

WYRE FOREST DISTRICT COUNCIL

CABINET
25TH SEPTEMBER 2008

Budget Monitoring Action Plan

SUSTAINABLE COMMUNITY STRATEGY THEME	
CORPORATE PLAN AIM:	Improving Corporacy & Performance
CABINET MEMBER:	Councillor John Campion
HEAD OF SERVICE:	David Buckland, Head of Financial Services
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APPENDICES	None
AN OPEN ITEM	

1. PURPOSE OF REPORT

- 1.1 To update the Cabinet on the plans in relation to budget monitoring following the Quarter 1 Budget Monitoring report which was presented to the Cabinet on 21 August 2008.

2. RECOMMENDATIONS

The Cabinet is asked to DECIDE :-

- 2.1 **That the progress in identifying necessary reductions in revenue expenditure to meet the position reported at Quarter 1 Budget Monitoring be noted.**
- 2.2 **That the Chief Executive be requested to identify as a matter of urgency further measures required in order to bring the overall budget back into line.**

3. BACKGROUND

- 3.1 The Council has an established process for the monitoring, reporting and management of the Council's revenue and capital budgets.
- 3.2 On 21 August 2008, the first quarter position for 2008/09 was reported, this report highlighted that there was a predicted overspend of around £300k on the revenue budget for 2008/09 which included the following:
- Increase in energy/fuel costs - £100k
 - Increase in cost of operating Paddling Pools/Public Conveniences - £40k
 - Transitional Cost of Audit Fees - £35k
 - Reduction in income from Land Charges – £65k
 - Potential Impact of pay award - £70k

- 3.3 As a result of this predicted position Cabinet agreed that an action plan needed to be prepared for presentation to the next meeting to address this position, which would be considered in conjunction with the revised Budget.

4. KEY ISSUES

- 4.1 The revised Budget is due to be reported to the Cabinet for approval by Council in December 2008.
- 4.2 As has been the established process for a number of years there is a formal fundamental review process of the budget which leads to the presentation of the Revised Budget. This process begins in July/August and is reported in December, and considers all expenditure and income areas.
- 4.3 The position reported to the Cabinet on 21 August 2008, included those areas which are forecast to either be overspent on expenditure or under achieving on income, by the year end. In relation to the majority of the issues these are outside of the control of the Council. These can be summarised as follows:
- Cost of fuel – the Council has been affected along with the rest of the economy by high oil prices globally, which have resulted in increases in the price that the Council has to pay for diesel and energy. For information, the average price of Diesel in the West Midlands for Aug 2008 was 125.3p per litre (£5.70 per gallon), compared to 97p per litre (£4.41 per gallon), for the same month in 2007. This is an increase of nearly 30% in a year. The Council is committed to ensuring that the most effective method of procuring fuel and energy is undertaken and is a member of a consortium to ensure that economies of scale can be made.
 - Land Charges income – the impact of the credit crunch has had a dramatic knock on to the availability of mortgages, which has resulted in a significant slow down in the buying and selling of houses. This affects the Council through fewer searches being undertaken and therefore reduced income.
 - Impact of Pay Award – the Council's budgeted increase for 2008/09 was 2%, whereas the current offer from the employers nationally is 2.45%, the £70k shown represents the difference between the budgeted position and the current offer.
 - Transitional Costs of Auditors – as per the decision of the regional Audit Commission, the Council has changed its external Auditors for the year 2008/09. Whereas the Council has been paying in arrears for certain elements of the Audit in the past, with the introduction of the new auditors this arrangement has changed to ensure that the Council pays for the audit in the year incurred. This is consistent with the matching concept, but has resulted in a one-off additional cost to be met in 2008/09.
- 4.4 In order for the Council to contain these costs within the overall budget approved by Council in February 2008, the Council has a number of options:
- Seek further efficiencies in the delivery of the Council's services;
 - Reduce the level of service provided to deliver cost savings;

- Increase the level of income that is generated by the Council, through fees and charges;
- Review the Council's earmarked reserves;
- Fund from general fund balances, in addition to the budgeted contribution from reserves in the 2008/09 financial strategy.

4.5 An initial review of the options under paragraph 4.4 has been undertaken, in conjunction with the final account position that was reported 30 June 2008. It is envisaged at this stage that the following assumptions can be made in order to support the budget position for 2008/09:

- Pay Award – although it is estimated that the impact of the increased pay award will be in the region of £70k there was a significant under spend on the 2007/08 position and therefore it is anticipated that with close monthly monitoring and action by CMT the overall pay bill for 2008/09 can be accommodated within budget. However, this will be an issue for the budget process for 2009/10 and beyond;
- Benefits Payments – it is notoriously difficult to predict the net position on benefit payments, the level of payments is around £30m per annum and small percentage changes on this budget can be significant. However, in reviewing the position for the last two years it is felt that a saving of £75k could be made during the current financial year as a one-off saving.
- Leisure Centre– the Council maintains an annual budget of £71k for unexpected costs in relation to the leisure centre. This budget can only be utilised on the instruction of the Cabinet. This contingency exists to cover the Council's contractual responsibilities under which is a complex and financially significant contract. To reduce the budget in 2008/09 is a risk, and Cabinet need to be aware of the requirement to cover any bonafide claim, however, at this stage the Council is not aware of any claims and a reduction of £50k at this stage is suggested.

4.6 The result of the issues discussed at paragraph 4.5 results in the net position for 2008/09 reducing from the £300k reported on 21 August 2008 to an **£105k** over spend. Further investigations will be on-going along side the revised budget process and will be reported to the Cabinet in December 2008. The options considered at paragraph 4.4 will be considered during this process to ensure that proposals in relation to the £105k can be discussed.

5. FINANCIAL IMPLICATIONS - BUDGET MONITORING

5.1 The budget monitoring report presented to the Cabinet on 21 August 2008 identified a forecast over spend position of £300k. It should be noted that this is the first monitoring position for the year and there is the potential for the position to change before the year end.

5.2 Options identified at paragraph 4.4 have identified £195k of budget adjustments, which would reduce the position to £105k over spend. As stated above further work will be on-going in relation to the revised budgets which will be presented to the Cabinet in December 2008.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Local Government Act 2003 (sections 25–29) placed new duties on Local Authorities on how they set and prioritise budgets.
- 6.2 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it concludes necessary. The Council currently reviews the Budget on a quarterly basis.
- 6.3 The new CPA guidelines place greater emphasis on Use of Resources made by Local Authorities. The Audit Commission will make a Use of Resources assessment based on the annual programme of external audit work. One of the Key Lines of Enquiry (KLOE) will be how well the Council manages and uses its financial resources.

7. CONCLUSIONS/ACTION

- 7.1 The Council has an established and robust budget monitoring system, for 2008/09 the 1st Quarter budget monitoring report identified that the initial forecast was an over spend for the year of £300k, resulting in the main from budget pressures beyond the control of the Council.
- 7.2 The revised budgets will be presented to the Cabinet in December 2008 for which there is an established and detailed timetable. However, in advance of the revised budget further reviews of the budget will be undertaken with a view of identifying the further savings of £105k required.

8. CONSULTEES

CMT

9. BACKGROUND PAPERS

Cabinet 21st August 2008