now in place with the first tendering process due to start in October 2014.

Children's Wellbeing

- 12 The latest forecast predicts an over-spend against budget of £484k at the year end, an increase of £364k since May.

The Directorate has a target of £2.5m savings to deliver in 2014/15 and the majority of the actions have been concluded and savings delivered across the whole directorate, or are underway to address this. Of the target the main shortfalls in delivery and also growing pressure relate to £986k of children in care costs and £480k of staffing costs in Safeguarding Services. These two areas remain the highest areas of risk for the Children's budget.

- 13 The number of children in care currently stands at 265, a 12% increase since this point last year (235). Significant effort has been made to control these costs, despite the growth in numbers. This work has seen a reduction in the use of independent foster agency placements which are more costly than the Council's own fostering service; no new residential placements since May; and little variation in spend for the last six months. The Herefordshire Intensive Placement Support Service has now been commissioned and commences work this autumn, with a specific remit to reduce costs and improve outcomes in this area of the children's system.
- 14 The Council still has a planned significant reliance on long term agency staff. The turnover of permanent staff has slowed down. The commitment to keep caseloads at a manageable level has led to an increase in the number of front line staff. The staffing budgets are currently being reprofiled to ensure the year end forecasts accurately reflect the management savings, and changing profile of permanent and agency staff. In the past six months staffing costs have remained relatively stable despite halving the number of cases per worker and achieving a positive outcome from OFSTED.
- 15 The Directorate is finalising a series of further transformation projects to address over the medium term the underlying pressures within the Children's budget, which currently has an overreliance on individual grants such as the Education Support Grant (£1.7m) used to support the safeguarding position.

Economy, Communities and Corporate

- 16 The projected outturn of £225k underspend is after providing for additional grass cutting of £400k; £250k for children's play areas and £150k verge cutting. This was partially funded by use of £200k corporate revenue contingency.
- 17 Car parking income is expected to exceed income budget by £225k based on current trends. Income from the Old Market site is currently being monitored and is expected to increase the forecast underspend in future months.
- 18 Planning Income continues to increase and is currently expected to exceed income budget by £510k. There are further large applications expected over the next 24

months which may improve the current year position dependant on the timing of these.

- 19 There are further in year pressures in relation to property repairs and maintenance £125k, energy costs £120k and legal services £90k. Improvement plans are currently being developed to reduce these pressures.
- 20 Further detail on the current projected position for the year within Directorates are summarised in Appendix A.

Treasury Management

- 21 The treasury management budget is forecast to underspend by £530k this year as a result of deferring the take up of prudential borrowing and obtaining short term loans at a lower interest rate, further detail is provided in Appendix C.

Other budgets and reserves

- 22 Earmarked reserves and contingency budgets are set-aside for in year pressures. Of the £2m change management budget a £1m underspend is predicted due to less than forecast redundancy costs. The revenue contingency budget of £700k will be vired to:

	£000
Colwall School temporary accommodation (CWB)	200
Grass cutting	200
Learning Disability transitions - Adults	<u>300</u>
Total	700

- 23 Following the 2012/13 Audit of our Accounts in September 2013 Grant Thornton rated the following areas as amber:

- Key indicators of financial performance
- Strategic Financial Planning
- Financial Governance
- Financial Control

The assessment for levels of reserve was assessed as red.

Their report to the Audit and Governance Committee, 29 September 2014, all areas were re-assessed as green, meaning adequate arrangements are now in place. The External Auditor commented that both financial discipline had improved and that budget monitoring arrangements were much stronger than in previous years.

Capital

- 25 It is forecast that capital spending will be £8.8m higher than budgeted, £85.3m for 2014/15, changes relate to government grants or re-profiling expenditure between years.
- Transfer of £0.6m to Children's Wellbeing from the Capital Contingency contributing towards the temporary building costs of Colwall School.

- An increase of £3.87m on highways improvements relating to additional funding announced by the Department for Transport. This consists of Pot Hole Funding of £2.57 million; and Severe Weather Repair Funding of £1.3 million.
- An additional £1.3m relating to the purchase of wheeled bins which are to be funded by transfer from the Waste Reserve.
- Re-profiling of expenditure on Leisure Centre Improvements, an increase of £2m to £5.3m in 2014/15 with a corresponding reduction in 2016/17.

Further detail is provided in Appendix B

Community Impact

26 None

Equality and Human Rights

27 The recommendations do not have any equality implications

Financial Implications

28 These are contained within the report.

Legal Implications

29 The Local Government Finance Act 1988 makes it a legal requirement that the council's expenditure (and proposed expenditure) in each financial year must not exceed the resources (including sums borrowed) available to the authority. If this principle is likely to be breached, the Chief Financial Officer is under a statutory duty to make a formal report to Members.

Risk Management

30 Monthly reporting gives the Chief Finance Officer assurance on the robustness of budget control and monitoring, highlighting key risks and identifying any mitigation to reduce the impact of pressures on the council's overall position

Consultees

None

Appendices

Appendix A - Revenue Forecast

Appendix B - Capital Forecast

Appendix C - Treasury Forecast

Background Papers

- None identified