

WYRE FOREST DISTRICT COUNCIL

CABINET
24th NOVEMBER, 2009

Budget Monitoring – Second Quarter 2009/2010

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A Well-Run and Responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
DIRECTOR:	Director of Resources
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APPENDICES:	Appendix 1 Wyre Forest District Council General Fund Total Requirements - District Council Purposes Appendix 2 Budgetary Control Reports - Revenue Appendix 3 Income Generation Projection Report Appendix 4 Budgetary Control Report – Capital Programme 2009/2010 Appendix 5 Cabinet Proposal Progress Report Appendix 6 Non Policy Saving Progress Report Appendix 7 Budget Risk Matrix Appendix 8 Prudential Indicators 2009/2012 Appendix 9 Supplementary Estimate/Virement Report 2009/2010

1. PURPOSE OF REPORT

- 1.1 To monitor the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003 and Comprehensive Performance Assessment (CPA) guidelines.

2. RECOMMENDATIONS

The Cabinet is asked to DECIDE:-

- 2.1 **That the projected budget variations and comments outlined within this report be noted. Information from this report will feed into the ensuing Financial Strategy;**
- 2.2 **That the Income Generation Projection Report be noted;**

- 2.3 That the Service Directors continue to monitor closely the Revenue Budget and Capital Programme, particularly in relation to implementation of Cabinet Proposals and non- policy saving approvals;
- 2.4 That the updated Capital Programme and Vehicle, Equipment and Systems Renewal Schedule 2009/2010, brought about by slippage and reassessment, be noted;
- 2.5 That the Cabinet Proposal and Non Policy Saving Progress Reports be noted;
- 2.6 That the revised Budget Risk Matrix be noted;
- 2.7 That the updated Prudential Indicators be noted; and
- 2.8 That the Supplementary/Virement report be noted.

3. BACKGROUND

- 3.1 Council on 25th February 2009 agreed the revised Revenue Budget and Capital Programme for the period 2009/2012.
- 3.2 Cabinet on the 22nd September 2009 considered the Budget Monitoring Report – First Quarter 2009. This included a recommendation to Council for the use of reserves for the 2009/10 West Midlands Local Government Association subscription and also the pay in lieu of notice element of severance costs, previously capitalised; this was approved.

4. KEY ISSUES

- 4.1 The Cabinet is responsible for overall revenue budget and capital programme performance and monitoring.
- 4.2 The Director of Resources provides each Service Director monthly financial statements to assist with budget monitoring.
- 4.3 Each Service Director is responsible for the administration and monitoring of resources allocated to their Directorate.
- 4.4 The Cabinet is required to consider on a regular basis, relevant financial information relating to Budget monitoring and take appropriate action where necessary.
- 4.5 As part of last year's Finance Strategy a number of non-policy Budget reductions were incorporated into the Budget together with a schedule of Cabinet Proposals. Some of these approvals are proving to be particularly challenging and progress reports are shown in Appendix 5 for Cabinet Proposals and Appendix 6 for the non-policy approvals; this updates the position previously reported for Quarter One.
- 4.6 A revised strategy is being taken for this year's Budget process, including the requirement for efficiencies in the light of the projected issues covered in this report including:
 - The prospect of a reduced Local Government Finance Settlement from 2010/11 onwards.

- Reduction in investment income, given the reduction in Bank Base Rates; although the changes to the Treasury Management Policy approved at Council on the 29th July go a small way towards mitigating this, as shown in Appendix 2 the current projection for actual to year end is £141,000 compared to the original Budget of £305,420.
- The diminishing availability of reserves available to fund the 3 year Strategy (paragraph 4.7 below also refers).

A Budget Cabinet member/officer workshop was held during October as a key element of the revised Budget Strategy and, together with this second quarter's monitoring report, will be fed into the ensuing Finance Strategy.

- 4.7 A Budget Issues Report was presented to Cabinet on the 27th October 2009, identifying emerging budget issues which will affect the Service and Financial Planning process, leading to the presentation of the Financial Strategy 2010-13.

5. FINANCIAL IMPLICATIONS - BUDGET MONITORING 2ND QUARTER 2009/2010

- 5.1 A copy of the Council's approved Revenue Budget is enclosed as Appendix 1 for Members information.
- 5.2 The Director of Resources, having consulted with other Service Directors, has produced a schedule of significant revenue budget variations and comments on key activities for the second quarter as Appendix 2. These variances include:
- £164,420 (adverse) in relation to the reduction of interest projected to be received for 2009/10, as a result of the reduction in Bank Base rates.
 - £80,060 (positive) in respect of Energy cost savings
 - £62,300 (adverse) in respect of a non policy saving to withdraw payments of shift allowance.
 - £200,000 (adverse) in relation to reduced external income from external tree works, Garage Services, Planning Development Control, Licensing and Land Charges.
- 5.3 A very positive recent event is the negotiation of £144,000 payment from the County Council for 2009/10 in respect of Waste Management Efficiency Grant. The Council is also in discussions along with all other districts on implementing an incentive scheme to reward districts for recycling initiatives, thereby reducing the impact of landfill tax to be paid by the Council. It is too early in the discussions to determine what level of support may eventually be available through this route.
- 5.4 A copy of the Income Generation Projection Report for the second quarter is enclosed as Appendix 3. This additional report is to enable Members to consider and focus on key income generation areas which impact on the overall revenue budget. Income variations are included together with expenditure items in Appendix 2.
- 5.5 An amended Capital Programme and Vehicle, Equipment and Systems Renewal Schedule for 2009/2010, Capital Programme is enclosed as Appendix 4.

- 5.6 A Progress Report of Cabinet Proposals outstanding from the Quarter One report is shown in Appendix 5. Appendix 6 shows a similar Progress Report for Non-Policy Budget changes.
- 5.7 A copy of the updated Prudential Indicators is in Appendix 8.
- 5.8 A copy of the Supplementary Estimates/Virement Schedule is enclosed as Appendix 9.

6. ICELANDIC INVESTMENTS

- 6.1 A key implication of the Icelandic investments relates to the requirement to account for impairment (ensuring that the accounts reflect a prudent view in relation to the prospects for the return of the investments). Such impairment charges would normally result in a revenue cost to the Council (even though the investments themselves were the Council's capital receipts). In March 2009, the Government introduced legislation to defer any impact upon Local Authority accounts for impairment until 2010/11, the rationale being that there would be significantly more information available at that time to make sensible decisions in relation to the return of the investments.
- 6.2 Communities and Local Government have recently indicated that applications for Capitalisation of potential impairment losses where evidence of exceptional financial difficulties can be provided will be considered favourably. In view of the fact that these investments were capital funds not yet required and given this Council's diminishing revenue reserves, our case for capitalisation is strong and an application may be submitted for 2009/10 by the 15th December 2009, CLG deadline. The full implications of this will be considered as part of the ensuing Finance Strategy; it is important to note that this action provides a contingency plan for accounting for these potential losses if the worse case scenario occurs and predicted recoveries are not realised. This is therefore a prudent approach to mitigate risk.

7. LEGAL AND POLICY IMPLICATIONS

- 7.1 The Local Government Act 2003 (sections 25–29) placed new duties on Local Authorities on how they set and prioritise budgets.
- 7.2 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.
- 7.3 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.

8. RISK MANAGEMENT

- 8.1 The Budget Risk Matrix has been revised to reflect the current assessment of risk. A copy of the Budget Risk Matrix is enclosed as Appendix 7 for information.

9. EFFICIENCY SAVINGS

- 9.1 The financial year 2009/2010 is the second year of the Comprehensive Spending Review (CSR) 07 replacing the former "Gershon" regime. The Budget Review Panel will be considering a revised Efficiency Strategy during the 2009/2010 budget considerations. Initially, an exercise will be undertaken to consider the relative priority of **all** Council services against priority model adopted as part of 2009/12 Financial Strategy. The results of this prioritisation exercise will be fed into the budget process with attention concentrated upon directorate's individual plans in relation to efficiency. Detailed working papers/evidence must be provided in order for savings to be treated as efficiency gains. The Director of Resources in consultation with CMT will report on the progress of efficiency savings in due course.

10. CONCLUSIONS/ACTION

- 10.1 The information contained within Appendices 2, 3, 4, 5, 6, 7, 8 and 9 provides Members with an overview of financial trends within the period to 30th September 2009, together with appropriate comments relative to key activities. This information will feed into the revised Budget strategy and full suite of Financial Strategy Reports to be presented to Cabinet on 22nd December 2009.
- 10.2 A further report identifying the nine month position will be submitted to the Cabinet in February 2010.

11. CONSULTEES

- 11.1 Corporate Management Team

12. BACKGROUND PAPERS

Council 25th February 2009 C.80
Cabinet 25th August 2009, Quarter one Budget Monitoring Report
Communities and Local Government (CLG) Letter 15th October 2009, Capitalisation Directions 2009-10
Cabinet Budget Monitoring Report 22nd September 2009